

**CITY OF LEBANON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022**

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DECEMBER 31, 2022

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Lebanon as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Lebanon, as of December 31, 2022, the respective changes in financial position, where applicable cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

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

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

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

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and

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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 February 28, 2024 on our consideration of the City of Lebanon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lebanon's internal control over financial reporting and compliance.

February 28, 2024
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

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

As management of the City of Lebanon, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. 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. financial statements, 2. notes to the basic financial statements, and 3. required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

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

Both government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, welfare, culture and recreation, conservation, and interest on long-term debt. The business-type activities included solid waste disposal, water treatment and distribution, sewage collection and disposal, and municipal airport activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City are divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

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

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

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

- Total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$146,645,635.
- Governmental funds reported combined ending fund balances of \$21,718,120, an increase of \$2,395,915.
- General fund unassigned fund balance was \$10,915,290, a decrease of \$1,716,201.
- Bonds/notes payable (governmental and business-type activities combined) were \$88,900,736, an increase of \$250,137.
- Authorized and unissued debt was \$22,145,029, an increase of \$3,073,860.

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 \$146,645,635, an increase of \$5,369,265 in comparison to the prior year.

The largest portion of net position \$142,445,831 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 \$4,464,101 represents resources that are subject to external restrictions on how they may be used; the remaining balance (\$264,297) 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$42,751,647	\$39,692,670	\$35,559,883	\$34,119,808	\$77,311,530	\$73,812,478
Capital Assets	\$115,852,519	\$113,754,365	\$115,494,048	\$111,315,043	\$231,346,567	\$225,069,408
Total Assets	\$158,604,166	\$153,447,035	\$151,053,931	\$145,434,851	\$309,658,097	\$298,881,886
Deferred Outflows of Resources	\$5,097,195	\$4,713,008	\$537,961	\$489,790	\$5,635,156	\$5,202,798
Long-term Liabilities Outstanding	\$75,103,803	\$66,756,399	\$62,583,121	\$60,802,364	\$137,686,924	\$127,558,763
Other Liabilities	\$19,380,670	\$19,722,688	\$1,963,423	\$1,944,937	\$21,344,093	\$21,667,625
Total Liabilities	\$94,484,473	\$86,479,087	\$64,546,544	\$62,747,301	\$159,031,017	\$149,226,388
Deferred Inflows of Resources	\$3,897,309	\$9,095,118	\$5,719,292	\$4,486,808	\$9,616,601	\$13,581,926
Net Position:						
Net Investment in Capital Assets	\$73,806,802	\$72,485,325	\$68,639,029	\$63,933,484	\$142,445,831	\$136,418,809
Restricted	\$2,740,384	\$2,543,582	\$1,723,717	\$3,922,111	\$4,464,101	\$6,465,693
Unrestricted	(\$11,227,607)	(\$12,443,069)	\$10,963,310	\$10,834,937	(\$264,297)	(\$1,608,132)
Total Net Position	\$65,319,579	\$62,585,838	\$81,326,056	\$78,690,532	\$146,645,635	\$141,276,370

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program Revenues --						
Charges for Services	\$2,163,541	\$2,484,373	\$16,302,427	\$14,499,846	\$18,465,968	\$16,984,219
Operating Grants and Contributions	\$1,832,319	\$986,915	\$2,838,854	\$2,270,207	\$4,671,173	\$3,257,122
Capital Grants and Contributions	\$766,894	\$511,912	\$0	\$0	\$766,894	\$511,912
General Revenues --						
Property and Other Taxes	\$25,959,114	\$25,354,730	\$0	\$0	\$25,959,114	\$25,354,730
Licenses & Permits	\$3,871,376	\$3,605,331	\$0	\$0	\$3,871,376	\$3,605,331
Grants and Contributions Not Restricted to Specific Programs	\$1,487,249	\$1,327,031	\$0	\$0	\$1,487,249	\$1,327,031
Other General Revenues	\$357,106	\$1,039,205	\$679,806	\$1,197,003	\$1,036,912	\$2,236,208
Total Revenues	\$36,437,599	\$35,309,497	\$19,821,087	\$17,967,056	\$56,258,686	\$53,276,553
Contributions to Permanent Funds	\$5,350	\$17,693	\$0	\$0	\$5,350	\$17,693
Transfers	\$1,996,272	\$1,396,156	(\$1,996,272)	(\$1,396,156)	\$0	\$0
Total Revenues Including Transfers	\$38,439,221	\$36,723,346	\$17,824,815	\$16,570,900	\$56,264,036	\$53,294,246
Expenses:						
General Government	\$10,380,202	\$9,092,003	\$0	\$0	\$10,380,202	\$9,092,003
Public Safety	\$13,128,482	\$11,433,128	\$0	\$0	\$13,128,482	\$11,433,128
Highway and Streets	\$6,908,497	\$5,842,408	\$0	\$0	\$6,908,497	\$5,842,408
Sewage Collection and Disposal	\$0	\$0	\$5,823,398	\$5,545,623	\$5,823,398	\$5,545,623
Solid Waste Disposal	\$0	\$0	\$3,960,224	\$3,663,751	\$3,960,224	\$3,663,751
Water Distribution and Treatment	\$0	\$0	\$2,913,319	\$2,893,288	\$2,913,319	\$2,893,288
Welfare (Human Services)	\$636,606	\$468,881	\$0	\$0	\$636,606	\$468,881
Municipal Airport	\$0	\$0	\$2,492,350	\$1,885,876	\$2,492,350	\$1,885,876
Culture and Recreation	\$3,421,677	\$2,889,186	\$0	\$0	\$3,421,677	\$2,889,186
Conservation	\$66,753	\$304,111	\$0	\$0	\$66,753	\$304,111
Interest on Long-term Debt	\$1,163,263	\$1,132,482	\$0	\$0	\$1,163,263	\$1,132,482
Total Expenses	\$35,705,480	\$31,162,199	\$15,189,291	\$13,988,538	\$50,894,771	\$45,150,737
Change in Net Position	\$2,733,741	\$5,561,147	\$2,635,524	\$2,582,362	\$5,369,265	\$8,143,509
Net Position Beginning 1/1	\$62,585,838	\$57,024,691	\$78,690,532	\$76,108,170	\$141,276,370	\$133,132,861
Net Position Ending 12/31	\$65,319,579	\$62,585,838	\$81,326,056	\$78,690,532	\$146,645,635	\$141,276,370

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 \$2,733,741.

	<u>Amount</u>
Net change in General Fund fund balance	(\$982,477)
Net change in Capital Improvements Fund fund balance	\$3,250,209
Net change in other governmental funds fund balance	\$128,183
Capital outlays exceed depreciation expense and asset disposals	\$2,098,154
Revenue that does not provide current financial resources	\$238,674
Offset the effect of providing/using resources through the issuance/repayment of long-term principal debt	(\$755,817)
Change in accrued interest expense, compensated absences payable, pension liability, and postemployment benefits payable	<u>(\$1,243,185)</u>
Total	\$2,733,741

Program revenues of \$4,762,754 covered 13.3% of program expenses. The remaining 86.7% was financed by general revenues including property and other taxes, licenses & permits, grants and contributions not restricted to specific programs, and other general revenues. The primary funding source for governmental activities was taxes (\$25,959,114) consisting of property taxes (\$23,931,488) and other taxes (\$2,027,626). Property taxes comprise about 62.3% of total program revenues, general revenues and contributions and transfers.

The General Government function makes up 29.1% of the total governmental activities' expenses followed by Public Safety, 36.8%, Highway and Streets, 19.3%, Welfare, 1.8%, Culture and Recreation, 9.6%, Conservation, 0.2% and Interest on Long-Term Debt 3.3%.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Governmental Activities:				
General Government	\$10,380,202	29.1%	(\$10,026,403)	32.4%
Public Safety	\$13,128,482	36.8%	(\$11,389,298)	36.8%
Highway and Streets	\$6,908,497	19.3%	(\$6,443,550)	20.8%
Welfare (Human Services)	\$636,606	1.8%	(\$636,606)	2.1%
Culture and Recreation	\$3,421,677	9.6%	(\$2,849,545)	9.2%
Conservation	\$66,753	0.2%	(\$41,010)	0.1%
Interest on Long-Term Debt	\$1,163,263	3.3%	(\$1,149,220)	3.7%
Capital Outlay	\$0	0.0%	\$1,592,906	-5.1%
Total	<u>\$35,705,480</u>	<u>100.0%</u>	<u>(\$30,942,726)</u>	<u>100.0%</u>

Business-type Activities. Business-type activities for the year resulted in a change in net position of \$3,951,990.

	<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:				
Sewage Collection and Disposal	\$5,823,398	38.3%	\$2,031,580	51.4%
Solid Waste Disposal	\$3,960,224	26.1%	(\$154,367)	-3.9%
Water Treatment and Distribution	\$2,913,319	19.2%	\$1,095,046	27.7%
Municipal Airport	\$2,492,350	16.4%	\$979,731	24.8%
Total	<u>\$15,189,291</u>	<u>100.0%</u>	<u>\$3,951,990</u>	<u>100.0%</u>

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 \$21,718,120, an increase of \$2,395,915.

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.

KEY ELEMENTS OF CHANGE IN COMBINED FUND BALANCES

General Fund expenditures and transfers out in excess of revenues and transfers in	(\$982,477)
Capital Improvements Fund revenues, transfers in, and bond/note proceeds in excess of expenditures and transfers out	\$3,250,209
Other governmental funds revenues and transfers in in excess of expenditures and transfers out	<u>\$128,183</u>
Net Change in Fund Balances	<u>\$2,395,915</u>
Other Governmental Funds:	
Library Fund expenditures exceed revenues and transfers in	(\$9,461)
Public Safety Revolving Fund (Police) expenditures exceed revenues	(\$2,153)
Lebanon Open Space Fund revenues	\$9,853
Public Safety Revolving Fund (Fire) revenues exceed expenditures	\$252
Farmers Market Fund expenditures exceed revenues	(\$1,224)
Recreation Revolving Fund revenues exceed expenditures	\$4,511
Impact Fees transfers out exceed revenues	(\$215,624)
Cemetery Maintenance revenues	\$10,766
Public Assistance Revolving Fund transfers in	\$150,000
Downtown TIF District revenues	\$442,013
Airport/Tech Park TIF District revenues	\$12
Permanent Fund (cemetery perpetual care) revenues exceed expenditures and transfers out	<u>(\$260,762)</u>
Net Change in Fund Balances	<u>\$128,183</u>

UNASSIGNED FUND BALANCE, DECEMBER 31, 2022

Non-GAAP Budgetary Basis:

Unassigned Fund Balance 1/1 **\$12,988,865**

Percentage of total general fund current year budgeted expenditures

36.6%

Changes:

Unassigned fund balance used to reduce 2022 tax rate (\$1,078,461)

Unassigned fund balance voted from surplus (\$2,771,450)

Revenue surplus \$1,152,675

Unexpended balance of appropriations \$1,375,786

Decrease in nonspendable fund balance \$322,551

Increase in assigned fund balance (non-encumbrance) (\$447,521)

Unassigned fund balance 12/31 Non-GAAP budgetary basis **\$11,542,445**

Percentage of total general fund current year budgeted expenditures

32.5%

Reconciliation of Non-GAAP Basis to GAAP Basis:

Deferral of property taxes not collected within 60 days of year-end (\$777,155)

Elimination of the allowance for uncollectible taxes \$150,000

Unassigned fund balance 12/31 GAAP basis **\$10,915,290**

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 \$231,346,567 (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.

2021 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	\$189,570	Intangible assets	\$545,054
Construction in progress	<u>\$15,936,229</u>	Construction in progress	<u>\$10,518,684</u>
Total	\$23,755,085	Total	\$11,873,706
Net of depreciation:		Net of depreciation:	
Land Improvements	\$1,245,538	Land Improvements	\$11,825,735
Building and Building Improvements	\$19,481,689	Building and Building Improvements	\$25,762,321
Machinery and Equipment	\$7,943,926	Machinery and Equipment	\$4,402,258
Infrastructure	<u>\$61,328,127</u>	Infrastructure	<u>\$57,451,023</u>
Total	\$89,999,280	Total	\$99,441,337
Net BV value governmental activities capital assets	<u>\$113,754,365</u>	Net BV business-type activities capital assets	<u>\$111,315,043</u>
BV = Book Value		Net BV all capital assets	<u>\$225,069,408</u>

2022 CAPITAL ASSETS

	<u>Amount</u>		<u>Amount</u>
<u>Governmental Activities</u>		<u>Business-type Activities:</u>	
Not being depreciated:		Not being depreciated:	
Land	\$7,702,436	Land	\$809,968
Intangible assets	\$584,820	Intangible assets	\$635,054
Construction in progress	<u>\$8,496,398</u>	Construction in progress	<u>\$13,789,230</u>
Total	\$16,783,654	Total	\$15,234,252
Net of depreciation:		Net of depreciation:	
Land Improvements	\$1,459,074	Land Improvements	\$11,036,229
Building and Building Improvements	\$21,907,657	Building and Building Improvements	\$28,739,527
Machinery and Equipment	\$7,293,852	Machinery and Equipment	\$4,556,106
Infrastructure	<u>\$68,408,282</u>	Infrastructure	<u>\$55,927,934</u>
Total	\$99,068,865	Total	\$100,259,796
Net BV value governmental activities capital assets	<u>\$115,852,519</u>	Net BV business-type activities capital assets	<u>\$115,494,048</u>
BV = Book Value		Net BV all capital assets	<u>\$231,346,567</u>

2022 CAPITAL BUDGET			
Purpose:		Source of Financing:	
Infrastructure	\$13,051,090	Intergovernmental (Grants)	\$5,255,250
Vehicle and Equipment	\$1,284,250	Other	\$332,980
Airport Infrastructure	\$1,775,000	Debt Proceeds	\$9,209,860
Other	\$255,000	Interfund Transfers	\$1,567,250
Total	\$16,365,340	Total	\$16,365,340
Other Includes:			
Lebanon Complete Streets/Multi-Modal-Plan	\$20,000		
Property Acquisition - 226 Mascoma Street	\$235,000		
Total	\$255,000		

Long-Term Debt

At the close of the current fiscal year, bonds/notes payable (governmental and business-type activities combined) were \$88,900,736, an increase of \$250,137; annual requirements (governmental and business-type activities combined) to amortize all bonds/notes payable (principal and interest) were \$102,152,704, a decrease of \$340,268; authorized and unissued debt was \$22,145,029, an increase of \$3,073,860. All outstanding debt is debt backed by the full faith and credit of the City.

