CITY OF LEBANON
LEBANON, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2021

CITY OF LEBANON

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BTCPA
BARBACANE THORNTON & COMPANY

INDEPENDENT AUDITOR'S REPORT

October 3, 2022

To the Honorable Mayor and City Council
City of Lebanon
Lebanon, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Lebanon, Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Lebanon, Pennsylvania, as of December 31, 2021, and the respective changes in its financial position and, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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.

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To the Honorable Mayor and City Council
City of Lebanon

Responsibilities of Management's for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lebanon's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a 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 GAAS, 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.

To the Honorable Mayor and City Council
City of Lebanon

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.

Emphasis of a Matter

As discussed in Notes 1 and 18 to the financial statements, the City of Lebanon has adopted the requirements of GASB Statement No. 87, "Lease Accounting." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating lease. As a result, the City of Lebanon has restated is governmental activities net position as of January 1, 2020. Our opinion is not modified with respect to this matter.

Report of Summarized Comparative Information

We have previously audited the City of Lebanon's 2020 financial statements, and we expressed a qualified opinion on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated September 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 23 and the schedules of changes in net pension liability, related ratios, and investment returns - pension plans; schedules of employer contributions and notes to schedules - pension plans; schedule of the City's net OPEB liability and related ratios; and schedule of City OPEB contributions on pages 83 through 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and City Council
City of Lebanon

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fiduciary fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fiduciary fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lebanon's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

This section of the City of Lebanon's (the City) annual financial report presents a narrative overview and analysis of the City's performance for the year ended December 31, 2021. Please read it in conjunction with the City's accompanying financial statements, including the note disclosures that follow, in order to obtain a thorough understanding of the City's financial condition as of December 31, 2021.

FINANCIAL HIGHLIGHTS

- The City's real estate millage rate remained the same at 4.581 mills for 2021. This type of tax is the City's second largest revenue source with the first being earned income taxes.

- City Council authorized the issuance of a tax and revenue anticipation note in the amount of $1,000,000 for the year 2021 with an interest rate of 1.09 percent. Closing on the note occurred on January 7, 2021, and the City drew down $50,000 against the authorized amount. The note was paid off by December 31, 2021, as required.

- The City's long-term debt obligation due to the County of Lebanon was paid in full in 2021 with a final payment of $31,188. On October 27, 2021, the City issued General Obligation Bonds, Series of 2021 in the amount of $2.33 million aggregate principal amount in order to partially finance the City Hall project. The term is 30 years, and the annual debt service varies with the first principal payment due on October 31, 2022.

- The City created a Capital Reserve Fund (CRF) in 2011 with community contributions. In 2014, money was budgeted from the General Fund (GF) and in addition, $1.5 million was receipted in November 2014, which represented a safety incentive payment from the Norfolk Southern Railroad Co. for the closing of the at-grade railroad crossings in conjunction with the 9th & 10th Street Bridges Over the Norfolk Southern Railroad Project. This money was designated for the purchase of public works and public safety vehicles and equipment. In 2016, $492,787 was transferred from the GF representing a partial settlement from the earned income taxes litigation. This amount included a $40,000 budgeted transfer to reserves for capital projects. In 2017, $481,101 was transferred into the capital reserves representing earned income taxes litigation payments from W. Cornwall Township and Cornwall Borough. In both 2018 and 2019, $100,000 was transferred into the CRF from the GF. In 2021, $130,000 was transferred to the CRF from the GF, representing the 2020 budgeted allocation. In 2020, $80,000 was transferred to the CRF from the GF. As of December 31, 2021, the CRF had a cash balance of $3,718,390.

Regarding our financial stability, in 2009 and 2010, the City experienced general fund deficits. The City would have experienced deficits in 2006, 2007, and 2008; however, one-time supplemental income was utilized to balance the budgets. In 2011, which represented the first budget that the Capello Administration created and administered, the City did not experience a GF deficit. The City also did not experience a deficit in 2012 and 2013. These surpluses were accomplished by making some difficult decisions: eliminating positions, implementing a wage freeze, reducing some services, and by raising taxes. In 2011, 2012, and 2013, the City did not need to utilize excess carryover to balance the budget. In 2014, although we performed better than budget, the City used over $439,000 of excess carryover to balance the budget. In 2015 through 2019, we performed better than budget, and the excess carryover did not need to be used. In 2020, although, COVID-19 greatly affected the City's revenue stream, specifically in the following areas: earned income taxes; ordinance and parking meter violation fines; rent of buildings, pavilions, and parking spaces; building permit fees; interest income; and parking meter revenue, the City took quick action to cut major expenditures and addressed the loss of revenue in order to avoid a deficit. Therefore, the general finished with a surplus in 2020. We are proud of our efforts to keep the City's financial status stable during COVID-19. Again in 2021, the City performed better than budget, actual revenues exceeded projections while actual expenditures were less than budgeted.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including note disclosures)
- Required supplementary information

The management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the City's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information includes data about the City's pension plans and other postemployment benefits.

The basic financial statements present two different views of the City.

Government-wide financial statements – The first two statements provide information about the City as a whole using accounting methods similar to those used by private-sector companies.