<u>LONG-TERM LIABILITIES, DECEMBER 31, 2022</u>				
Governmental activities:				
	<u>Balance 1/1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31</u>
Bonds/notes Payable	\$38,421,546	\$3,998,880	(\$3,386,996)	\$39,033,430
Unamortized Bond Premium	\$2,847,494	\$363,520	(\$198,727)	\$3,012,287
Total Bonds/notes Payable	\$41,269,040	\$4,362,400	(\$3,585,723)	\$42,045,717
Compensated Absences Payable	\$2,265,285	\$2,010,741	\$0	\$4,276,026
Net Other Postemployment Benefits	\$2,723,623	\$2,451	(\$44,626)	\$2,681,448
Net Pension Liability	\$20,498,451	\$5,602,161	\$0	\$26,100,612
Total	\$66,756,399	\$11,977,753	(\$3,630,349)	\$75,103,803
Business-type activities:				
	<u>Balance 1/1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31</u>
Bonds/notes Payable	\$45,975,735	\$1,977,120	(\$2,492,671)	\$45,460,184
Unamortized Bond Premium	\$1,405,824	\$96,480	(\$107,469)	\$1,394,835
Total Bonds/notes Payable	\$47,381,559	\$2,073,600	(\$2,600,140)	\$46,855,019
Compensated Absences Payable	\$276,781	\$133,942	(\$20,378)	\$390,345
Accrued Landfill Closure and Postclosure Care Costs	\$10,695,688	\$1,592,401	\$0	\$12,288,089
Net Other Postemployment Benefits	\$359,350	\$2,332	(\$4,317)	\$357,365
Net Pension Liability	\$2,088,986	\$603,317	\$0	\$2,692,303
Total	\$60,802,364	\$4,405,592	(\$2,624,835)	\$62,583,121

F. NEXT YEAR'S BUDGETS AND RATES

- In 2023, the total net assessed valuation, the amount on which the tax rate for municipal, county and local education tax is computed is \$2,744,253,545. A citywide assessment occurred in 2020 and 2022. According to State law, annually, the assessors – Lebanon Board of Assessors – shall adjust assessments to reflect changes so that all assessments are reasonably proportional within the City and that all real estate be reappraised so that assessment are at full and true value at least as often as every five years. (New Hampshire Constitution Part 2 Article 6.)

- An increase in the total net assessed valuation exerts downward pressure on the tax rate; a decrease has the opposite influence.

- The property tax rate bridges the gap between non-property tax revenues, spending and statutory tax credits and property assessment abatements. The Total Tax Rate is made up of four constituent rates: Municipal (general City services), School: Local, School: State, and County. Appropriations (authorization to spend public moneys) are a legislative act. The Lebanon City Council is the City's legislative body; the Lebanon School District annual meeting and Grafton County delegation (comprised of state representatives from Grafton County) are the legislative bodies for the school and county.

- The 2023 City Budget Municipal Tax Rate (excluding school and County components) is \$8.97 per \$1,000 of assessed value.

- The tax rate is set (calculated) by the New Hampshire Department of Revenue Administration usually in October. The first step in calculating the tax rate for each of the four tax rate components is to subtract non-property tax revenues and applied spendable fund balance from legal appropriations. (In the case of the Municipal Tax Rate, a provision for taxes that either will not be collected (War Service Tax Credits) or might not be collected to varying degrees (abatements) is added in.) The result, divided by the Net Valuation on Which the Tax Rate for Municipal, County & Local Education Tax is Computed, is converted to a rate expressed per \$1,000 of assessed real estate value. (For the state education tax rate, the result is divided by the Net Valuation on Which Tax Rate for State Education Tax is Computed.) The City Budget concerns the Municipal Tax Rate only.

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

Tax bills are mailed on or around June 1 and November 1 each year, with interest accruing at a rate of 8% on bills outstanding for more than 30 days. Within 18 months of the date assessed (April 1), the Tax Collector places a lien on properties for all uncollected property taxes. The lien on these properties has priority over other liens and accrues interest at 12% per annum. If property is not redeemed (taxes, penalties, and interest) within the 2-year redemption period, the property is tax 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 year based on a cash requirements schedule provided by the School District; the latter is paid in December. Both the Lebanon School District and Grafton County receive their respective assessment no matter what may transpire respecting abatement activity and outcomes as ultimate responsibility for the collection of taxes rests with the City.

- *Landfill Fees:* The tipping fee for 2022 was \$76.50/ton.
- *Water and Sewer Service Fees:* The 2022 City Budget provided an increase of 8.0% to water service rates (base user rate and minimum charge) approved by the City Council (December 1, 2021) effective January 1, 2022. Water 0-1200 rate is \$3.77 per 100CF, > 1200, the rate is \$7.54 per 100CF for water. There are also fixed charges for the size of the meter.

The 2022 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 1, 2021) effective January 1, 2022. Sewer rate is \$11.18 per 100CF. There are also fixed charges for the size of the meter.

The long-term objective of a rate increase is to moderate future service rate increases by accumulating resources in advance as spendable fund balance sufficient for the Water Treatment and Distribution Fund and Sewage Collection and Disposal Fund to absorb projected operation and maintenance and debt service expenses over the next six-years (2023 – 2028). 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 2022 City Budget had 187.9 active full-time equivalent (FTE) positions (176 full-time; 12 regular part-time positions excluding seasonal and occasional employees and call firefighters). 121.00 positions, or 64.4%, are represented by one of four unions. Positions may be occupied or vacant, funded, or unfunded. Positions are required to have an approved budget before they can be filled.

Fund	2022 Budget
General	\$ 36,891,120
Solid Waste Disposal	\$ 4,206,450
Water Treatment & Distribution	\$ 4,141,290
Sewage Collection and Disposal	\$ 7,264,330
Municipal Airport	\$ 1,479,310
Emergency Management	\$ 25,000
Capital Improvements	\$ 16,365,340
Heritage Fund	\$ 400
Downtown TIFD	\$ 385,700
Airport TIFD	\$ 10
Total	\$ 70,758,950

Expenditures by Function	2022 Budget
Capital Improvements	\$ 16,365,340
Community Development & Preservation	\$ 681,720
Community Services	\$ 2,492,660
Debt Service	\$ 9,876,850
General Government	\$ 9,789,395
Human Services	\$ 554,900
Interfund Transfers	\$ 4,999,075
Municipal Services	\$ 4,904,010
Public Safety	\$ 11,980,830
Sanitation	\$ 6,039,130
Transportation	\$ 1,178,750
Water Resources	\$ 1,896,290
Total	\$ 70,758,950

- The General Fund is 52.14% of the 2022 City Budget; Solid Waste Disposal Fund 5.94%; Water Treatment and Distribution Fund 5.85%; Sewage Collection and Disposal Fund 10.27%; Municipal Airport Fund 2.09%; Emergency Management Fund 0.04%, Capital Improvements Fund 23.13%; and Downtown TIFD .55%.
- The operations and maintenance budget (excluding capital improvements, debt service, and interfund transfers) is 55.85% of the City Budget or \$39,517,685.
- The 2022 Capital Budget of \$16,365,340 is comprised of twenty (20) projects and four sources of financing. Projects include Infrastructure (\$13,051,090), Vehicles and Equipment (\$1,284,250), Airport Infrastructure (\$1,775,000) and Other (\$255,000). Others consist of the Lebanon Complete Streets/Multi-Modal-Plan (\$20,000) and Property Acquisition – 226 Mascoma Street (\$235,000).
- The 2022 City Budget provided revenues of \$67,686,969, an increase of \$7,351,748 from 2021. The General Fund makes up 50.8% of total revenues; Capital Improvements Fund 24.2%; Sewage Collection and Disposal Fund 10.8%; Solid Waste Disposal Fund 6.0%; Water Treatment and Distribution Fund 6.2%; Municipal Airport Fund 1.4%; Emergency Management Fund >.04%; and TIFD .56%.
- 2022 Budget surplus is \$2,528,461, an increase of \$735,621 from 2021.

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, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 35,265,179	\$ 15,223,629	\$ 50,488,808
Investments	2,912,969	10,979,394	13,892,363
Taxes receivables (net)	2,859,016	-	2,859,016
Account receivables (net)	526,250	1,416,225	1,942,475
Intergovernmental receivable	547,283	6,298,927	6,846,210
Leases receivable	-	1,762,435	1,762,435
Internal balances	241,493	(241,493)	-
Prepaid items	399,457	120,766	520,223
Capital assets:			
Land and construction in progress	16,783,654	15,234,252	32,017,906
Other capital assets, net of depreciation	99,068,865	100,259,796	199,328,661
Total assets	<u>158,604,166</u>	<u>151,053,931</u>	<u>309,658,097</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	4,836,888	498,930	5,335,818
Amounts related to other postemployment benefits	260,307	39,031	299,338
Total deferred outflows of resources	<u>5,097,195</u>	<u>537,961</u>	<u>5,635,156</u>
LIABILITIES			
Accounts payable	807,337	548,691	1,356,028
Retainage payable	462,737	326,649	789,386
Contracts payable	621,839	155,493	777,332
Accrued interest payable	693,411	705,635	1,399,046
Intergovernmental payable	16,689,856	-	16,689,856
Escrow and performance deposits	105,490	226,955	332,445
Long-term liabilities:			
Due within one year	3,930,182	4,089,874	8,020,056
Due in more than one year	71,173,621	58,493,247	129,666,868
Total liabilities	<u>94,484,473</u>	<u>64,546,544</u>	<u>159,031,017</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Grants received in advance	1,210,321	-	1,210,321
Debt forgiveness	1,797,538	3,599,237	5,396,775
Deferred revenue	-	232,228	232,228
Amounts related to leases	-	1,761,106	1,761,106
Amounts related to pensions	463,481	47,809	511,290
Amounts related to other postemployment benefits	425,969	78,912	504,881
Total deferred inflows of resources	<u>3,897,309</u>	<u>5,719,292</u>	<u>9,616,601</u>
NET POSITION			
Net investment in capital assets	73,806,802	68,639,029	142,445,831
Restricted	2,740,384	1,723,717	4,464,101
Unrestricted	(11,227,607)	10,963,310	(264,297)
Total net position	<u>\$ 65,319,579</u>	<u>\$ 81,326,056</u>	<u>\$ 146,645,635</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, 2022

	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	\$ 10,380,202	\$ 316,183	\$ 37,616	\$ -	\$ (10,026,403)	\$ -	\$ (10,026,403)
Public safety	13,128,482	1,510,972	228,212	-	(11,389,298)	-	(11,389,298)
Highways and streets	6,908,497	-	142,087	322,860	(6,443,550)	-	(6,443,550)
Welfare	636,606	-	-	-	(636,606)	-	(636,606)
Culture and recreation	3,421,677	336,386	235,746	-	(2,849,545)	-	(2,849,545)
Conservation	66,753	-	25,743	-	(41,010)	-	(41,010)
Interest on long-term debt	1,163,263	-	14,043	-	(1,149,220)	-	(1,149,220)
Capital outlay	-	-	1,148,872	444,034	1,592,906	-	1,592,906
Total governmental activities	<u>35,705,480</u>	<u>2,163,541</u>	<u>1,832,319</u>	<u>766,894</u>	<u>(30,942,726)</u>	<u>-</u>	<u>(30,942,726)</u>
Business-type activities:							
Sewage collection and disposal	5,823,398	7,760,324	94,654	-	-	2,031,580	2,031,580
Solid waste disposal	3,960,224	3,805,857	-	-	-	(154,367)	(154,367)
Water treatment and distribution	2,913,319	3,997,828	10,537	-	-	1,095,046	1,095,046
Municipal airport	2,492,350	738,418	2,733,663	-	-	979,731	979,731
Total business-type activities	<u>15,189,291</u>	<u>16,302,427</u>	<u>2,838,854</u>	<u>-</u>	<u>-</u>	<u>3,951,990</u>	<u>3,951,990</u>
Total	<u>\$ 50,894,771</u>	<u>\$ 18,465,968</u>	<u>\$ 4,671,173</u>	<u>\$ 766,894</u>	<u>(30,942,726)</u>	<u>3,951,990</u>	<u>(26,990,736)</u>
General revenues:							
Taxes:							
Property					23,931,488	-	23,931,488
Other					2,027,626	-	2,027,626
Motor vehicle permit fees					2,769,382	-	2,769,382
Licenses and other fees					1,101,994	-	1,101,994
Grants and contributions not restricted to specific programs					1,487,249	-	1,487,249
Unrestricted investment earnings					577,232	52,504	629,736
Miscellaneous					146,552	1,299,647	1,446,199
Unrealized loss on investments					(366,678)	(672,345)	(1,039,023)
Total general revenues					<u>31,674,845</u>	<u>679,806</u>	<u>32,354,651</u>
Contributions to permanent funds					5,350	-	5,350
Transfers					<u>1,996,272</u>	<u>(1,996,272)</u>	<u>-</u>
Total general revenues, contributions, and transfers					<u>33,676,467</u>	<u>(1,316,466)</u>	<u>32,360,001</u>
Change in net position					2,733,741	2,635,524	5,369,265
Net position, beginning					62,585,838	78,690,532	141,276,370
Net position, ending					<u>\$ 65,319,579</u>	<u>\$ 81,326,056</u>	<u>\$ 146,645,635</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, 2022

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 28,688,102	\$ 1,040,458	\$ 3,670,035	\$ 33,398,595
Investments	11,749	-	1,606,566	1,618,315
Receivables, net of allowance for uncollectible:				
Taxes	3,009,016	-	-	3,009,016
Accounts	479,377	-	16,817	496,194
Intergovernmental	38,491	-	-	38,491
Interfund receivable	292,633	-	5,034	297,667
Voluntary tax liens	9,804	-	-	9,804
Voluntary tax liens reserved until collected	(9,804)	-	-	(9,804)
Prepaid items	389,457	10,000	-	399,457
Restricted assets:				
Cash and cash equivalents	1,866,584	-	-	1,866,584
Investments	1,294,654	-	-	1,294,654
Accounts receivable	30,056	-	-	30,056
Total assets	<u>\$ 36,100,119</u>	<u>\$ 1,050,458</u>	<u>\$ 5,298,452</u>	<u>\$ 42,449,029</u>
LIABILITIES				
Accounts payable	\$ 789,741	\$ -	\$ 17,596	\$ 807,337
Retainage payable	20,663	442,074	-	462,737
Contracts payable	-	621,839	-	621,839
Intergovernmental payable	16,689,856	-	-	16,689,856
Interfund payable	5,034	-	51,140	56,174
Escrow and performance deposits	105,490	-	-	105,490
Total liabilities	<u>17,610,784</u>	<u>1,063,913</u>	<u>68,736</u>	<u>18,743,433</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	777,155	-	-	777,155
Unavailable revenue - Grants received in advance	1,210,321	-	-	1,210,321
Total deferred inflows of resources	<u>1,987,476</u>	<u>-</u>	<u>-</u>	<u>1,987,476</u>
FUND BALANCES (DEFICIT)				
Nonspendable	389,457	10,000	1,646,815	2,046,272
Restricted	25,000	-	1,068,569	1,093,569
Committed	2,670,823	-	2,514,332	5,185,155
Assigned	2,501,289	-	-	2,501,289
Unassigned (deficit)	10,915,290	(23,455)	-	10,891,835
Total fund balances (deficit)	<u>16,501,859</u>	<u>(13,455)</u>	<u>5,229,716</u>	<u>21,718,120</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,100,119</u>	<u>\$ 1,050,458</u>	<u>\$ 5,298,452</u>	<u>\$ 42,449,029</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, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances of governmental funds (Exhibit C-1)		\$	21,718,120
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.			
Cost	\$	163,969,993	
Less accumulated depreciation		<u>(48,117,474)</u>	
			115,852,519
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:			
Deferred outflows of resources related to pensions	\$	4,836,888	
Deferred inflows of resources related to pensions		(463,481)	
Deferred outflows of resources related to OPEB		260,307	
Deferred inflows of resources related to OPEB		<u>(425,969)</u>	
			4,207,745
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.			
Receivables	\$	(56,174)	
Payables		<u>56,174</u>	
			-
Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds.			777,155
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.			508,792
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(693,411)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.			
Bonds	\$	30,122,952	
Notes		8,910,478	
Unamortized bond premium/debt forgiveness		4,809,825	
Compensated absences		4,276,026	
Net pension liability		26,100,612	
Other postemployment benefits		<u>2,681,448</u>	
			<u>(76,901,341)</u>
Net position of governmental activities (Exhibit A)		\$	<u>65,319,579</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, 2022

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 24,960,775	\$ -	\$ 728,558	\$ 25,689,333
Licenses and permits	3,871,376	-	-	3,871,376
Intergovernmental	2,520,751	1,145,428	2,246	3,668,425
Charges for services	1,794,706	-	368,835	2,163,541
Miscellaneous	782,597	3,444	392,237	1,178,278
Unrealized loss on investments	(79,241)	-	(287,437)	(366,678)
Total revenues	<u>33,850,964</u>	<u>1,148,872</u>	<u>1,204,439</u>	<u>36,204,275</u>
EXPENDITURES				
Current:				
General government	9,962,049	-	9,962	9,972,011
Public safety	11,795,291	-	217,275	12,012,566
Highways and streets	5,437,581	-	-	5,437,581
Welfare	543,436	-	-	543,436
Culture and recreation	2,564,264	-	377,719	2,941,983
Conservation	47,559	-	-	47,559
Debt service:				
Principal	3,509,515	-	-	3,509,515
Interest	1,312,788	-	-	1,312,788
Capital outlay	433,354	3,956,239	-	4,389,593
Total expenditures	<u>35,605,837</u>	<u>3,956,239</u>	<u>604,956</u>	<u>40,167,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,754,873)</u>	<u>(2,807,367)</u>	<u>599,483</u>	<u>(3,962,757)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,882,286	1,695,176	154,884	3,732,346
Transfers out	(1,109,890)	-	(626,184)	(1,736,074)
Bond/note proceeds	-	4,362,400	-	4,362,400
Total other financing sources (uses)	<u>772,396</u>	<u>6,057,576</u>	<u>(471,300)</u>	<u>6,358,672</u>
Net change in fund balances	(982,477)	3,250,209	128,183	2,395,915
Fund balances, beginning	17,484,336	(3,263,664)	5,101,533	19,322,205
Fund balances, ending	<u>\$ 16,501,859</u>	<u>\$ (13,455)</u>	<u>\$ 5,229,716</u>	<u>\$ 21,718,120</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, 2022

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 2,395,915
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	\$ 5,419,898	
Disposal of capital assets	(3,468)	
Depreciation expense	<u>(3,318,276)</u>	
		2,098,154
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,736,074)	
Transfers out	<u>1,736,074</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	\$ 269,781	
Decrease in deferred aid revenue	<u>(31,107)</u>	
		238,674
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Proceeds of debt	\$ (3,998,880)	
Bond premium on new issuance	(363,520)	
Recognition of principal forgiveness	20,860	
Repayment of bond principal	2,956,844	
Repayment of note/loan principal	430,152	
Amortization of bond premium	<u>198,727</u>	
		(755,817)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (291,893)	
Decrease in prepaid items	351,281	
Increase in compensated absences	(2,010,741)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	546,755	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>161,413</u>	
		<u>(1,243,185)</u>
Changes in net position of governmental activities (Exhibit B)		<u>\$ 2,733,741</u>

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

EXHIBIT D
CITY OF LEBANON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 25,086,890	\$ 25,086,890	\$ 25,230,556	\$ 143,666
Licenses and permits	3,078,400	3,078,400	3,871,376	792,976
Intergovernmental	1,935,509	1,935,509	1,939,619	4,110
Charges for services	1,661,690	1,661,690	1,794,706	133,016
Miscellaneous	472,350	472,350	522,002	49,652
Total revenues	<u>32,234,839</u>	<u>32,234,839</u>	<u>33,358,259</u>	<u>1,123,420</u>
EXPENDITURES				
Current:				
General government	10,446,160	10,446,160	9,691,189	754,971
Public safety	12,128,830	12,128,830	11,560,696	568,134
Highways and streets	4,581,920	4,581,920	4,552,353	29,567
Welfare	554,900	554,900	543,436	11,464
Culture and recreation	2,500,160	2,500,160	2,504,198	(4,038)
Conservation	10,870	10,870	10,869	1
Debt service:				
Principal	3,515,170	3,515,170	3,509,515	5,655
Interest	1,322,820	1,322,820	1,312,788	10,032
Total expenditures	<u>35,060,830</u>	<u>35,060,830</u>	<u>33,685,044</u>	<u>1,375,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,825,991)</u>	<u>(2,825,991)</u>	<u>(326,785)</u>	<u>2,499,206</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,131,370	2,131,370	2,160,625	29,255
Transfers out	<u>(1,830,290)</u>	<u>(3,155,290)</u>	<u>(3,155,290)</u>	<u>-</u>
Total other financing sources (uses)	<u>301,080</u>	<u>(1,023,920)</u>	<u>(994,665)</u>	<u>29,255</u>
Net change in fund balances	<u>\$ (2,524,911)</u>	<u>\$ (3,849,911)</u>	(1,321,450)	<u>\$ 2,528,461</u>
Decrease in nonspendable fund balance			322,551	
Increase in assigned fund balance (non-encumbrance)			(447,521)	
Unassigned fund balance, beginning			12,988,865	
Unassigned fund balance, ending			<u>\$ 11,542,445</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, 2022

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
ASSETS					
Cash and cash equivalents	\$ 6,642,940	\$ 2,682,807	\$ 5,897,882	\$ -	\$ 15,223,629
Investments	744,654	9,347,550	868,115	19,075	10,979,394
Receivables:					
Accounts	579,421	388,428	132,675	315,701	1,416,225
Intergovernmental	4,441,571	-	381,594	1,475,762	6,298,927
Leases	-	-	-	1,762,435	1,762,435
Prepaid items	9,012	5,249	11,352	95,153	120,766
Capital assets:					
Land and construction in progress	4,652,831	4,437,365	3,563,689	2,580,367	15,234,252
Other capital assets, net of depreciation	52,993,963	9,204,717	28,266,703	9,794,413	100,259,796
Total assets	<u>70,064,392</u>	<u>26,066,116</u>	<u>39,122,010</u>	<u>16,042,906</u>	<u>151,295,424</u>
DEFERRED OUTFLOWS OF RESOURCES					
Amounts related to pensions	161,987	135,312	126,986	74,645	498,930
Amounts related to other postemployment benefits	13,198	10,021	10,133	5,679	39,031
Total deferred outflows of resources	<u>175,185</u>	<u>145,333</u>	<u>137,119</u>	<u>80,324</u>	<u>537,961</u>
LIABILITIES					
Current liabilities:					
Accounts payable	241,993	28,666	85,723	192,309	548,691
Retainage payable	90,871	-	105,342	130,436	326,649
Contract payable	47,634	72,840	35,019	-	155,493
Accrued interest payable	350,180	49,819	278,502	27,134	705,635
Internal balances	-	-	-	241,493	241,493
Escrow and performance deposits	212,305	-	-	14,650	226,955
Long-term liabilities:					
Due within one year	2,248,141	541,593	1,232,462	67,678	4,089,874
Due in more than one year	27,744,729	13,587,198	16,372,174	789,146	58,493,247
Total liabilities	<u>30,935,853</u>	<u>14,280,116</u>	<u>18,109,222</u>	<u>1,462,846</u>	<u>64,788,037</u>
DEFERRED INFLOWS OF RESOURCES					
Debt forgiveness	1,590,883	6,605	2,001,749	-	3,599,237
Deferred revenue	-	-	-	232,228	232,228
Amounts related to leases	-	-	-	1,761,106	1,761,106
Amounts related to pensions	15,522	12,966	12,168	7,153	47,809
Amounts related to other postemployment benefits	27,131	19,781	20,656	11,344	78,912
Total deferred inflows of resources	<u>1,633,536</u>	<u>39,352</u>	<u>2,034,573</u>	<u>2,011,831</u>	<u>5,719,292</u>
NET POSITION					
Net investment in capital assets	28,829,882	12,692,843	15,044,274	12,072,030	68,639,029
Restricted	145,036	-	1,367,901	210,780	1,723,717
Unrestricted	8,695,270	(800,862)	2,703,159	365,743	10,963,310
Total net position	<u>\$ 37,670,188</u>	<u>\$ 11,891,981</u>	<u>\$ 19,115,334</u>	<u>\$ 12,648,553</u>	<u>\$ 81,326,056</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, 2022

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Operating revenues:					
User charges	\$ 7,760,324	\$ 3,805,857	\$ 3,995,478	\$ 738,418	\$ 16,300,077
Other sales	-	474,810	-	-	474,810
Fees and interest	-	2,350	-	-	2,350
Intergovernmental revenues	94,654	-	10,537	2,733,663	2,838,854
Miscellaneous	119,030	133,605	83,390	488,812	824,837
Total operating revenues	<u>7,974,008</u>	<u>4,416,622</u>	<u>4,089,405</u>	<u>3,960,893</u>	<u>20,440,928</u>
Operating expenses:					
Salaries and wages	1,077,410	917,911	879,231	612,947	3,487,499
Operation and maintenance	2,182,462	1,371,028	149,209	833,697	4,536,396
Contractual services	158,167	618,519	117,626	75,818	970,130
Materials and supplies	495,084	314,105	529,817	269,873	1,608,879
Depreciation and amortization	1,432,139	709,335	822,567	669,168	3,633,209
Total operating expenses	<u>5,345,262</u>	<u>3,930,898</u>	<u>2,498,450</u>	<u>2,461,503</u>	<u>14,236,113</u>
Operating gain	<u>2,628,746</u>	<u>485,724</u>	<u>1,590,955</u>	<u>1,499,390</u>	<u>6,204,815</u>
Nonoperating revenue (expense):					
Interest income	20,997	12,039	19,468	-	52,504
Interest expense	(476,673)	(8,779)	(414,869)	(30,807)	(931,128)
Change in fair market value	(40,091)	(565,752)	(65,475)	(1,027)	(672,345)
Investment fees	(1,463)	(20,547)	-	(40)	(22,050)
Total nonoperating revenue (expense)	<u>(497,230)</u>	<u>(583,039)</u>	<u>(460,876)</u>	<u>(31,874)</u>	<u>(1,573,019)</u>
Other financing sources (uses):					
Transfers in	-	-	250,920	-	250,920
Transfers out	(674,175)	(1,170,447)	(316,345)	(86,225)	(2,247,192)
Total other financing sources (uses)	<u>(674,175)</u>	<u>(1,170,447)</u>	<u>(65,425)</u>	<u>(86,225)</u>	<u>(1,996,272)</u>
Change in net position	1,457,341	(1,267,762)	1,064,654	1,381,291	2,635,524
Net position, beginning	36,212,847	13,159,743	18,050,680	11,267,262	78,690,532
Net position, ending	<u>\$ 37,670,188</u>	<u>\$ 11,891,981</u>	<u>\$ 19,115,334</u>	<u>\$ 12,648,553</u>	<u>\$ 81,326,056</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, 2022

	Business-type Activities				
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,703,392	\$ 4,413,764	\$ 4,010,363	\$ 2,969,246	\$ 19,096,765
Payments to employees	(977,703)	(923,781)	(912,265)	(610,971)	(3,424,720)
Payments to suppliers	(2,640,103)	(752,904)	(769,081)	(969,649)	(5,131,737)
Net cash provided by operating activities	<u>4,085,586</u>	<u>2,737,079</u>	<u>2,329,017</u>	<u>1,388,626</u>	<u>10,540,308</u>
Cash flows from capital and related financing activities:					
State revolving loan proceeds	160,675	-	160,675	-	321,350
Bond and bond premium proceeds	480,000	-	480,000	-	960,000
Principal paid on bonds	(972,515)	(295,000)	(934,720)	(66,579)	(2,268,814)
Acquisition and construction of fixed assets	(647,534)	(4,650,223)	(407,084)	(2,049,197)	(7,754,038)
Interest paid	(802,039)	(22,027)	(521,565)	(17,234)	(1,362,865)
Net cash used for capital and related financing activities	<u>(1,781,413)</u>	<u>(4,967,250)</u>	<u>(1,222,694)</u>	<u>(2,133,010)</u>	<u>(10,104,367)</u>
Cash flows from non-capital financing activities:					
Intergovernmental revenues	328,055	11,224	33,867	-	373,146
Operating transfers in	-	-	250,920	241,493	492,413
Operating transfers out	(674,175)	(1,170,447)	(316,345)	(86,225)	(2,247,192)
Net cash provided by (used for) non-capital financing activities	<u>(346,120)</u>	<u>(1,159,223)</u>	<u>(31,558)</u>	<u>155,268</u>	<u>(1,381,633)</u>
Cash flows from investing activities:					
Purchase of investments	-	(469,550)	(59,485)	-	(529,035)
Interest received	20,997	12,039	19,468	-	52,504
Net cash used for investing activities	<u>20,997</u>	<u>(457,511)</u>	<u>(40,017)</u>	<u>-</u>	<u>(476,531)</u>
Net increase/decrease in cash	1,979,050	(3,846,905)	1,034,748	(589,116)	(1,422,223)
Cash, beginning	4,663,890	6,529,712	4,863,134	589,116	16,645,852
Cash, ending	<u>\$ 6,642,940</u>	<u>\$ 2,682,807</u>	<u>\$ 5,897,882</u>	<u>\$ -</u>	<u>\$ 15,223,629</u>
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities					
Operating gain	\$ 2,628,746	\$ 485,724	\$ 1,590,955	\$ 1,499,390	\$ 6,204,815
Adjustments to reconcile operating gain to net cash used by operating activities:					
Depreciation expense	1,432,139	709,335	822,567	669,168	3,633,209
Increase in other receivables	(474,216)	(14,082)	(102,372)	(242,058)	(832,728)
(Increase)/Decrease in intergovernmental receivables	233,401	11,224	23,330	(930,591)	(662,636)
Increase in prepaid items	(1,275)	(692)	(1,308)	(33,447)	(36,722)
Increase in deferred outflows related to pensions	(20,273)	(7,130)	(10,570)	(3,269)	(41,242)
Increase in deferred outflows related to OPEB	(2,537)	(1,651)	(1,811)	(930)	(6,929)
Increase/(Decrease) in accounts payable	167,485	(64,318)	29,603	112,750	245,520
Increase/(Decrease) in retainage payable	(4,358)	(26,978)	(14,504)	130,436	84,596
Increase in contracts payable	33,758	50,335	13,780	-	97,873
Decrease in escrow deposits	(1,457)	-	-	(423)	(1,880)
Increase/(Decrease) in compensated absences	79,839	29,166	(20,378)	24,937	113,564
Increase in accrued landfill closure and postclosure care costs	-	1,592,401	-	-	1,592,401
Increase in net pension liability	227,296	145,113	153,889	77,019	603,317
Increase/(Decrease) in OPEB	2,034	(2,121)	(473)	(1,425)	(1,985)
Decrease in deferred assessments	(28,344)	-	-	181,425	153,081
Decrease in deferred inflows related to pensions	(182,217)	(165,891)	(150,272)	(92,441)	(590,821)
Decrease in deferred inflows related to OPEB	(4,435)	(3,356)	(3,419)	(1,915)	(13,125)
Total adjustments	<u>1,456,840</u>	<u>2,251,355</u>	<u>738,062</u>	<u>(110,764)</u>	<u>4,335,493</u>
Net cash provided by operating activities	<u>\$ 4,085,586</u>	<u>\$ 2,737,079</u>	<u>\$ 2,329,017</u>	<u>\$ 1,388,626</u>	<u>\$ 10,540,308</u>

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

EXHIBIT F-1
CITY OF LEBANON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2022

	Private Purpose Trust	All Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ 74,505	\$ 634,822	\$ 709,327
Investments	1,556,972	3,482,865	5,039,837
Intergovernmental	-	16,163,703	16,163,703
Total assets	<u>1,631,477</u>	<u>20,281,390</u>	<u>21,912,867</u>
LIABILITIES			
Intergovernmental payable	-	16,425,441	16,425,441
NET POSITION			
Unrestricted	<u>\$ 1,631,477</u>	<u>\$ 3,855,949</u>	<u>\$ 5,487,426</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, 2022

	Private Purpose Trust	All Custodial Funds	Total
ADDITIONS			
Contributions	\$ 9,747	\$ 60,440	\$ 70,187
Investment earnings	33,324	42,897	76,221
Tax collections for other governments	-	39,333,204	39,333,204
State fees collected	-	820,810	820,810
Total additions	<u>43,071</u>	<u>40,257,351</u>	<u>40,300,422</u>
DEDUCTIONS			
Benefits paid	31,752	-	31,752
Change in fair market value	280,751	218,649	499,400
Administrative expenses	9,178	414,317	423,495
Payments of taxes to other governments	-	39,333,204	39,333,204
Payments of State fees	-	820,810	820,810
Total deductions	<u>321,681</u>	<u>40,786,980</u>	<u>41,108,661</u>
Change in net position	(278,610)	(529,629)	(808,239)
Net position, beginning	<u>1,910,087</u>	<u>4,385,578</u>	<u>6,295,665</u>
Net position, ending	<u>\$ 1,631,477</u>	<u>\$ 3,855,949</u>	<u>\$ 5,487,426</u>

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

CITY OF LEBANON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

1-B Basis of Accounting, and Measurement Focus

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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The City reports the following fiduciary funds:

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

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

1-C Cash and Cash Equivalents

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

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

1-D Restricted Assets

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

1-E Statement of Cash Flows

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

1-F Investments

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

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

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

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

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

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access at the measurement date.