Fund financial statements – The remaining statements focus on individual parts of the City's government. They provide more detail on operations than the government-wide statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the following two statements:

- The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except fiduciary funds, with the difference between them reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.

- The statement of activities focuses on how the City's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the City's financial position. Over time, increases or decreases in the City's net position indicate whether the City's financial position is improving or deteriorating. However, other non-financial factors such as changes in the City's real property tax base and general economic conditions must be considered to assess the overall position of the City.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. In governmental fund statements, capital assets are reported as expenditures when financial resources are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are both considered expenditures when paid. Depreciation is not calculated for the fund statements, as it does not provide or reduce current financial resources.

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to compile the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expenses using the economic recourses measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
    - Net investment in capital assets – this category groups all capital assets into one component of net position; accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
    - Restricted net position – assets with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
    - Unrestricted net position – resources that do not meet the definition of "restricted" or "net investment in capital assets."

FUND FINANCIAL STATEMENTS

Fund financial statements provide more detailed information on the City's most significant funds, not the City as a whole. Funds are groups of related accounts that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

There are three types of fund financial statements:

- Governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship between governmental activities and the governmental funds is described in a reconciliation that follows the fund financial statements.

- Proprietary fund statements offer short-term and long-term financial information about the activities the City operates as a business. The City utilizes an internal service fund to account for the financing of health and dental insurance costs which are being incurred by the City's departments.

- Fiduciary fund statements reflect activities involving resources that are held by the City as a trustee or custodian for the benefit of others. The City's pension plans are included as fiduciary funds because the City acts as the fiduciary and is responsible for ensuring that the assets reported are used for their intended purposes. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the City's programs.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position provides a year-end summary of the City's asset, liability, deferred categories, and the net differences. As of December 31, 2021, the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $6,648,136. Key components of this change are summarized in Table A-1.

Table A-1 – Condensed Statement of Net Position

	Governmental Activities		
Assets	**2021**	**2020**	**% Change**
Current and Other Assets	$ 34,413,695	$ 20,657,252	66.59%
Capital Assets	52,814,583	47,176,550	11.95%
Total Assets	87,228,278	67,833,802	28.59%
Deferred Outflows of Resources	25,642,555	15,630,078	64.06%

	Governmental Activities 2021	2020	% Change
Liabilities			
Long-term Liabilities	82,391,953	62,419,988	32.00%
Other Liabilities	13,715,592	1,034,809	1225.42%
Total Liabilities	96,107,545	63,454,797	51.46%
Deferred Inflows of Resources	10,115,152	8,311,430	21.70%
Net Position			
Net Investment in Capital Assets	50,495,913	47,136,749	7.13%
Restricted	8,598,165	5,173,465	66.20%
Unrestricted (Deficit)	(52,445,942)	(40,612,561)	29.14%
Total Net Position	$ 6,648,136	$ 11,697,653	-43.17%

The City's assets totaled $87,228,278 at December 31, 2021. Of this amount, capital assets, including infrastructure and construction-in-progress, totaled $52,814,583; net pension asset totaled $5,241,420; and current and other assets totaled $29,172,275.

Capital assets increased $5,638,033 over the balance at December 31, 2020. This increase is due to a net change in accumulated depreciation of ($1,817,271) offset by the addition of resurfacing of Walnut Street, $1,924,253; resurfacing Lehman Street, $319,764; 1 new police vehicle, $52,172; police body cameras, $62,306; 2 recycling roll-off containers, $22,802; 84 sections of fire hose, $13,400; the total of smaller assets, $36,767; and the deletion of assets related to the Coleman Park pool, ($185,132); and a tractor from the parks department, $(19,484). The addition of $5,006,118 is in construction-in-progress for the new City Hall building. The City's net investment in capital assets totaled $50,464,120 at December 31, 2021.

Current and other assets increased $13,756,443 over the balance at December 31, 2020. This increase is due to an increase in cash and cash equivalents of $11,122,187; a decrease in receivables of ($132,346); a decrease in prepaid assets of $(165,467); an increase in restricted cash of $121,072; a decrease in program loans and loans receivable of $(76,281); and an increase in other miscellaneous assets of $2,887,278.

Liabilities and deferred inflows of resources totaled 106,222,697 as of December 31, 2021. The long-term liabilities line item includes compensated absences, $40,177; other postemployment liabilities, $79,434,659; and a pension liability of $660,016. The other liabilities line item includes accounts payable, $5,063,596; accrued expenses, customer deposits, due to other governments, and deferred revenues, $8,649,793.

Other liabilities increased $12,680,783, which represents an increase in accounts payable of $4,705,270; an increase in unearned revenue, $7,887,084; and a net increase in other deposits and accrued expenses of $88,401.

Long-term liabilities increased $19,971,965, which represents a decrease in the pension liability of ($2,857,119); an increase in other postemployment benefits of $20,584,112; an increase in long-term debt, $2,251,684; and a decrease in compensated absences of ($4,509).

In 2008, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)" and recorded an initial OPEB liability of $1,330,983. OPEB liabilities of $1,273,002, $1,551,398, $1,469,541, $1,229,423, $1,202,335, $1,143,465, $1,339,028, $1,268,350, and $1,190,256 were added in 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, and 2017, respectively.