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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.

Level 3 – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments and derivative instruments.

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

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

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

1-G Receivables

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

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses/expenditures as the items are used. The nonspendable fund balance at the governmental fund level includes the amount of prepaid items at year-end to indicate the portion of the governmental fund balance that is nonspendable.

1-I Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

1-J Interfund Activities

Interfund activities are reported as follows:

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

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

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on June 8, 2022, and November 10, 2022, and were due on July 31, 2022, and December 31, 2022, respectively. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding.

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, 2022, utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$ 2,737,088,398
Total assessment valuation without utilities	\$ 2,612,602,630

The tax rates and amounts assessed for the year ended December 31, 2022, were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$ 8.62	\$ 23,587,399
School portion:		
State of New Hampshire	1.14	2,971,751
Local	11.92	32,626,612
County portion	1.36	3,734,841
Total	<u>\$ 23.04</u>	<u>\$ 62,920,603</u>

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1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2022.

1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-N Compensated Absences

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

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

1-O 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-P Leases

Lessor- The City is a lessor for several noncancellable leases of airport land and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amounts of the lease receivables.

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1-Q Long-term Obligations

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

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

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

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

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

1-R 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 the 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-S Postemployment Benefits Other Than Pensions

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

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

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

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1-T Net Position/Fund Balances

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

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

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

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

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

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

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

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

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

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

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

It is the goal of the City to maintain an unassigned fund balance of 19% to 24% of current general fund budgeted expenditure activity. The City considers a balance of less than 19% 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 24% as excessive. An amount in excess of 24% may be considered to reduce tax levy requirements determined in conjunction with the annual budget process, as a capital improvement funding component, for reservation to accumulate funding for future capital improvements, or for any legal purpose deemed appropriate and desirable by the City Council. In the event unassigned fund balance is less than 15%, restorative steps shall be taken in the immediate and subsequent fiscal years.

1-U 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 and taxes receivable, the useful lives and impairment of tangible and intangible capital assets, net

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pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill closure and postclosure care costs, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2022, \$1,078,461 of the beginning general fund unassigned fund balance was applied for this purpose. In addition, \$2,771,450 was voted from unassigned fund balance to fund supplemental appropriations.

2-B Budgetary Reconciliation to GAAP Basis

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

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

Revenues and other financing sources:	General
Per Exhibit D (budgetary basis)	\$ 35,518,884
Adjustment:	
Basis differences:	
GASB Statement No. 54:	
To record income of the blended funds	762,486
To eliminate transfers between blended funds	(278,339)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(269,781)
Per Exhibit C-3 (GAAP basis)	\$ 35,733,250

(Continued)

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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 36,840,334
Adjustment:	
Basis differences:	
Encumbrances, beginning	2,539,690
Encumbrances, ending	(1,420,168)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	801,271
Per Exhibit C-3 (GAAP basis)	<u>\$ 38,761,127</u>

2-C Deficit Fund Balance

The capital improvements fund had a deficit fund balance of \$13,455 at December 31, 2022. This deficit will be financed through future bond/note proceeds as well as transfers from the expendable trust funds.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of implementation of this Statement, prior year capital leases payable were reclassified as notes payable. In addition, the municipal airport and business-type activities now report lease receivables and offsetting deferred inflows of resources for the remaining balances of noncancellable lease receivables. However, there were no restatements to the beginning net position or fund balance. See Note 14, Lease Receivables, for further information.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The City's deposits are covered by covered by the Federal Depository Insurance Corporation (FDIC). The FDIC currently insures the first \$250,000 of the City's deposits at each financial institution, per case custodian. The City utilizes Insured Cash Sweep accounts, which ensure that all bank balances are covered by the FDIC. As of year-end, the carrying amount of the City's deposits was \$51,198,135 and the bank balances totaled \$51,123,927. Petty cash totaled \$2,340.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 50,488,808
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	<u>709,327</u>
Total cash and cash equivalents	<u>\$ 51,198,135</u>

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NOTE 4 – RESTRICTED ASSETS

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

Cash and cash equivalents:	
General fund:	
Expendable trust	\$ 162,714
Grants	64,503
Emergency management	165,422
Heritage	31,560
Restricted funds	1,224,192
American Rescue Plan Act	<u>218,193</u>
Total restricted cash and cash equivalents	<u>1,866,584</u>
Investments:	
General fund:	
Expendable trust	<u>1,294,654</u>
Accounts receivable:	
General fund:	
Grants	<u>30,056</u>
Total restricted assets	<u>\$ 3,191,294</u>

NOTE 5 – INVESTMENTS

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

The City has the following recurring fair value measurements and maturities as of December 31, 2022:

	Valuation Measurement Method	Reported Balance	Less Than 1 Year	1-5 Years	Exempt from Disclosure
Investment type:					
Equities	Level 1	\$ 3,513,799	\$ -	\$ -	\$ 3,513,799
Fixed income	Level 1	14,175,559	950,889	3,996,275	9,228,395
Mutual funds	Level 1	<u>1,231,093</u>	-	-	<u>1,231,093</u>
Total fair value		18,920,451	<u>\$ 950,889</u>	<u>\$ 3,996,275</u>	<u>\$ 13,973,287</u>
Investments carried at amortized cost:					
New Hampshire Public Deposit Investment Pool		<u>11,749</u>			
Total investments		<u>\$ 18,932,200</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) and/or in a suitable money market fund or mutual fund, including exchange traded funds, as a means of managing credit risk. For trust funds, the policy specifies that not more than 50%, nor less than 30%, of the portfolio should be invested in equities; of which not more than 90%, nor less than 70%, in an S&P 500 Index fund, 10% to 30% international index funds and 0% to 15% in small- and mid-cap index funds.

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Not more than 70% nor less than 50% of the portfolio should be invested in diversified fixed income pools or funds representative of the broad U.S. government and corporate market. The cash balance, which composes the rest, should range between 0% and 10% of the total trust fund balance.

Investments Type	Reported Balance	Exempt from Disclosure	Ratings as of Year-end	
			AA+	Other
Investment type:				
Equities	\$ 3,513,799	\$ 3,513,799	\$ -	\$ -
Fixed income	14,175,559	9,228,396	4,599,190	347,973
Mutual funds	1,231,093	1,231,093	-	-
New Hampshire Public Deposit Investment Pool	11,749	11,749	-	-
Total fair value	<u>\$ 18,932,200</u>	<u>\$ 13,985,037</u>	<u>\$ 4,599,190</u>	<u>\$ 347,973</u>

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

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

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 13,892,363
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	<u>5,039,837</u>
Total investments	<u>\$ 18,932,200</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, 2022. 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 tax receivables 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 2022	\$ 1,949,545	\$ 1,949,545
Unredeemed (under tax lien):		
Levy of 2021	911,980	911,980
Levy of 2020	86,825	86,825
Levies of 2019 and prior	55,542	55,542
Yield	5,124	5,124
Less: allowance for estimated uncollectible taxes	<u>(150,000) *</u>	<u>-</u>
Net taxes receivable	<u>\$ 2,859,016</u>	<u>\$ 3,009,016</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, 2022, 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, 2022 for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total Government-wide
Receivables:			
Accounts	\$ 1,846,736	\$ 1,416,225	\$ 3,262,961
Intergovernmental	547,283	6,298,927	6,846,210
Voluntary tax liens	9,804	-	9,804
Gross receivables	2,403,823	7,715,152	10,118,975
Less: allowance for uncollectibles	(1,330,290)	-	(1,330,290)
Net total receivables	<u>\$ 1,073,533</u>	<u>\$ 7,715,152</u>	<u>\$ 8,788,685</u>

	Proprietary Funds				Total Proprietary Funds
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Receivables:					
Accounts	\$ 579,421	\$ 388,428	\$ 132,675	\$ 315,701	\$ 1,416,225
Intergovernmental	4,441,571	-	381,594	1,475,762	6,298,927
Net total receivables	<u>\$ 5,020,992</u>	<u>\$ 388,428</u>	<u>\$ 514,269</u>	<u>\$ 1,791,463</u>	<u>\$ 7,715,152</u>

	Governmental Funds		Total Governmental Funds	Fiduciary Funds
	General	Nonmajor		
Receivables:				
Accounts	\$ 1,799,863	\$ 16,817	\$ 1,816,680	\$ -
Restricted	30,056	-	30,056	-
Intergovernmental	38,491	-	38,491	16,163,703 ¹
Voluntary tax liens	9,804	-	9,804	-
Gross receivables	1,878,214	16,817	1,895,031	16,163,703
Less: allowance for uncollectibles	(1,330,290)	-	(1,330,290)	-
Net total receivables	<u>\$ 547,924</u>	<u>\$ 16,817</u>	<u>\$ 564,741</u>	<u>\$ 16,163,703</u>

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

NOTE 8 – PREPAID ITEMS

Prepaid items at December 31, 2022 consisted of the following:

	Government-wide Statements		Governmental Funds		Proprietary Funds			
	Governmental Activities	Business-type Activities	General	Capital Improvements	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport
	Insurance	\$ 297,726	\$ 41,099	\$ 297,726	\$ -	\$ 9,012	\$ 5,249	\$ 10,602
Other	101,731	79,667	91,731	10,000	-	-	750	78,917
Total	<u>\$ 399,457</u>	<u>\$ 120,766</u>	<u>\$ 389,457</u>	<u>\$ 10,000</u>	<u>\$ 9,012</u>	<u>\$ 5,249</u>	<u>\$ 11,352</u>	<u>\$ 95,153</u>

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NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 7,629,286	\$ 73,150	\$ -	\$ 7,702,436
Intangible assets	189,570	395,250	-	584,820
Construction in progress	15,936,229	1,779,996	(9,219,827)	8,496,398
Total capital assets not being depreciated	<u>23,755,085</u>	<u>2,248,396</u>	<u>(9,219,827)</u>	<u>16,783,654</u>
Being depreciated:				
Land improvements	3,744,468	331,376	-	4,075,844
Buildings and building improvements	28,975,645	3,004,677	(11,561)	31,968,761
Machinery and equipment	15,116,759	229,182	-	15,345,941
Infrastructure	86,969,699	8,826,094	-	95,795,793
Total capital assets being depreciated	<u>134,806,571</u>	<u>12,391,329</u>	<u>(11,561)</u>	<u>147,186,339</u>
Total all capital assets	<u>158,561,656</u>	<u>14,639,725</u>	<u>(9,231,388)</u>	<u>163,969,993</u>
Less accumulated depreciation:				
Land improvements	(2,498,930)	(117,840)	-	(2,616,770)
Buildings and building improvements	(9,493,956)	(575,241)	8,093	(10,061,104)
Machinery and equipment	(7,172,833)	(879,256)	-	(8,052,089)
Infrastructure	(25,641,572)	(1,745,939)	-	(27,387,511)
Total accumulated depreciation	<u>(44,807,291)</u>	<u>(3,318,276)</u>	<u>8,093</u>	<u>(48,117,474)</u>
Net book value, capital assets being depreciated	<u>89,999,280</u>	<u>9,073,053</u>	<u>(3,468)</u>	<u>99,068,865</u>
Net book value, all governmental activities capital assets	<u>\$ 113,754,365</u>	<u>\$ 11,321,449</u>	<u>\$ (9,223,295)</u>	<u>\$ 115,852,519</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 809,968	\$ -	\$ -	\$ 809,968
Intangible assets	545,054	90,000	-	635,054
Construction in progress	10,518,684	7,691,068	(4,420,522)	13,789,230
Total capital assets not being depreciated	<u>11,873,706</u>	<u>7,781,068</u>	<u>(4,420,522)</u>	<u>15,234,252</u>
Being depreciated:				
Land improvements	45,641,150	65,804	-	45,706,954
Buildings and building improvements	42,346,728	3,790,277	-	46,137,005
Machinery and equipment	9,756,592	597,743	(21,560)	10,332,775
Infrastructure	82,516,837	-	-	82,516,837
Total capital assets being depreciated	<u>180,261,307</u>	<u>4,453,824</u>	<u>(21,560)</u>	<u>184,693,571</u>
Total all capital assets	<u>192,135,013</u>	<u>12,234,892</u>	<u>(4,442,082)</u>	<u>199,927,823</u>
Less accumulated depreciation:				
Land improvements	(33,815,415)	(855,310)	-	(34,670,725)
Buildings and building improvements	(16,584,407)	(813,071)	-	(17,397,478)
Machinery and equipment	(5,354,334)	(441,739)	19,404	(5,776,669)
Infrastructure	(25,065,814)	(1,523,089)	-	(26,588,903)
Total accumulated depreciation	<u>(80,819,970)</u>	<u>(3,633,209)</u>	<u>19,404</u>	<u>(84,433,775)</u>
Net book value, capital assets being depreciated	<u>99,441,337</u>	<u>820,615</u>	<u>(2,156)</u>	<u>100,259,796</u>
Net book value, all business-type activities capital assets	<u>\$ 111,315,043</u>	<u>\$ 8,601,683</u>	<u>\$ (4,422,678)</u>	<u>\$ 115,494,048</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	\$ 64,850
Public safety	566,224
Highways and streets	2,417,741
Culture and recreation	250,267
Conservation	19,194
Total depreciation expense	<u>\$ 3,318,276</u>
Business-type activities:	
Sewage collection and disposal	\$ 1,432,139
Solid waste disposal	709,335
Water treatment and distribution	822,567
Municipal airport	669,168
Total depreciation expense	<u>\$ 3,633,209</u>

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General	Municipal airport	\$ 241,493
General	Nonmajor governmental	51,140
Nonmajor governmental	General	5,034
		<u>\$ 297,667</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, 2022 is as follows:

	Transfers In	Transfers Out	Cumulative Transfers
Major governmental funds:			
General	\$ 1,882,286	\$ (1,109,890)	\$ 772,396
Capital improvements	1,695,176	-	1,695,176
Nonmajor governmental funds	154,884	(626,184)	(471,300)
Total governmental funds	<u>3,732,346</u>	<u>(1,736,074)</u>	<u>1,996,272</u>
Major proprietary funds:			
Sewage collection and disposal	-	(674,175)	(674,175)
Solid waste disposal	-	(1,170,447)	(1,170,447)
Water treatment and distribution	250,920	(316,345)	(65,425)
Municipal airport	-	(86,225)	(86,225)
Total proprietary funds	<u>250,920</u>	<u>(2,247,192)</u>	<u>(1,996,272)</u>
Total	<u>\$ 3,983,266</u>	<u>\$ (3,983,266)</u>	<u>\$ -</u>

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

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NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2022, consist of the following:

	Governmental Activities	Governmental Funds General	Fiduciary Funds Custodial Funds
Property taxes due to the custodial funds	\$ 16,163,703	\$ 16,163,703	\$ -
Balance due to the New Hampshire Retirement System	519,040	519,040	-
Fees due to the State of New Hampshire	7,113	7,113	-
Property taxes due to the Lebanon School District	-	-	16,163,703 ²
Impact fees due to the Lebanon School District	-	-	261,738
Total intergovernmental payables due	<u>\$ 16,689,856</u>	<u>\$ 16,689,856</u>	<u>\$ 16,425,441</u>

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

NOTE 12 – CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2022. The projects include street construction, water and sewer improvements, sidewalk construction, and other capital improvements. At year-end, the City's commitments with contractors for work are as follows:

	Retainage Payable	Contracts Payable
Governmental funds:		
General fund	\$ 20,663	\$ -
Capital improvements	442,074	621,839
Total governmental funds	<u>462,737</u>	<u>621,839</u>
Proprietary funds:		
Sewage collection and disposal	90,871	47,634
Solid waste disposal	-	72,840
Water treatment and distribution	105,342	35,019
Municipal airport	130,436	-
Total proprietary funds	<u>326,649</u>	<u>155,493</u>
Total	<u>\$ 789,386</u>	<u>\$ 777,332</u>

The remaining balances of uncompleted construction contracts at December 31, 2022, are as follows:

	Total Contracts	Spent to Date	Remaining Commitment
Governmental fund:			
Capital improvements	\$ 3,552,390	\$ 1,190,078	\$ 2,362,312
Proprietary funds:			
Sewage collection and disposal	2,055,727	658,884	1,396,843
Solid waste disposal	5,274,061	3,557,997	1,716,064
Water treatment and distribution	282,351	73,523	208,828
Municipal airport	2,853,202	2,291,155	562,047
Total proprietary funds	<u>10,465,341</u>	<u>6,581,559</u>	<u>3,883,782</u>
Total	<u>\$ 14,017,731</u>	<u>\$ 7,771,637</u>	<u>\$ 6,246,094</u>

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NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Government-wide Statements		
	Governmental	Business-type	Total
	Activities	Activities	
Amounts related to pensions (see Note 16)	\$ 4,836,888	\$ 498,930	\$ 5,335,818
Amounts related to other postemployment benefits (see Note 17)	260,307	39,031	299,338
Total	<u>\$ 5,097,195</u>	<u>\$ 537,961</u>	<u>\$ 5,635,156</u>

	Proprietary Funds			
	Sewage	Solid	Water	Municipal
	Collection and Disposal	Waste Disposal	Treatment and Distribution	
Amounts related to pensions (see Note 16)	\$ 161,987	\$ 135,312	\$ 126,986	\$ 74,645
Amounts related to other postemployment benefits (see Note 17)	13,198	10,021	10,133	5,679
Total	<u>\$ 175,185</u>	<u>\$ 145,333</u>	<u>\$ 137,119</u>	<u>\$ 80,324</u>

Deferred inflows of resources are as follows:

	Government-wide Statements		Governmental
	Governmental	Business-type	Fund
	Activities	Activities	General
Unavailable revenue - Property taxes	\$ -	\$ -	\$ 777,155
Unavailable revenue - Grants received in advance	1,210,321	-	1,210,321
Debt forgiveness	1,797,538	3,599,237	-
Deferred revenue	-	232,228	-
Amounts related to leases (see Note 14)	-	1,761,106	-
Amounts related to pensions (see Note 16)	463,481	47,809	-
Amounts related to other postemployment benefits (see Note 17)	425,969	78,912	-
Total	<u>\$ 3,897,309</u>	<u>\$ 5,719,292</u>	<u>\$ 1,987,476</u>

	Proprietary Funds			
	Sewage	Solid	Water	Municipal
	Collection and Disposal	Waste Disposal	Treatment and Distribution	
Debt forgiveness	\$ 1,590,883	\$ 6,605	\$ 2,001,749	\$ -
Deferred revenue	-	-	-	232,228
Amounts related to leases (see Note 14)	-	-	-	1,761,106
Amounts related to pensions (see Note 16)	15,522	12,966	12,168	7,153
Amounts related to other postemployment benefits (see Note 17)	27,131	19,781	20,656	11,344
Total	<u>\$ 1,633,536</u>	<u>\$ 39,352</u>	<u>\$ 2,034,573</u>	<u>\$ 2,011,831</u>

NOTE 14 – LEASE RECEIVABLES

The Town had the following lease receivables as of December 31, 2022:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Receivable at December 31, 2022
Business-type activities:					
Big Green Aviation	\$ 396,084	2019	2031	0.00%	\$ 344,192
Alpha Sierra	\$ 1,564,672	2016	2048	0.00%	1,271,300
GSA Fort Worth	\$ 136,220	2022	2027	0.00%	13,622
Cape Air	\$ 205,956	2021	2024	0.00%	133,321
Total lease receivables					<u>\$ 1,762,435</u>

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The annual requirements to amortize all lease receivables outstanding as of December 31, 2022, including interest payments, are as follows:

Fiscal Year Ending	Principal
December 31,	
2023	\$ 164,401
2024	150,010
2025	89,410
2026	89,410
2027	89,410
2028-2032	397,458
2033-2037	244,480
2038-2042	244,480
2043-2047	244,480
2048	48,896
Totals	<u>\$ 1,762,435</u>

NOTE 15 – LONG-TERM LIABILITIES

Changes in the City's long-term liabilities consisted of the following for the year ended December 31, 2022:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
Governmental activities:						
Bonds payable:						
Direct placements	\$ 29,823,316	\$ 3,256,480	\$ (2,956,844)	\$ 30,122,952	\$ 2,997,462	\$ 27,125,490
Notes/loans payable -						
direct borrowings	8,598,230	742,400	(430,152) *	8,910,478	569,709	8,340,769
Premium	2,847,494	363,520	(198,727)	3,012,287	198,727	2,813,560
Total bonds/notes payable	41,269,040	4,362,400	(3,585,723)	42,045,717	3,765,898	38,279,819
Compensated absences	2,265,285	2,010,741	-	4,276,026	164,284	4,111,742
Net pension liability	20,498,451	5,602,161	-	26,100,612	-	26,100,612
Net other postemployment benefits	2,723,623	2,451	(44,626)	2,681,448	-	2,681,448
Total long-term liabilities	<u>\$ 66,756,399</u>	<u>\$ 11,977,753</u>	<u>\$ (3,630,349)</u>	<u>\$ 75,103,803</u>	<u>\$ 3,930,182</u>	<u>\$ 71,173,621</u>

***Water Pollution Control Revolving Fund Program** – Included in the \$430,152 notes/loans reduction is \$111,360 of one-time principal forgiveness related to a loan received under the Clean Water State Revolving Fund Program. The loan was consolidated by promissory note upon completion of the project. The total loan amount issued was \$742,400 (in the governmental activities), of which \$111,360, or 15.0%, was forgiven in the form of federal financial assistance.

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
Business-type activities:						
Bonds payable:						
Direct placements	\$ 15,891,308	\$ 863,520	\$ (1,693,206)	\$ 15,061,622	\$ 1,753,313	\$ 13,308,309
Notes/loans payable -						
direct borrowings	30,084,427	1,113,600	(799,465) *	30,398,562	2,028,907	28,369,655
Premium	1,405,824	96,480	(107,469)	1,394,835	107,469	1,287,366
Total bonds/notes payable	47,381,559	2,073,600	(2,600,140)	46,855,019	3,889,689	42,965,330

(Continued)

CITY OF LEBANON, NEW HAMPSHIRE
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Long-term liabilities continued:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
Compensated absences	276,781	133,942	(20,378)	390,345	38,175	352,170
Accrued landfill closure and postclosure care costs	10,695,688	1,592,401	-	12,288,089	162,010	12,126,079
Net pension liability	2,088,986	603,317	-	2,692,303	-	2,692,303
Net other postemployment benefits	359,350	2,332	(4,317)	357,365	-	357,365
Total long-term liabilities	<u>\$ 60,802,364</u>	<u>\$ 4,405,592</u>	<u>\$ (2,624,835)</u>	<u>\$ 62,583,121</u>	<u>\$ 4,089,874</u>	<u>\$ 58,493,247</u>

***Water Pollution Control Revolving Fund Program** – Included in the \$799,465 notes/loans reduction is \$167,040 of one-time principal forgiveness related to a loan received under the Clean Water State Revolving Fund Program. The loan was consolidated by promissory note upon completion of the project. The total loan amount issued was \$1,113,600 (\$556,800 in the sewage collection and disposal proprietary fund and \$556,800 in the water treatment and distribution proprietary fund), of which \$167,040 (\$83,520 in the sewage collection and disposal proprietary fund and \$83,520 in the water treatment and distribution proprietary fund), or 15.0% (15.0% in the sewage collection and disposal proprietary fund and 15.0% in the water treatment and distribution proprietary fund) was forgiven in the form of federal financial assistance.

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2022	Current Portion
Governmental activities:						
Bonds payable - direct placements:						
NHMBB03C	\$ 1,118,620	2003	2023	4.00-6.00	\$ 55,660	\$ 55,660
NHMBB04B	\$ 3,506,098	2004	2024	3.00-5.00	344,286	172,143
NHMBB05B	\$ 4,583,082	2005	2025	4.00-4.50	675,000	225,000
NHMBB06A	\$ 4,441,665	2006	2026	4.50-5.00	880,000	220,000
NHMBB07B	\$ 6,584,511	2007	2027	4.00-4.75	1,493,000	298,600
NHMBB08A	\$ 2,396,404	2008	2028	4.00-4.125	417,150	69,525
NHMBB09C	\$ 3,836,780	2009	2029	3.02-5.02	841,000	121,000
NHMBB10B	\$ 3,948,393	2010	2030	3.823	1,553,960	197,370
NHMBB11B	\$ 3,651,784	2011	2031	3.55	1,530,000	170,000
NHMBB12B	\$ 428,374	2012	2032	2.57-3.18	203,600	20,360
NHMBB14A	\$ 655,000	2014	2024	5.10	130,000	65,000
NHMBB16B	\$ 1,819,100	2016	2036	2.51	1,260,000	90,000
NHMBB17B	\$ 1,856,400	2017	2037	2.52	1,280,000	115,000
NHMBB18B	\$ 2,905,400	2018	2038	3.20	2,229,000	164,000
NHMBB20A	\$ 7,148,900	2020	2040	2.12	6,385,000	375,000
NHMBB20B	\$ 7,239,292	2020	2040	1.64	6,423,816	408,804
NHMBB21C	\$ 1,229,070	2021	2041	2.10-5.10	1,165,000	67,000
NHMBB22C	\$ 3,256,480	2022	2042	4.10-5.10	3,256,480	163,000
Total direct placements					<u>30,122,952</u>	<u>2,997,462</u>

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CITY OF LEBANON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Long-term bonds/notes continued:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2022	Current Portion
Notes/loans payable - direct borrowings:						
SRF CS-333092-05	\$ 2,912,891	2014	2034	3.392	814,388	74,035
SRF CS-330092-07 CSO	\$ 1,272,534	2016	2036	2.00	780,458	55,747
SRF CS-330092-08 CSO	\$ 1,280,000	2017	2036	2.00	784,000	56,000
SRF CS-330092-10 CSO	\$ 728,283	2018	2037	2.70	491,595	32,773
SRF CS-1321010-02 CSO	\$ 800,000	2019	2039	1.70	605,147	35,597
Mascoma Bank vehicle note	\$ 84,863	2019	2023	2.99	16,972	16,972
SRF CS-330092-11 CSO	\$ 4,489,689	2020	2040	2.00	3,636,648	202,036
SRF DWGT-17 CSO	\$ 74,615	2021	2040	2.424	62,065	2,791
SRF CS-330092-12 CSO	\$ 1,381,845	2021	2040	2.00	1,119,717	62,206
SRF CS-330092-14	\$ 742,400	2022	2041	2.00	599,488	31,552
Total direct borrowings					<u>8,910,478</u>	<u>569,709</u>
Bond premiums					<u>3,012,287</u>	<u>198,727</u>
Total					<u>\$ 42,045,717</u>	<u>\$ 3,765,898</u>

Business-type activities:

Bonds payable - direct placements:						
NHMBB03C	\$ 1,769,210	2003	2023	4.00-6.00	\$ 19,340	\$ 19,340
NHMBB04B	\$ 1,281,902	2004	2024	3.00-5.00	55,714	27,857
NHMBB05B	\$ 1,254,393	2005	2025	4.00-4.50	180,000	60,000
NHMBB06A	\$ 2,070,164	2006	2026	4.50-5.00	410,000	105,000
NHMBB07B	\$ 2,362,489	2007	2027	4.00-4.75	702,000	136,400
NHMBB08A	\$ 2,030,611	2008	2028	4.00-4.125	632,850	105,475
NHMBB09C	\$ 1,370,220	2009	2029	3.02-5.02	474,000	69,000
NHMBB10B	\$ 3,152,607	2010	2030	3.823	1,261,040	157,630
NHMBB11B	\$ 4,720,716	2011	2031	3.55	2,115,000	235,000
NHMBB12B	\$ 4,306,526	2012	2032	2.57-3.18	936,400	329,640
NHMBB13C	\$ 2,207,000	2013	2033	4.10-5.60	1,185,000	110,000
NHMBB18B	\$ 1,629,000	2018	2038	3.20	1,296,000	81,000
NHMBB20B	\$ 2,993,133	2020	2040	1.64	2,690,758	150,771
NHMBB21C	\$ 2,360,980	2021	2041	2.10-5.10	2,240,000	123,000
NHMBB22C	\$ 3,256,480	2022	2042	4.10-5.10	863,520	43,200
Total direct placements					<u>15,061,622</u>	<u>1,753,313</u>