In 2018, the City adopted the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Under the guidelines of this Statement, the City has, in the year 2018, recorded the entire OPEB liability of $44,859,603. The City recorded a change in the OPEB liability in 2019, $(1,655,228); in 2020, $15,646,172; and in 2021, $20,584,112.

Restricted net position is reported to the extent that it is subject to a legally enforceable restriction on its use. As a result of recording the OPEB non-operating liability detailed in the preceding paragraph and the reporting of the unfunded portion of the City's pension obligations, unrestricted net position was ($52,445,942) as of December 31, 2021. This unrestricted net position deficit was created because the City has long-term liabilities that are funded on a pay-as-you-go basis, appropriating resources each year as payments come due rather than accumulating assets in advance.

The following statement of activities represents changes in net position for the year ended December 31, 2021. It shows revenues by source and expenses by function for governmental activities.

Table A-2 – Change in Net Position

	Governmental Activities		
	2021	2020	% Change
Revenues:			
Program Revenues:			
Charges for Services	$ 1,603,215	$ 1,445,163	10.94%
Operating Grants and Contributions	2,715,919	2,179,944	24.59%
Capital Grants and Contributions	2,512,268	200,000	1156.13%
General Revenues:			
Real Estate Taxes - General Levy	3,833,107	3,706,402	3.42%
Real Estate Transfer Taxes	464,293	333,555	39.20%
Earned Income Tax	6,080,969	5,650,127	7.63%
Local Services Tax	376,685	380,487	-1.00%
Franchise Fees	291,852	299,857	-2.67%
Fines and Forfeitures	702,635	564,912	24.38%
Mechanical Device Tax	13,693	11,476	19.32%
Intergovernmental Revenues - not program restricted	185,172	250,717	-26.14%
Interest, Investment Earnings, and Royalties	266,973	264,796	0.82%
Contributions	50,237	48,413	3.77%
Miscellaneous	91,764	40,933	124.18%
Total Revenues	19,188,782	15,376,782	24.79%

	Governmental Activities		
	2021	2020	% Change
Expenses:			
General Government	1,582,894	2,153,210	-26.49%
Public Safety	18,718,202	14,426,741	29.75%
Public Works	2,629,862	2,277,292	15.48%
Culture and Recreation	517,643	435,009	19.00%
Economic Development	776,052	777,156	-0.14%
Debt Service	13,646	13,111	4.08%
Total Expenses	24,238,299	20,082,519	20.69%
Change in Net Position	(5,049,517)	(4,705,737)	7.31%
Net Position - Beginning of Year	11,697,653	16,403,390	-28.69%
Net Position - End of Year	$ 6,648,136	$ 11,697,653	-43.17%

REVENUES

In 2021, government-wide revenues of $19,188,782 came primarily from tax revenue and franchise fees totaling $11,060,599; operating grants and contributions of $2,715,919; capital grants and contributions of $2,512,268; and charges for services of $1,603,215. Tax revenues were 7.46 percent, or $816,418 higher than in 2020 due to an overall increase in earned income taxes, real estate taxes, and real estate transfer taxes due to the lifting of restrictions from the COVID-19 pandemic. Local services taxes decreased by $(3,802), and franchise taxes decreased by $(8,005).

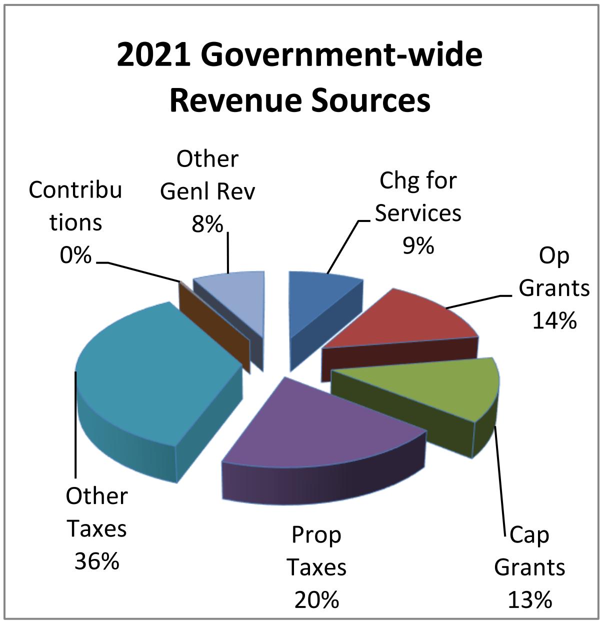
Operating grants and contributions increased $535,975 in 2021 as compared to 2020 from a decrease in one-time 2020 grants, ($17,552); a decrease in State liquid fuel allotments, ($57,223); an increase in a culture and recreation grant, $41,147; and an increase in the CDBG grant program, $569,603.