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Long-term bonds/notes continued:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2022	Current Portion
Notes/loans payable - direct borrowings:						
SRF CS-330092-03	\$ 1,576,416	2008	2028	2.352	472,924	78,821
2012 SRF/ARRA	\$ 1,294,062	2011	2031	3.55	349,694	34,613
SRF CS-333092-05	\$ 4,369,336	2014	2034	3.392	1,221,584	111,053
SRF CS-330092-07 CSO	\$ 1,908,801	2016	2036	2.00	1,170,690	83,620
SRF CS-330092-04	\$ 11,541,564	2016	2036	2.00	8,079,091	577,078
SRF CS-330092-06	\$ 1,904,452	2016	2036	2.00	1,071,709	76,551
SRF CS-330092-08 CSO	\$ 1,920,000	2017	2036	2.00	1,176,000	84,000
SRF #1321010-01	\$ 200,000	2017	2036	1.96	148,867	9,266
SRF CS-330092-09	\$ 4,672,089	2017	2037	2.42	3,504,068	233,604
SRF CS-330092-10 CSO	\$ 1,092,424	2018	2037	2.70	737,386	49,160
SRF CS-1321010-02 CSO	\$ 1,200,000	2019	2039	1.70	907,721	53,396
SRF CS-330092-11 CSO	\$ 7,440,093	2020	2040	2.00	6,026,472	334,804
SRF DWGT-17 CSO	\$ 111,923	2021	2040	2.424	93,098	4,188
SRF CS-330092-12 CSO	\$ 2,072,768	2021	2040	2.00	1,679,575	93,310
SRF DWGT-23	\$ 3,400,000	2021	2041	3.38	2,621,467	100,148
John Deere wheel loader	\$ 358,500	2021	2026	2.00	238,984	57,967
SRF CS-330092-14	\$ 742,400	2022	2041	2.00	899,232	47,328
Total direct borrowings					<u>30,398,562</u>	<u>2,028,907</u>
Bond premiums					<u>1,394,835</u>	<u>107,469</u>
Total					<u>\$ 46,855,019</u>	<u>\$ 3,889,689</u>

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2022, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending December 31,	Bonds - Direct Placements			Notes/Loans - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 2,997,462	\$ 1,252,848	\$ 4,250,310	\$ 569,709	\$ 144,721	\$ 714,430
2024	2,937,114	1,094,465	4,031,579	552,807	134,795	687,602
2025	2,694,971	952,349	3,647,320	552,875	125,376	678,251
2026	2,429,971	822,446	3,252,417	552,946	115,957	668,903
2027	2,202,871	704,625	2,907,496	553,018	106,538	659,556
2028-2032	8,056,514	2,192,880	10,249,394	2,766,246	391,411	3,157,657
2033-2037	5,789,559	899,738	6,689,297	2,360,458	171,010	2,531,468
2038-2042	3,014,490	189,645	3,204,135	1,002,419	27,587	1,030,006
Totals	<u>\$ 30,122,952</u>	<u>\$ 8,108,996</u>	<u>\$ 38,231,948</u>	<u>\$ 8,910,478</u>	<u>\$ 1,217,395</u>	<u>\$ 10,127,873</u>

(Continued)

CITY OF LEBANON, NEW HAMPSHIRE
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Long-term bonds/notes continued:

Business-type activities:

Fiscal Year Ending December 31,	Bonds - Direct Placements			Notes/Loans - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,753,313	\$ 633,700	\$ 2,387,013	\$ 2,028,907	\$ 526,726	\$ 2,555,633
2024	1,739,087	549,366	2,288,453	2,034,728	492,195	2,526,923
2025	1,406,230	470,174	1,876,404	2,040,736	457,489	2,498,225
2026	1,346,230	406,043	1,752,273	2,046,917	422,606	2,469,523
2027	1,243,230	342,828	1,586,058	1,990,488	387,541	2,378,029
2028-2032	4,318,986	993,685	5,312,671	9,675,258	1,440,274	11,115,532
2033-2037	2,065,241	338,869	2,404,110	8,276,578	673,662	8,950,240
2038-2042	1,189,305	71,809	1,261,114	2,304,950	125,732	2,430,682
Totals	<u>\$ 15,061,622</u>	<u>\$ 3,806,474</u>	<u>\$ 18,868,096</u>	<u>\$ 30,398,562</u>	<u>\$ 4,526,225</u>	<u>\$ 34,924,787</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 \$12,288,089 as of December 31, 2022, which is based on \$7,427,789 of closure costs for the open landfills and \$4,860,300 of postclosure maintenance costs (\$162,010 per year over a period of 30 years). 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, 2022. 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. As of December 31, 2022, this capital reserve fund had a balance \$8,684,803.

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CITY OF LEBANON, NEW HAMPSHIRE
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Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2022 were as follows:

Per City Meeting Vote of	Purpose	Unissued Amount	Responsible Fund
2015	Packard Hill bridge	\$ 100,000	General
2018	CSO Separation and Utility replacement	2,426,672	General/water treatment and distribution/sewage collection and disposal
2018	Lebanon Police Department HVAC repair and upgrade	50,000	General
2018	Streets rehabilitation/reconstruction	255,000	General/sewage collection and disposal
2019	Packard Hill bridge	120,000	General
2019	Hanover Street/Route 120 bridge	275,000	General
2019	CSO Separation and Utility replacement	2,220,687	General/water treatment and distribution/sewage collection and disposal
2019	Mechanic/High/Mascoma Streets intersection	700,000	General
2019	Radio communications repeater replacement	170,000	General
2019	Water treatment facility improvements	20,000	Water treatment and distribution
2019	Asset management program	120,000	Sewage collection and disposal
2020	Airport TIF District infrastructure improvements	123,075	General
2020	Miracle Mile pedestrian transit improvements	200,000	General
2020	Hanover Street reconstruction	355,000	General
2020	Huber sludge dewatering press	1,100,000	Sewage collection and disposal
2020	Lanfill gas to energy project	1,500,000	Solid waste disposal
2021	Airport TIF District infrastructure improvements	456,625	Airport
2021	Lebanon Library Renovation - Design/Engr/Constr.	1,200,210	General
2021	Kimball Street infrastructure improvements	102,900	General/water treatment and distribution/sewage collection and disposal
2021	Spencer Street Improvements	1,000,000	General
2021	Huber Sludge Dewatering Process	275,000	Sewage collection and disposal
2021	Mill Rd Slope Stabilization	100,000	Sewage collection and disposal
2022	Kimball Street infrastructure improvements	3,405,000	General/water treatment and distribution/sewage collection and disposal
2022	Trues Brook Road bridge replacement	820,000	General
2022	Mack Ave infrastructure improvements	200,000	General/water treatment and distribution/sewage collection and disposal
2022	Forest Ave reconstruction	150,000	General/water treatment and distribution/sewage collection and disposal
2022	Roadway improvements - Miracle Mile SRF	900,000	General
2022	West Lebanon capital improvements	200,000	General
2022	Water system improvements - Miracle Mile SRF	1,800,000	Water treatment and distribution
2022	Water system improvements - Mechanic Street	300,000	Water treatment and distribution
2022	Landfill gas and collection control system	137,800	Solid waste disposal
2022	Lanfill gas to energy project	1,362,060	Solid waste disposal
		<u>\$ 22,145,029</u>	

CITY OF LEBANON, NEW HAMPSHIRE
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NOTE 16 – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

Contributions - The System is financed by contributions from both the employees and the City. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and firefighters) members contribute 11.55% and 11.80%, respectively. For fiscal year 2022, the City contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$3,036,180, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2022, the City reported a liability of \$28,792,915 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2022, the City’s proportion was 0.50%, which was a decrease of 0.01% from its proportion measured as of June 30, 2021.

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For the year ended December 31, 2022, the City recognized pension expense of \$2,737,155. At December 31, 2022, 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	\$ 495,301	\$ 363,285	\$ 51,091	\$ 37,473	\$ 546,392	\$ 400,758
Changes in assumptions	1,388,344	-	143,209	-	1,531,553	-
Net difference between projected and actual investment earnings on pension plan investments	989,180	-	102,035	-	1,091,215	-
Differences between expected and actual experience	489,862	100,196	50,530	10,336	540,392	110,532
Contributions subsequent to the measurement date	1,474,201	-	152,065	-	1,626,266	-
Total	<u>\$ 4,836,888</u>	<u>\$ 463,481</u>	<u>\$ 498,930</u>	<u>\$ 47,809</u>	<u>\$ 5,335,818</u>	<u>\$ 511,290</u>

The \$1,626,266 (\$1,474,201 in the governmental activities and \$152,065 in the business-type activities) reported as deferred outflows of resources related to pensions results from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. 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
2023	\$ 1,038,929	\$ 107,167	\$ 1,146,096
2024	951,471	98,145	1,049,616
2025	(390,811)	(40,312)	(431,123)
2026	1,299,617	134,056	1,433,673
Totals	<u>\$ 2,899,206</u>	<u>\$ 299,056</u>	<u>\$ 3,198,262</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly, apply to 2022 measurements:

Inflation:	2.0%
Salary increases:	5.4% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

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

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Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

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

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

	Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
	Governmental activities	June 30, 2022	\$ 35,020,443	\$ 26,100,612
Business-type activities	June 30, 2022	3,612,392	2,692,303	1,927,334
		<u>\$ 38,632,835</u>	<u>\$ 28,792,915</u>	<u>\$ 20,611,935</u>

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

NOTE 17 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

17-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2022 Annual Comprehensive Financial Report, which can be found on the System’s website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal year 2022 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 2022, 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 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$219,205, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2022, the City reported a liability of \$1,872,765 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on a projection of the City’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2022, the City’s proportion was 0.50%, which was an increase of 0.02% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized OPEB expense of \$132,680. At December 31, 2022, 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
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 4,639	\$ -	\$ 479	\$ -	\$ 5,118	\$ -
Contributions subsequent to the measurement date	107,315	-	11,069	-	118,384	-
Total	\$ 111,954	\$ -	\$ 11,548	\$ -	\$ 123,502	\$ -

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The \$118,384 (\$107,315 in the governmental activities and \$11,069 in the business-type activities) reported as deferred outflows of resources related to OPEB results from the City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. 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
2023	\$ 771	\$ 80	\$ 851
2024	200	21	221
2025	(1,825)	(188)	(2,013)
2026	5,493	566	6,059
Totals	<u>\$ 4,639</u>	<u>\$ 479</u>	<u>\$ 5,118</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021, and a measurement date of June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.4% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	
Inflation	0.00%	2.25%
Total	<u>100.00%</u>	7.30%

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. 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.

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

	Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Governmental activities	June 30, 2022	\$ 1,843,087	\$ 1,697,650	\$ 1,570,984
Business-type activities	June 30, 2022	190,117	175,115	162,049
		<u>\$ 2,033,204</u>	<u>\$ 1,872,765</u>	<u>\$ 1,733,033</u>

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

17-B City of Lebanon Retiree Health Benefit Program

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

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

Employees Covered by Benefit Terms – At January 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	59
Active employees	<u>176</u>
Total participants covered by OPEB plan	<u>235</u>

Total OPEB Liability – The City's total OPEB liability of \$1,166,048 was measured as of January 1, 2022, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,166,048 in the January 1, 2022, 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:	3.72%
Healthcare Cost Trend Rates:	
Current Year Trend	7.0%
Second Year Trend	6.5%
Decrement	0.5%
Ultimate Trend	4.5%
Year Ultimate Trend is Reached	2027

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, 2022.

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

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Changes in the Total OPEB Liability

	Governmental Activities	Business-type Activities	Total
OPEB liability, beginning of year	\$ 981,347	\$ 181,796	\$ 1,163,143
Changes for the year:			
Service cost	45,140	8,362	53,502
Interest	22,827	4,229	27,056
Assumption changes and difference between actual and expected experience	(1,408)	(261)	(1,669)
Benefit payments	(64,108)	(11,876)	(75,984)
OPEB liability, end of year	<u>\$ 983,798</u>	<u>\$ 182,250</u>	<u>\$ 1,166,048</u>

Sensitivity of the City's OPEB Liability to Changes in the Discount Rate – The January 1, 2022, actuarial valuation was prepared using a discount rate of 3.72%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$1,255,418, or by 7.66%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$1,048,226, or by 10.10%.

Total OPEB Liability	Discount Rate		
	1% Decrease	Baseline 3.72%	1% Increase
Governmental activities	\$ 1,059,200	\$ 983,798	\$ 884,391
Business-type activities	196,218	182,250	163,835
	<u>\$ 1,255,418</u>	<u>\$ 1,166,048</u>	<u>\$ 1,048,226</u>

Sensitivity of the City's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2022, actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$1,053,318, or by 9.67%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$1,297,914, or by 11.31%.

Total OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease 6.00%	Baseline 7.00%	1% Increase 8.00%
	Decreasing to 3.50%	Decreasing to 4.50%	Decreasing to 5.50%
Governmental activities	\$ 888,687	\$ 983,798	\$ 1,095,054
Business-type activities	164,631	182,250	202,860
	<u>\$ 1,053,318</u>	<u>\$ 1,166,048</u>	<u>\$ 1,297,914</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the City recognized OPEB expense of \$24,516. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-type Activities		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 75,684	\$ 152,280	\$ 14,021	\$ 28,210	\$ 89,705	\$ 180,490
Differences between expected and actual experience	72,669	273,689	13,462	50,702	86,131	324,391
Total	<u>\$ 148,353</u>	<u>\$ 425,969</u>	<u>\$ 27,483</u>	<u>\$ 78,912</u>	<u>\$ 175,836</u>	<u>\$ 504,881</u>

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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
2023	\$ (47,283)	\$ (8,759)	\$ (56,042)
2024	(47,283)	(8,759)	(56,042)
2025	(46,751)	(8,661)	(55,412)
2026	(44,854)	(8,309)	(53,163)
2027	(56,449)	(10,457)	(66,906)
Thereafter	(34,996)	(6,484)	(41,480)
Totals	<u>\$ (277,616)</u>	<u>\$ (51,429)</u>	<u>\$ (329,047)</u>

NOTE 18 – 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	\$ -	\$ -	\$ -	\$ 97,405	\$ 9,795	\$ 107,200
C-844 Combined Sewer Overflow	138,537	41,877	180,414	207,806	62,816	270,622
C-903 Dana & Craft Avenue Area	212,944	34,272	247,216	319,415	51,408	370,823
C-924 Combined Sewer Overflow - Phase 1	157,311	35,724	193,035	235,968	53,586	289,554
C-928 Etna Road - NH Rt 10 Sewer Replacement	-	-	-	1,606,273	243,444	1,849,717
C-874 WWTF Phase 2 Upgrade and Energy Evaluation Improvements	-	-	-	1,882,447	274,526	2,156,973
C-899 Combined Sewer Overflow & Utility Improvements - Phase 9	-	-	-	473,852	4,000	477,852
	<u>\$ 508,792</u>	<u>\$ 111,873</u>	<u>\$ 620,665</u>	<u>\$ 4,823,166</u>	<u>\$ 699,575</u>	<u>\$ 5,522,741</u>

Under New Hampshire RSA Chapter 486, the City receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from various projects. At December 31, 2022, 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
2023	\$ 31,046	\$ 13,226	\$ 44,272	\$ 314,042	\$ 84,636	\$ 398,678
2024	31,114	12,390	43,504	314,142	79,530	393,672
2025	31,114	11,542	42,656	314,142	73,500	387,642
2026	31,052	10,697	41,749	314,051	67,493	381,544
2027	31,052	9,848	40,900	312,822	61,480	374,302
2028-2032	154,712	36,513	191,225	1,465,883	224,666	1,690,549
2033-2037	150,249	16,259	166,508	1,321,051	94,242	1,415,293
2038-2042	48,453	1,398	49,851	467,033	14,028	481,061
Totals	<u>\$ 508,792</u>	<u>\$ 111,873</u>	<u>\$ 620,665</u>	<u>\$ 4,823,166</u>	<u>\$ 699,575</u>	<u>\$ 5,522,741</u>

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NOTE 19 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2022 and are as follows:

General fund:	
General government	\$ 809,920
Public safety	97,733
Highways and streets	464,575
Culture and recreation	47,940
Total encumbrances	<u>\$ 1,420,168</u>

NOTE 20 – NET POSITION

Net position reported on the government-wide, proprietary funds, and fiduciary funds Statements of Net Position at December 31, 2022 include the following:

	Government-wide Financial Statements			Fiduciary Fund
	Governmental Activities	Business-type Activities	Total	
Net investment in capital assets:				
Net book value, all capital assets	\$ 115,852,519	\$ 115,494,048	\$ 231,346,567	\$ -
Less:				
Bonds payable - direct placements	(30,122,952)	(15,061,622)	(45,184,574)	-
Notes/loans payable - direct borrowings	(8,910,478)	(30,398,562)	(39,309,040)	-
Premium	(3,012,287)	(1,394,835)	(4,407,122)	-
Total net investment in capital assets	<u>73,806,802</u>	<u>68,639,029</u>	<u>142,445,831</u>	<u>-</u>
Restricted net position:				
Capital projects	-	955,019	955,019	-
Library	108,633	-	108,633	-
Heritage fund - Dana House restoration	25,000	-	25,000	-
Perpetual care - principal balance	1,646,815	-	1,646,815	-
Downtown TIF District	959,897	-	959,897	-
Airport/Tech Park TIF District	39	-	39	-
Water investment fees	-	768,698	768,698	-
Total restricted net position	<u>2,740,384</u>	<u>1,723,717</u>	<u>4,464,101</u>	<u>-</u>
Unrestricted (deficit)	<u>(11,227,607)</u>	<u>10,963,310</u>	<u>(264,297)</u>	<u>5,487,426</u>
Total net position	<u>\$ 65,319,579</u>	<u>\$ 81,326,056</u>	<u>\$ 146,645,635</u>	<u>\$ 5,487,426</u>

(Continued)

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Net position continued:

	Proprietary Funds				Total
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Net investment in capital assets:					
Net book value, all capital assets	\$ 57,646,794	\$ 13,642,082	\$ 31,830,392	\$ 12,374,780	\$ 115,494,048
Less:					
Bonds payable - direct placements	(7,725,138)	(590,000)	(6,448,589)	(297,895)	(15,061,622)
Notes/loans payable - direct borrowings	(20,369,420)	(238,984)	(9,790,158)	-	(30,398,562)
Premium	(722,354)	(120,255)	(547,371)	(4,855)	(1,394,835)
Total net investment in capital assets	<u>28,829,882</u>	<u>12,692,843</u>	<u>15,044,274</u>	<u>12,072,030</u>	<u>68,639,029</u>
Restricted net position:					
Capital projects	145,036	-	599,203	210,780	955,019
Water investment fees	-	-	768,698	-	768,698
Total restricted net position	<u>145,036</u>	<u>-</u>	<u>1,367,901</u>	<u>210,780</u>	<u>1,723,717</u>
Unrestricted (deficit)	8,695,270	(800,862)	2,703,159	365,743	10,963,310
Total net position	<u>\$ 37,670,188</u>	<u>\$ 11,891,981</u>	<u>\$ 19,115,334</u>	<u>\$ 12,648,553</u>	<u>\$ 81,326,056</u>

NOTE 21 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2022 include the following:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 389,457	\$ 10,000	\$ -	\$ 399,457
Permanent fund - principal balance	-	-	1,646,815	1,646,815
Total nonspendable fund balance	<u>389,457</u>	<u>10,000</u>	<u>1,646,815</u>	<u>2,046,272</u>
Restricted:				
Heritage fund - donations	25,000	-	-	25,000
Public library	-	-	108,633	108,633
Downtown TIF District	-	-	959,897	959,897
Airport/Tech Park TIF District	-	-	39	39
Total restricted fund balance	<u>25,000</u>	<u>-</u>	<u>1,068,569</u>	<u>1,093,569</u>
Committed:				
Expendable trust	2,664,263	-	-	2,664,263
Heritage fund	6,560	-	-	6,560
Police public safety revolving	-	-	227,337	227,337
Lebanon open space	-	-	1,453,630	1,453,630
Fire public safety revolving	-	-	67,226	67,226
Recreation revolving	-	-	101,935	101,935
Impact fees	-	-	483,338	483,338
Cemetery maintenance	-	-	30,866	30,866
Public assistance revolving	-	-	150,000	150,000
Total committed fund balance	<u>2,670,823</u>	<u>-</u>	<u>2,514,332</u>	<u>5,185,155</u>

(Continued)

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Governmental fund balances continued:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assigned:				
Encumbrances	1,420,168	-	-	1,420,168
Abatements	595,270	-	-	595,270
Grants	15,909	-	-	15,909
Restricted funds	304,636	-	-	304,636
Emergency management	165,306	-	-	165,306
Total assigned fund balance	<u>2,501,289</u>	<u>-</u>	<u>-</u>	<u>2,501,289</u>
Unassigned (deficit):				
General fund	10,915,290	-	-	10,915,290
Capital improvements (deficit)	-	(23,455)	-	(23,455)
Total unassigned fund balance (deficit)	<u>10,915,290</u>	<u>(23,455)</u>	<u>-</u>	<u>10,891,835</u>
Total governmental fund balances (deficit)	<u>\$ 16,501,859</u>	<u>\$ (13,455)</u>	<u>\$ 5,229,716</u>	<u>\$ 21,718,120</u>

NOTE 22 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2022, 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, 2022, to December 31, 2022, 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 Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits 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 2022, the City paid \$369,005 for Workers' Compensation and \$294,699 for Property/Liability, respectively. 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 23 – CAFETERIA BENEFIT PLAN

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

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

In addition to directing the City's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$2,850 annually into the Healthcare Flexible Spending Account or \$5,000 annually into the Dependent Care Reimbursement Account. This cap applies to both City contributions and employee pre-tax contributions. There are no limits on contributions to the Premium Conversion Benefit for Group Medical and Dental Plans.

CITY OF LEBANON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 24 – SECURITY AGREEMENT

The City entered a security agreement with Dartmouth-Hitchcock Medical Center (DHMC) on May 17, 2013. The purpose of the agreement is to finance the possible future expansion of the City sewer system to the DHMC properties. Under the agreement, DHMC established an escrow account in the amount of \$475,000. At December 31, 2022, 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.

NOTE 25 – COVID-19

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

The City was allotted a total of \$1,429,118 in federal funding from the American Rescue Plan Act (ARPA) in 2021. A total of \$714,559, or 50%, of the funding was received in 2021. The remainder was received in 2022. Eligible uses of these funds include pandemic response or its negative impacts, workforce/personnel, including payroll and hazard/premium pay, provision of government services to the extent of reduced revenue, and necessary water, sewer, and broadband investment. For the year ended December 31, 2022, the City spent \$915,890 of the funds received. The remaining funds are included in deferred inflows of resources until eligible expenditures have been made.

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

NOTE 26 – CONTINGENCIES

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

NOTE 27 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through February 28, 2024, the date the December 31, 2022 financial statements were available to be issued, and the no event that requires recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
CITY OF LEBANON, NEW HAMPSHIRE
Schedule of the City's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022
Unaudited

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
City's:										
Proportion of the net pension liability	0.54%	0.52%	0.52%	0.52%	0.53%	0.50%	0.50%	0.49%	0.51%	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	\$ 31,470,593	\$ 22,587,437	\$ 28,792,915
Covered payroll	\$ 11,097,378	\$ 10,876,951	\$ 11,206,359	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 13,820,770	\$ 14,370,483
Proportionate share of the net pension liability as a percentage of its covered payroll	210.19%	177.86%	183.89%	240.45%	203.75%	201.60%	194.06%	244.02%	163.43%	200.36%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%

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, 2022
Unaudited

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contributions	\$ 1,347,646	\$ 1,672,029	\$ 1,745,205	\$ 1,871,074	\$ 1,927,693	\$ 2,106,239	\$ 2,156,652	\$ 2,185,777	\$ 2,341,483	\$ 2,906,407
Contributions in relation to the contractually required contributions	(1,347,646)	(1,672,029)	(1,745,205)	(1,871,074)	(1,927,693)	(2,106,239)	(2,156,652)	(2,185,777)	(2,341,483)	(2,906,407)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 11,097,378	\$ 10,876,951	\$ 11,206,359	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 14,033,071	\$ 14,907,762
Contributions as a percentage of covered payroll	12.14%	15.37%	15.57%	16.19%	15.18%	17.70%	17.55%	16.95%	16.69%	19.50%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.
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CITY OF LEBANON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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

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

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

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

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, 2022. These schedules are presented to illustrate the requirement to show information for 10 years.

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, 2022
Unaudited

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
City's proportion of the net OPEB liability	0.35%	0.36%	0.52%	0.51%	0.46%	0.48%	0.50%
City's proportionate share of the net OPEB liability (asset)	\$ 1,695,898	\$ 1,629,045	\$ 2,367,418	\$ 2,239,957	\$ 2,031,548	\$ 1,919,830	\$ 1,872,765
City's covered payroll	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 13,820,770	\$ 14,370,483
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	14.68%	12.83%	19.89%	18.23%	15.75%	13.89%	13.03%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	7.74%	10.64%

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, 2022
Unaudited

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 203,555	\$ 211,169	\$ 228,719	\$ 233,166	\$ 215,437	\$ 230,831	\$ 208,687
Contributions in relation to the contractually required contribution	(203,555)	(211,169)	(228,719)	(233,166)	(215,437)	(230,831)	(208,687)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 14,033,071	\$ 14,907,762
Contributions as a percentage of covered payroll	1.76%	1.66%	1.92%	1.90%	1.67%	1.64%	1.40%

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, 2022
Unaudited

	December 31,				
	2018	2019	2020	2021	2022
OPEB liability, beginning of year	\$ 1,692,911	\$ 1,628,158	\$ 1,652,115	\$ 1,166,961	\$ 1,163,143
Changes for the year:					
Service cost	55,750	50,153	39,303	45,453	53,502
Interest	58,654	66,921	30,915	24,840	27,056
Assumption changes and difference between actual and expected experience	(91,181)	-	(466,752)	7,751	(1,669)
Benefit payments	(87,976)	(93,117)	(88,620)	(81,862)	(75,984)
OPEB liability, end of year	<u>\$ 1,628,158</u>	<u>\$ 1,652,115</u>	<u>\$ 1,166,961</u>	<u>\$ 1,163,143</u>	<u>\$ 1,166,048</u>
Covered payroll	<u>\$ 8,170,172</u>	<u>\$ 8,374,426</u>	<u>\$ 10,442,024</u>	<u>\$ 10,703,075</u>	<u>\$ 11,550,479</u>
Total OPEB liability as a percentage of covered payroll	19.93%	19.73%	11.18%	10.87%	10.10%

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

CITY OF LEBANON, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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

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

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

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

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, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

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

Changes in Assumptions – The discount rate changed to 3.72% from 2.03% in the current period. The medical trend rate was adjusted to 7.0% from 6.5% and the year the ultimate rate is expected to be reached was updated to 2027 from 2025. Finally, the mortality improvement scale was updated to MP-2021 from MP-2019.

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, 2022. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
CITY OF LEBANON, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2022

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 23,093,868	\$ 23,202,930	\$ 109,062
Yield	5,000	5,124	124
Excavation	5,000	5,956	956
Payment in lieu of taxes	1,883,022	1,878,970	(4,052)
Interest and penalties on taxes	100,000	137,576	37,576
Total from taxes	25,086,890	25,230,556	143,666
Licenses, permits, and fees:			
Motor vehicle permit fees	2,667,700	2,769,382	101,682
Building permits	340,000	1,018,388	678,388
Other	70,700	83,606	12,906
Total from licenses, permits, and fees	3,078,400	3,871,376	792,976
Intergovernmental:			
State:			
Meals and rooms distribution	1,312,287	1,312,287	-
Highway block grant	324,121	322,860	(1,261)
Water pollution grants	45,160	45,150	(10)
Other	192,461	189,691	(2,770)
Federal:			
Other	61,480	69,631	8,151
Total from intergovernmental	1,935,509	1,939,619	4,110
Charges for services:			
Income from departments	1,661,690	1,794,706	133,016
Miscellaneous:			
Sale of municipal property	-	20,510	20,510
Interest on investments	51,490	86,483	34,993
Other	420,860	415,009	(5,851)
Total from miscellaneous	472,350	522,002	49,652
Other financing sources:			
Transfers in	2,131,370	2,160,625	29,255
Total revenues and other financing sources	34,366,209	\$ 35,518,884	\$ 1,152,675
Unassigned fund balance used to reduce tax rate	1,078,461		
Amounts voted from fund balance	2,771,450		
Total revenues, other financing sources, and use of fund balance	\$ 38,216,120		

See Independent Auditor's Report.

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, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 45,978	\$ 734,770	\$ 716,698	\$ 90,562	\$ (26,512)
Election and registration	57,287	721,630	624,596	87,287	67,034
Financial administration	867,723	3,127,170	3,303,553	534,101	157,239
Legal	-	300,000	176,491	-	123,509
Personnel administration	15,300	4,091,340	3,700,910	3,031	402,699
Planning and zoning	18,663	645,620	615,729	30,400	18,154
General government buildings	2,438	264,450	200,890	60,339	5,659
Cemeteries	-	57,640	44,674	4,200	8,766
Insurance, not otherwise allocated	-	229,000	230,578	-	(1,578)
Advertising and regional associations	-	24,830	24,829	-	1
Other	-	249,710	249,710	-	-
Total general government	<u>1,007,389</u>	<u>10,446,160</u>	<u>9,888,658</u>	<u>809,920</u>	<u>754,971</u>
Public safety:					
Police	193,304	5,949,410	5,593,348	86,461	462,905
Fire	24,302	4,775,030	4,711,982	11,272	76,078
Building inspection	-	460,790	459,561	-	1,229
Other	-	943,600	915,678	-	27,922
Total public safety	<u>217,606</u>	<u>12,128,830</u>	<u>11,680,569</u>	<u>97,733</u>	<u>568,134</u>
Highways and streets:					
Administration	21,590	1,163,070	1,165,450	88,379	(69,169)
Highways and streets	1,199,891	3,062,930	3,787,569	376,196	99,056
Bridges	-	3,500	-	-	3,500
Street lighting	-	89,920	81,408	-	8,512
Other	-	262,500	274,832	-	(12,332)
Total highways and streets	<u>1,221,481</u>	<u>4,581,920</u>	<u>5,309,259</u>	<u>464,575</u>	<u>29,567</u>
Welfare:					
Administration and direct assistance	-	290,320	278,856	-	11,464
Vendor payments and other	-	264,580	264,580	-	-
Total welfare	<u>-</u>	<u>554,900</u>	<u>543,436</u>	<u>-</u>	<u>11,464</u>
Culture and recreation:					
Parks and recreation	32,416	1,109,720	1,116,740	47,940	(22,544)
Library	60,798	1,383,440	1,425,732	-	18,506
Patriotic purposes	-	7,000	7,000	-	-
Total culture and recreation	<u>93,214</u>	<u>2,500,160</u>	<u>2,549,472</u>	<u>47,940</u>	<u>(4,038)</u>
Conservation	-	10,870	10,869	-	1
Debt service:					
Principal of long-term debt	-	3,515,170	3,509,515	-	5,655
Interest on long-term debt	-	1,322,820	1,312,788	-	10,032
Total debt service	<u>-</u>	<u>4,837,990</u>	<u>4,822,303</u>	<u>-</u>	<u>15,687</u>
Other financing uses:					
Transfers out	-	3,155,290	3,155,290	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 2,539,690</u>	<u>\$ 38,216,120</u>	<u>\$ 37,959,856</u>	<u>\$ 1,420,168</u>	<u>\$ 1,375,786</u>

See Independent Auditor's Report.