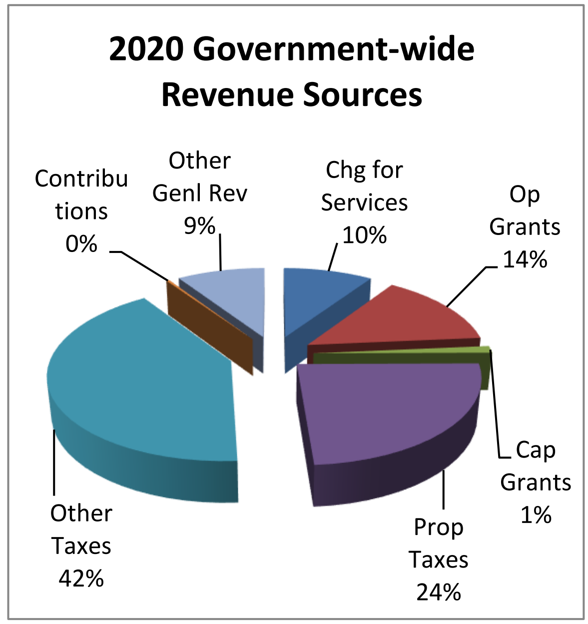
Capital grants and contributions increased $2,312,268 in 2021 as compared to 2020 from an increase in a Public Works grant for paving, $1,924,253; an increase from the American Rescue Plan, $588,015; offset by a decrease in other grants of $(200,000).

Intergovernmental revenues - not program restricted now represents law enforcement grant reimbursements as well as payments to the City in lieu of taxes from tax exempt property holders and the miscellaneous reimbursements. The state pension aid has been reclassed to operating grants in 2012.

Interest and rent revenue increased $2,177 in 2021, as compared to 2020, due to an increase in income from program loans, $6,886; a decrease in interest income, ($20,185); and an increase in rent, $15,476.

The following chart graphically depicts the government-wide revenue sources for the fiscal years ended December 31, 2021 and December 31, 2020:





EXPENSES

Total expenses for all programs in 2021 were $24,238,299. The expenses cover a range of services, with the largest being public safety at $18,718,202 or 77.23 percent. The second largest program area was public works at $2,629,862, or 10.85 percent. General government represented 6.53 percent; and culture and recreation, economic development, and debt service made up the remaining 5.39 percent of total expenses.

General government expenses decreased ($570,316) in 2021, as compared to 2020, due to a decrease in the allocation of pension expenses, ($873,040); a decrease in the allocation of OPEB expenses, $(22,450); a decrease in the allocation of health benefit expenses $(102,164); an increase in IT contracted services, $9,076; an increase in shared services with the County and HACC, $129,557; an increase in administration expenses, $36,416, an increase in the allocation of miscellaneous expenses, $197,409; an increase in depreciation expense, $16,569; and a net increase in other general expenses of $70,232.

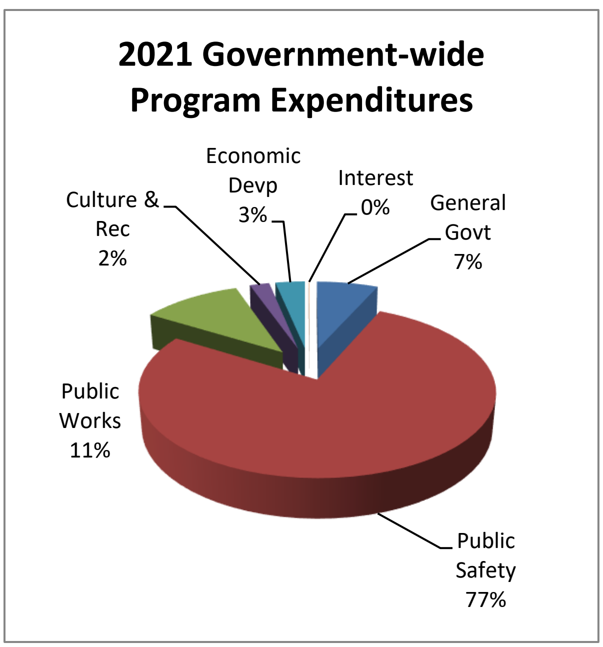
Economic development expenses decreased ($1,104) in 2021 as compared to 2020, due to a decrease in expenses of the HOME Program, (266,396); decrease in the CDBG program expenses, ($125,025); an increase in redevelopment expenses, $353,931; and a net increase in other development projects of $36,386.

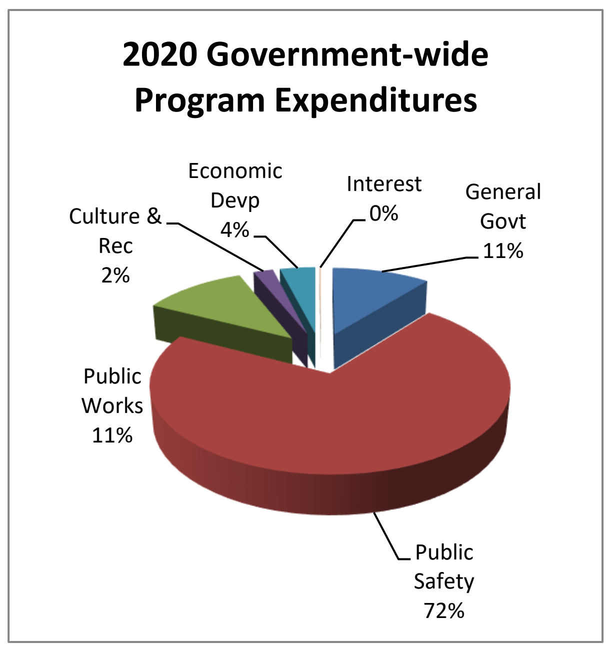
Public safety expenses increased $4,291,461 in 2021, as compared to 2020, due to an increase in overall police expenses, $545,390; an increase in overall fire expenses, $398,133; an increase in the retirement insurance for police and fire, $75,691; an increase in Zoning expenses, $26,979; a decrease in the allocation of health benefits, ($304,773); an increase in the allocation of pension and other postemployment expenses of $3,663,015; an increase in Capital Reserve and CDBG expenses, $86,716 and a decrease in other expenses of ($199,690).