SCHEDULE 3
CITY OF LEBANON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2022

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 12,988,865
Changes:		
Unassigned fund balance used to reduce 2022 tax rate		(1,078,461)
Amounts voted from fund balance		(2,771,450)
2022 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,152,675	
Unexpended balance of appropriations (Schedule 2)	<u>1,375,786</u>	
2022 Budget surplus		2,528,461
Decrease in nonspendable fund balance		322,551
Increase in assigned fund balance (non-encumbrance)		<u>(447,521)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		11,542,445
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		(777,155)
Elimination of the allowance for uncollectible taxes		<u>150,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 10,915,290</u></u>

See Independent Auditor's Report.

SCHEDULE 4
CITY OF LEBANON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

	Special Revenue Funds				
	Public Library	Police Public Safety Revolving	Lebanon Open Space	Fire Public Safety Revolving	Farmers Market
ASSETS					
Cash and cash equivalents	\$ 118,110	\$ 210,520	\$ 1,470,173	\$ 67,231	\$ -
Investments	-	-	-	-	-
Receivables, net of allowance for uncollectable:					
Accounts	-	16,817	-	-	-
Interfund receivable	4,884	-	-	-	-
Total assets	<u>\$ 122,994</u>	<u>\$ 227,337</u>	<u>\$ 1,470,173</u>	<u>\$ 67,231</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 16,543	\$ 5	\$ -
Interfund payable	14,361	-	-	-	-
Total liabilities	<u>14,361</u>	<u>-</u>	<u>16,543</u>	<u>5</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	108,633	-	-	-	-
Committed	-	227,337	1,453,630	67,226	-
Total fund balances	<u>108,633</u>	<u>227,337</u>	<u>1,453,630</u>	<u>67,226</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 122,994</u>	<u>\$ 227,337</u>	<u>\$ 1,470,173</u>	<u>\$ 67,231</u>	<u>\$ -</u>

Special Revenue Funds							
Recreation Revolving	Impact Fees	Cemetery Maintenance	Public Assistance Revolving	Downtown TIF District	Airport/ Tech Park TIF District	Permanent Fund	Total
\$ 102,983	\$ 483,338	\$ 30,866	\$ 150,000	\$ 959,897	\$ 39	\$ 76,878	\$ 3,670,035
-	-	-	-	-	-	1,606,566	1,606,566
-	-	-	-	-	-	-	16,817
-	-	-	-	-	-	150	5,034
<u>\$ 102,983</u>	<u>\$ 483,338</u>	<u>\$ 30,866</u>	<u>\$ 150,000</u>	<u>\$ 959,897</u>	<u>\$ 39</u>	<u>\$ 1,683,594</u>	<u>\$ 5,298,452</u>
\$ 1,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,596
-	-	-	-	-	-	36,779	51,140
<u>1,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,779</u>	<u>68,736</u>
-	-	-	-	-	-	1,646,815	1,646,815
-	-	-	-	959,897	39	-	1,068,569
101,935	483,338	30,866	150,000	-	-	-	2,514,332
<u>101,935</u>	<u>483,338</u>	<u>30,866</u>	<u>150,000</u>	<u>959,897</u>	<u>39</u>	<u>1,646,815</u>	<u>5,229,716</u>
<u>\$ 102,983</u>	<u>\$ 483,338</u>	<u>\$ 30,866</u>	<u>\$ 150,000</u>	<u>\$ 959,897</u>	<u>\$ 39</u>	<u>\$ 1,683,594</u>	<u>\$ 5,298,452</u>

See Independent Auditor's Report.

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, 2022

	Special Revenue Funds				
	Public Library	Police Public Safety Revolving	Lebanon Open Space	Fire Public Safety Revolving	Farmers Market
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	2,246	-
Charges for services	-	192,737	-	20,391	-
Miscellaneous	208,678	-	9,853	-	2,276
Unrealized loss on investments	-	-	-	-	-
Total revenues	<u>208,678</u>	<u>192,737</u>	<u>9,853</u>	<u>22,637</u>	<u>2,276</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	194,890	-	22,385	-
Culture and recreation	223,023	-	-	-	3,500
Total expenditures	<u>223,023</u>	<u>194,890</u>	<u>-</u>	<u>22,385</u>	<u>3,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,345)</u>	<u>(2,153)</u>	<u>9,853</u>	<u>252</u>	<u>(1,224)</u>
Other financing sources (uses):					
Transfers in	4,884	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>4,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(9,461)	(2,153)	9,853	252	(1,224)
Fund balances, beginning	118,094	229,490	1,443,777	66,974	1,224
Fund balances, ending	<u>\$ 108,633</u>	<u>\$ 227,337</u>	<u>\$ 1,453,630</u>	<u>\$ 67,226</u>	<u>\$ -</u>

Special Revenue Funds							
Recreation Revolving	Impact Fees	Cemetery Maintenance	Public Assistance Revolving	Downtown TIF District	Airport/ Tech Park TIF District	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 728,546	\$ 12	\$ -	\$ 728,558
-	-	-	-	-	-	-	2,246
155,707	-	-	-	-	-	-	368,835
-	117,356	10,766	-	1,787	-	41,521	392,237
-	-	-	-	-	-	(287,437)	(287,437)
<u>155,707</u>	<u>117,356</u>	<u>10,766</u>	<u>-</u>	<u>730,333</u>	<u>12</u>	<u>(245,916)</u>	<u>1,204,439</u>
-	-	-	-	-	-	9,962	9,962
-	-	-	-	-	-	-	217,275
151,196	-	-	-	-	-	-	377,719
<u>151,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,962</u>	<u>604,956</u>
4,511	117,356	10,766	-	730,333	12	(255,878)	599,483
-	-	-	150,000	-	-	-	154,884
-	(332,980)	-	-	(288,320)	-	(4,884)	(626,184)
-	(332,980)	-	150,000	(288,320)	-	(4,884)	(471,300)
4,511	(215,624)	10,766	150,000	442,013	12	(260,762)	128,183
97,424	698,962	20,100	-	517,884	27	1,907,577	5,101,533
<u>\$ 101,935</u>	<u>\$ 483,338</u>	<u>\$ 30,866</u>	<u>\$ 150,000</u>	<u>\$ 959,897</u>	<u>\$ 39</u>	<u>\$ 1,646,815</u>	<u>\$ 5,229,716</u>

See Independent Auditor's Report.

SCHEDULE 6
CITY OF LEBANON, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2022

	Custodial Funds				Total
	Taxes	Trust Funds	School Impact Fees	State Fees	
ASSETS					
Cash and cash equivalents	\$ -	\$ 370,038	\$ 264,784	\$ -	\$ 634,822
Investments	-	3,482,865	-	-	3,482,865
Intergovernmental receivables	16,163,703	-	-	-	16,163,703
Total assets	<u>16,163,703</u>	<u>3,852,903</u>	<u>264,784</u>	<u>-</u>	<u>20,281,390</u>
LIABILITIES					
Intergovernmental payable - due to school district	16,163,703	-	261,738	-	16,425,441
NET POSITION					
Unrestricted	<u>\$ -</u>	<u>\$ 3,852,903</u>	<u>\$ 3,046</u>	<u>\$ -</u>	<u>\$ 3,855,949</u>

See Independent Auditor's Report.

SCHEDULE 7
CITY OF LEBANON, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2022

	Custodial Funds				Total
	Taxes	Trust Funds	School Impact Fees	State Fees	
Additions:					
Contributions	\$ -	\$ -	\$ 60,440	\$ -	\$ 60,440
Investment earnings	-	42,897	-	-	42,897
Tax collections for other governments	39,333,204	-	-	-	39,333,204
State fees collected	-	-	-	820,810	820,810
Total additions	<u>39,333,204</u>	<u>42,897</u>	<u>60,440</u>	<u>820,810</u>	<u>40,257,351</u>
Deductions:					
Change in fair market value	-	218,649	-	-	218,649
Administrative expenses	-	140,327	273,990	-	414,317
Payments of taxes to other governments	39,333,204	-	-	-	39,333,204
Payments of State fees	-	-	-	820,810	820,810
Total deductions	<u>39,333,204</u>	<u>358,976</u>	<u>273,990</u>	<u>820,810</u>	<u>40,786,980</u>
Change in net position	-	(316,079)	(213,550)	-	(529,629)
Net position, beginning	-	4,168,982	216,596	-	4,385,578
Net position, ending	<u>\$ -</u>	<u>\$ 3,852,903</u>	<u>\$ 3,046</u>	<u>\$ -</u>	<u>\$ 3,855,949</u>

See Independent Auditor's Report.

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



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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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

Independent Auditor's Report

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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise the City of Lebanon's basic financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

City of Lebanon
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

Purpose of This Report

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

February 28, 2024
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association



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Professional Association/Certified Public Accountants

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lebanon's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Lebanon's major federal programs for the year ended December 31, 2022. The City of Lebanon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Lebanon's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Lebanon and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Lebanon's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Lebanon's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Lebanon's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for

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

that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Lebanon's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we;

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Lebanon's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Lebanon's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Lebanon's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lebanon's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City of Lebanon's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

February 28, 2024
Concord, New Hampshire



• PLODZIK & SANDERSON
Professional Association

SCHEDULE I
CITY OF LEBANON, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

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 opinions on the governmental activities, business-type activities, each major fund,
 and aggregate remaining fund information.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes 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 no

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SCHEDULE I (Continued)
CITY OF LEBANON, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-001 Lack of Documented Use of Airport Revenue Policy (Significant Deficiency)

Federal Agency: Department of Transportation
Cluster/Program: Airport Improvement Program
Assistance Listing Number: 20.106

Passed-through Identification: #3-33-0010-059-2019, #3-33-0010-062-2020, #3-33-0010-064-2021, #3-33-0010-065-2021, #3-33-0010-066-2021, #3-33-0010-067-2021, #3-33-0010-068-2021, #3-33-0010-069-2022, and #3-33-0010-070-2022

Compliance Requirement: Special Test and Provision – Revenue Diversion

Type of Finding:

Internal Control over Compliance – Significant Deficiency

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

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

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

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

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

Questioned Costs: None

Identification as Repeat Finding: As identified in Schedule III, Summary Schedule of Prior Audit Findings, this is a repeat of finding 2021-002.

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

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

SCHEDULE II
City of Lebanon
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the State of New Hampshire Community Development Finance Authority				
Community Development Block Grant/State's Program	14.228	19-094-CDPF	\$ 417,602	\$ 433,354
<i>PROGRAM TOTAL</i>			<u>417,602</u>	<u>433,354</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
Airport Improvement Program:	20.106	AIP #3-33-0010-059-2019	-	858
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-062-2020	-	2,100
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-064-2021	-	1,036,833
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-065-2021	-	7,263
Airport Improvement Program	20.106	AIP #3-33-0010-065-2021	-	41,758
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-066-2021	-	817
Airport Improvement Program	20.106	AIP #3-33-0010-066-2021	-	28,274
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-067-2021	-	439,006
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-068-2021	-	2,220
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-069-2022	-	15,459
Airport Improvement Program	20.106	AIP #3-33-0010-070-2022	-	816,345
<i>PROGRAM TOTAL</i>			<u>-</u>	<u>2,390,933</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
<i>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</i>				
Highway Planning and Construction	20.205	40794	-	63,305
Highway Planning and Construction	20.205	41366	-	63,761
Passed Through the State of New Hampshire Department of Natural and Cultural Resources				
Recreational Trails Program	20.219	22-21	-	14,567
<i>CLUSTER TOTAL</i>			<u>-</u>	<u>141,633</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Safety				
State and Community Highway Safety	20.600	#19-101	-	22,838

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
City of Lebanon
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TREASURY				
Passed Through the State of New Hampshire Department of Environmental Services				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	00FRF602WB4401A	-	20,800
Passed Through the State of New Hampshire Governor's Office for Emergency Relief and Recovery				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	38,143
<i>PROGRAM TOTAL</i>				
			-	58,943
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through the State of Vermont Department of Health				
Medical Reserve Corps Small Grant Program	93.069	03420-09099	-	5,116
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State of New Hampshire Department of Health and Human Services				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	-	11,312
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State of New Hampshire Department of Safety				
BRIC: Building Resilient Infrastructure and Communities	97.047	EMB-2020-PC-0005	-	8,000
DIRECT FUNDING				
U.S. DEPARTMENT OF JUSTICE				
Bullet Proof Vest Partnership Program	16.607	N/A	-	787
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	60,000
U.S. DEPARTMENT OF TREASURY				
COVID-19 - Coronavirus Relief Fund - TSA Cleaning	21.019	N/A	-	3,950
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	915,890
U.S. DEPARTMENT OF HOMELAND SECURITY				
COVID-19 - Assistance to Firefighters Grant	97.044	EMW-2020-FG-01172	-	1,425
Total Expenditures of Federal Awards			\$ 417,602	\$ 4,054,181

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, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City of Lebanon under programs of the federal government for the year ended December 31, 2022. 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.

Note 4. COVID-19 - Coronavirus State and Local Recovery Fund

The City was allotted a total of \$1,429,118 in federal funds as a non-entitlement unit from the American Rescue Plan Act (ARPA) which was received in two equal payments. The City of Lebanon had a library renovation project that began in fiscal year 2021 which was originally planned to be funded through non-federal means. In fiscal year 2022, the City earmarked \$900,000 in Coronavirus State and Local Fiscal Recovery Funds – Direct Funding to be used for the library renovation project under expense category 6.1 Revenue Replacement. Of the \$915,890 reported on Schedule II, \$900,000 represented expenditures incurred in fiscal year 2021, but not earmarked until fiscal year 2022.

Note 5. COVID-19 - Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Non-federal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the nonfederal entity’s project worksheet (PW), and (2) the nonfederal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the nonfederal entity’s SEFA in those subsequent years. The \$11,312 reported for COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters), ALN 97.036, represents expenditures occurred in prior years that were approved by FEMA during fiscal year 2022.

APPENDIX

CORRECTIVE ACTION PLAN
February 27, 2024

Audit Finding Reference:

2022-001

Planned Corrective Action:

The City has adopted an Airport Revenue Policy on 6/8/2023.

Name of Contact Person and Completion Date:

Name 1 Carl Gross, Airport Manager

Name 2 Vicki Lee, Finance Director

Anticipated Completion Date – Completed 6/8/2023

Audit Finding Reference:

2022-002

Planned Corrective Action:

The City acknowledged the recommendation and submitted the 2022 reports as required within the 120 days after the calendar year end date.

Name of Contact Person and Completion Date:

Name 1 Carl Gross, Airport Manager

Name 2 Vicki Lee, Finance Director

Anticipated Completion Date – Completed 3/1/2023