Culture and recreation expenses increased $82,634 in 2021, as compared to 2020 due to an increase in the park expenses, $110,085; a decrease in the allocation of health benefits, ($12,074); offset by a net decrease in all other expenses, ($15,377).

Public works expenses increased $352,570 in 2021, as compared to 2020; due to an increase in expenses related to projects from the CDBG program, $464,053; an increase in expenses in the Liquid Fuel Fund, $113,010; a decrease in storm water expenses, ($25,749); a decrease in the allocation of health benefits, ($197,413); and a net decrease in other expenses of $(1,331).

The following chart graphically depicts the government-wide program expenditures for the fiscal years ended December 31, 2021 and December 31, 2020:





Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for programs of the government. The following table depicts the net program expenses for the year ended December 31, 2021.

Net Cost of Governmental Activities

	Total Cost of Services	Charges for Services	Operating Grants and Contributions	Net Operating Cost of Services	Capital Grants	Net Cost of Services
Program:						
General Government	$ 1,582,894	$ (74,736)	$ (12,885)	$ 1,495,273	$ (578,263)	$ 917,010
Public Safety	18,718,202	(496,375)	(790,400)	17,431,427	-	17,431,427
Public Works	2,629,862	(1,024,687)	(811,078)	794,097	(1,932,213)	(1,138,116)
Culture and Recreation	517,643	(7,417)	(41,148)	469,078	-	469,078
Economic Development	776,052	-	(1,060,408)	(284,356)	(1,792)	(286,148)
Debt Service	13,646	-	-	13,646	-	13,646
Total Expenses	$ 24,238,299	$ (1,603,215)	$ (2,715,919)	$ 19,919,165	$ (2,512,268)	$ 17,406,897

The City relied on real estate taxes, earned income taxes, and other general revenues, or $12,357,380 to fund almost 50.98 percent of its governmental activities in 2021. Taxes and franchise fees of $11,060,599 accounted for 89.51 percent of general revenues in 2021.

FUND FINANCIAL STATEMENTS

As discussed above, the fund financial statements provide more detailed information about the City's most significant funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds include the general fund, special revenue funds, a permanent fund, and the debt service fund. The general fund is the main operating fund of the City. Special revenue funds are established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service. The permanent fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

The City's major funds are shown on the statement of revenues, expenditures, and changes in fund balances in the financial statements. Major funds are established by specific criteria contained in GASB Statement No. 34 or they can be selected as major at management's request. Non-major funds are combined into one column and presented in total.

Governmental Fund Revenues

Governmental fund revenues and other financing sources at December 31, 2021 and December 31, 2020 were as follows:

	2021	2020	Changes from 2020 to 2021
Revenues and Other Financing Sources:			
Taxes	$ 10,887,555	$ 10,273,498	$ 614,057
Licenses and Permits	636,021	661,738	(25,717)
Fines and Forfeitures	702,635	564,912	137,723
Interest and Rents	266,973	264,796	2,177
Intergovernmental	5,413,359	2,430,661	2,982,698
Charges for Services	1,259,046	1,083,282	175,764
Contributions	50,237	248,413	(198,176)
Miscellaneous	91,764	40,933	50,831
Transfers in	272,007	759,948	(487,941)
Proceeds of Debt, Net	2,360,971	50,000	2,310,971
Sale of Capital Assets	-	9,176	(9,176)
Total Revenues and Other Financing Sources	$ 21,940,568	$ 16,387,357	$ 5,553,211

The variances in the fund financial statements are materially the same as the variances in the government-wide financial statements. Please see pages 8 through 11 for the variance analysis for government-wide financial statements.

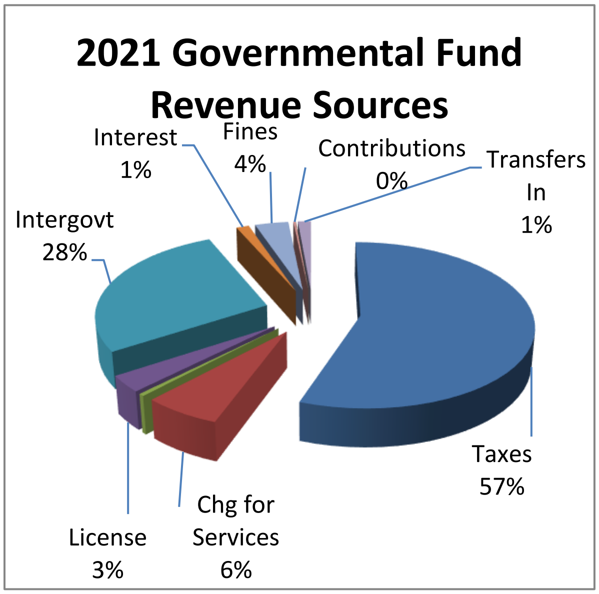
The variance in the fund tax revenue, $614,057, differs from the variance in the government tax revenue, $690,171, primarily due to the recognition, in the government wide statements, of both earned income taxes and real estate tax revenue which is accrued but uncollected.

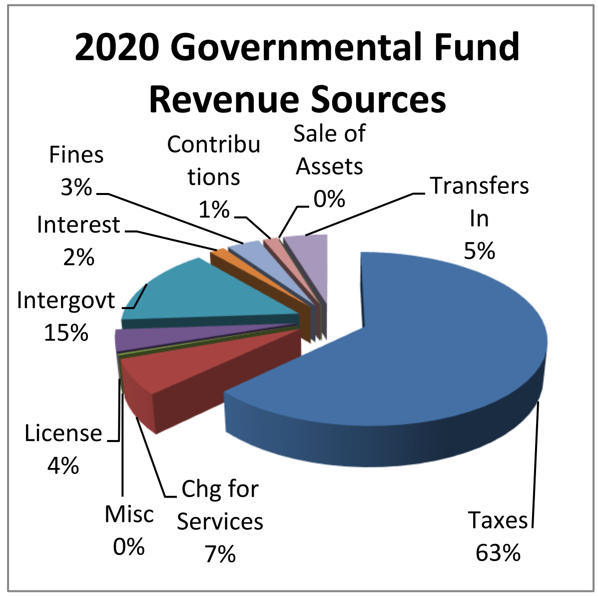
The variance in fund intergovernmental revenue represents the changes in operating and capital grants and contributions.

The variance in the charges for services differs due to the inclusion, in the government statements, of licenses and permits revenues, excluding the franchise tax, or $291,582 as a charge for service.

The variance in proceeds of debt, net is due to the issuance of bonds, net of the bond discount, and the issuance of a tax revenue anticipation note.

The following chart graphically depicts the governmental funds revenue sources for the fiscal years ended December 31, 2021 and December 31, 2020:





Governmental Fund Expenditures

Governmental fund expenditures and other financing uses at December 31, 2021 and December 31, 2020 were as follows:

	2021	2020	Changes from 2020 to 2021
Expenditures and Other Financing Sources:			
General Government	$ 5,896,953	$ 809,265	$ 5,087,688
Public Safety	11,073,322	9,944,889	1,128,433
Public Works	4,633,663	2,053,718	2,579,945
Culture and Recreation	532,984	316,517	216,467
Economic Development	776,052	774,419	1,633
Miscellaneous	552,473	410,740	141,733
Debt Service and Bond Discount	40,813	128,619	(87,806)
Transfers Out	272,007	759,948	(487,941)
Total Expenditures and Other Financing Sources	$ 23,778,267	$ 15,198,115	$ 8,580,152

The variances in the expenditures in fund financial statements differ from the variances in the government-wide financial statements due to elimination of depreciation and other non-cash accrual items. Please see pages 8 through 11 for the variance analysis for government-wide financial statements.

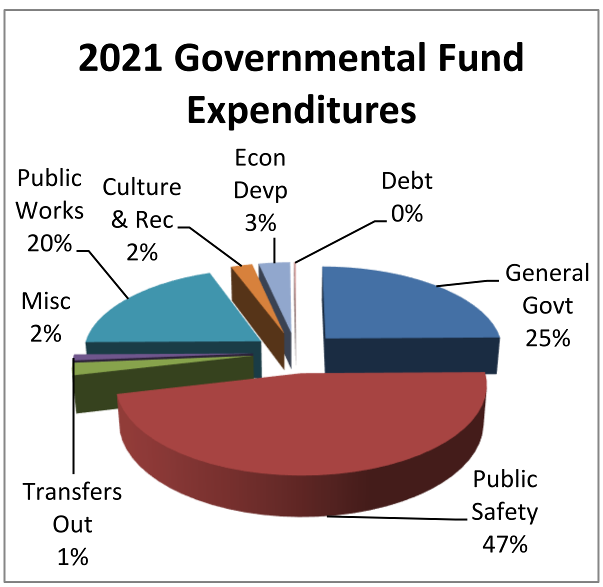
The variance in general government is primarily due to the expenditure related to the new City Hall, $4,925,825; an increase in shared costs, $118,881; an increase in administrative expenditures, $36,416; and an increase in all other categories, $6,566.

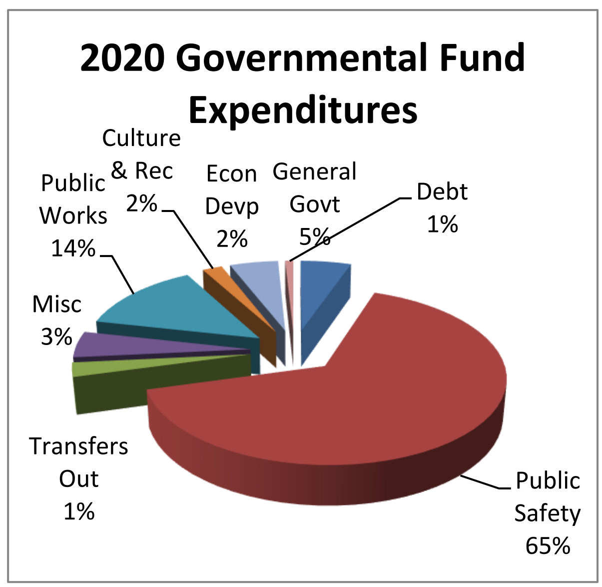
The variance in public works is primarily due an increase in the expenditures for the Liquid Fuel Fund, $113,010; an increase in expenditures for the CDBG program, $464,053; increase in capital reserve expenditures, $1,870,000; an increase in traffic expenditures, $98,576; and a net increase in other public works expenses, $34,306.

The variance in public safety is primarily due to the increase in the purchase of capital assets, $64,308; an increase in police department expenditures, $233,384; an increase in fire department expenditures, $386,964; an increase in retire insurance expense, $75,691; an increase in police and fire pension expenditures, $323,175; and a net increase in other public safety expenses, $44,911.

The variance in culture and recreation is primarily due to an increase in the expenditures for the removal of the Coleman Park pool; $112,155; an increase in park expenditures, primarily ground and building repair and maintenance, $110,085; and a net decrease in other culture and recreation expenses, ($5,773).

The following chart graphically depicts the governmental funds expenditures for the fiscal years ended December 31, 2021 and December 31, 2020:





General Fund Revenues and Expenditures
Budget to Actual Comparison

	2021			%
	Actual	Budget	Variance	Variance
REVENUES				
Taxes	$10,887,555	$ 8,868,902	$ 2,018,653	22.76%
Intergovernmental	1,013,531	1,007,654	5,877	0.58%
Other Revenue	2,048,104	1,707,740	340,364	19.93%
Total Revenue	13,949,190	11,584,296	2,364,894	20.41%
EXPENDITURES				
General Government	971,128	1,160,488	189,360	16.32%
Public Safety	10,817,796	11,398,904	581,108	5.10%
Public Works	1,203,669	1,506,081	302,412	20.08%
Other Expenditures	1,291,378	1,173,718	(117,660)	-10.02%
Total Expenditures	14,283,971	15,239,191	955,220	6.27%
Excess of Revenues Over (Under) Expenditures	$ (334,781)	$ (3,654,895)	$ 3,320,114	

Tax revenues were better than budget due to an increase in real estate property tax collections, $31,278; an increase in real estate transfer tax collections, $239,293; an increase in earned income tax collections, $1,662,703; and an increase in other tax collections, $85,379.

Other revenues were better than budget due to an increase in charges for services, $47,557; licenses and permits, $47,621; fines and forfeitures, $142,083; miscellaneous revenue, $56,750; and other revenues, $46,353.

Public safety expenditures were better than budget due to an overall decrease in the police department expenses, $465,837; an overall decrease in the fire department expenses, $58,058; and a net decrease in other expenditures, $135,499.

CAPITAL ASSETS

The City's capital assets, net of accumulated depreciation, included land, building, equipment, construction-in-progress, and infrastructure and totaled $52,775,170 at December 31, 2021. The following is a summary of capital assets at December 31, 2021 and 2020:

	2021	2020
Governmental Activities:		
Land	$ 975,102	$ 975,102
Construction-in-progress	5,037,980	-
Buildings and Improvements	8,156,024	8,332,148
Infrastructure	67,852,509	65,608,492
Machinery and Equipment	2,380,335	2,273,552
Vehicles	3,383,409	3,331,237
Right to Use Asset - Equipment	11,602	11,602
Total Capital Assets	87,796,961	80,532,133
Less: Accumulated Depreciation and Amortization	(34,982,378)	(33,355,583)
Cost Less Accumulated Depreciation and Amortization	$ 52,814,583	$ 47,176,550

Capital assets increased $5,638,033 over the balance at December 31, 2020. This increase is due to a net change in accumulated depreciation and amortization of ($1,626,795) offset by the addition of resurfacing of Walnut Street, $1,924,253; resurfacing Lehman Street, $319,764; 1 new police vehicle, $52,172; police body cameras, $62,306; 2 recycling roll-off containers, $22,802; 84 sections of fire hose, $13,400; the total of smaller assets, $36,767; the deletion of assets related to the Coleman Park pool, ($185,132); a tractor from the parks department, $(19,484); and the addition of $5,006,118 in construction-in-progress for the new City Hall building. The City's net investment in capital assets totaled $50,464,120 at December 31, 2021.

Depreciation and amortization expense for 2021 and 2020 totaled $1,817,271 and $1,795,473, respectively.

Detailed information about the City's capital assets can be found in Note 7 of the Notes to Financial Statements.

DEBT ADMINISTRATION

The City has a subsidy agreement with the County for the repayment of the County's General Obligation Bonds, Series of 2009 and 2004. The amount of principal paid on the bonds by the City during 2021 was $30,000.

In January 2021, City Council authorized the issuance of a tax and revenue anticipation note in the amount of $1,000,000. The note was secured by a lien on the revenues of the City and incurred interest at an annual rate of 1.09 percent. The amount of $50,000 which had been drawn down against the note was paid off in December 2021 as required.

In October 2021, the City issued General Obligation Bonds, Series of 2021, in the amount of $2,330,000. The bond is secured by the City and was issued to facilitate the relocation of City Hall. The length of the Bond is 30 years, with the first principal and interest payments due in October 2022.

At December 31, 2021, the City had $2,330,000 of debt outstanding. The following is a summary of long-term debt for the 2021 year:

Beginning balance, January 1, 2021	$ 30,000
Less: Principal Payments	(30,000)
Issuance of GOB Series 2021	2,330,000
Balance Outstanding, December 31, 2021	$ 2,330,000

Detailed information about the City's long-term liabilities is presented in Note 8 of the financial statements.

ECONOMIC CONDITIONS AND SUBSEQUENT EVENTS

Our lives continue to be much different than pre-pandemic for a variety of reasons. The commodity supply/demand imbalances, record-breaking fuel prices, persistently high inflation, decline in housing affordability, and the elevated market volatility hinders overall consumer confidence. All of these factors impact the City. Although the unemployment rate has decreased since it peaked in the middle of the pandemic storm, the rate still is higher than pre-pandemic. Using cautious revenue and expenditure assumptions, the City has been able to address these unexpected occurrences in our economy.

The City received a bond rating action in 2021 of A+ Stable. To the City's knowledge, this is the first bond rating study performed for the City in decades. The rating reflected the City's continued strong financial operations. The City's fund balance continues to grow, with reserves expected to increase. The Series of 2021 GO bonds is the City's only debt outstanding. The pension plans are well-funded; however, the volatility of the market has changed this status somewhat during the 2022 year. Credit vulnerabilities remain, as the City's market value per capita is low due to our limited tax base.

The City has received a significant federal stimulus in fiscal years 2021 and 2022 to assist with covering additional costs and lost revenue related to the pandemic. These federal funds will provide an opportunity for the City to make improvements to the downtown's streetscape and stormwater collection systems, and create an urban trail park. Additionally, throughout the City, we will make a variety of recreational improvements with partnering agencies, team up to conduct a housing market study, complete blight audits, resurface some major streets, and make improvements to the fire stations.

In addition to the City's annual CDBG entitlement amount, the City received two additional grants from HUD to deal with COVID-19. In round 1, the City received about $390,000 of monies, which we provided to the business community in the form of forgivable loans. The City was able to assist about 70 small businesses in 2020 and have helped additional businesses in 2021. The City also received almost $210,000 in round 3 and held a public hearing in 2021 to solicit public comments concerning allocating the monies for a permanent homeless shelter. The monies will be used for HVAC improvements.

Regarding the City's largest revenues, earned income tax is the City's largest source of income, and local services tax is the City's 3rd largest source of revenue. Both taxes are withheld by the employer. Initially it was forecasted that the City's earned income taxes would experience a significant loss in 2020; however, we experienced a 2.4 percent loss, or about $1.4 million. In 2021, this specific revenue increased by 7.63 percent and is now higher than pre-COVID. The local services tax has not recovered. This revenue experienced a 6.8 percent decrease from 2019 to 2020 and then another 1 percent decrease from 2020 to 2021. We are forecasting a 4 percent decrease in 2022 and suspect a smaller decrease for 2023. The pattern used to be the more individuals not working, the less revenue the City receives. We believe that less people are working in the City; however, the members of the workforce that are employed are earning higher wages and, thus, the explanation for the increase in earned income taxes revenue receipts but the decrease in local services tax revenue.

Restaurants and other employment sectors continue to struggle with a lack of employees, which has necessitated a reduction in operating hours, decrease in products being manufactured, and an increase in other supply concerns. Regarding unemployment, the City started 2020 at 6 percent. The unemployment rate hit a record high of 17.5 percent in July 2020, decreased to 11.1 percent in April of 2021, and hit a post-COVID low of 4.5 percent in May 2022. However, the latest rate has increased to 5.3 percent in July of 2022. We forecast the rate to continue to slightly increase over the upcoming months.

On top of the pandemic, the City continues to face fiscal challenges common to many 3rd Class cities and other urban communities across Pennsylvania and the nation: a stagnant tax base due to land-locked boundaries and the need for development, inflationary pressures on labor costs and benefits, and a high number of tax-exempt properties which reduces the revenue available to support City services. Almost 30 percent of the assessed land value within the City is tax-exempt. If these properties were taxable, the City would receive an additional 1.45 million dollars in taxes. The City does promote a Payment in Lieu of Taxes Program; however, only about a dozen organizations out of more than 300 non-taxable properties participated in 2021 with $134,218 in receipts for the 2021 program. The 2022 year has receipted $15,016 as of August 31, 2022.

The costs of unfunded mandates and soaring personnel costs combined with an outdated local tax structure have generated an unprecedented fiscal crisis at the local governmental level. All levels of government continue to be faced with increasing property taxes and user fees, cutting services, and decreasing their workforce to make ends meet.

City Administration settled two out of three collective bargaining agreements in 2022 with the fire union going to arbitration. Most likely, the City will not receive a final outcome until 2023. We are hoping to continue efforts to modernize benefits and increase current employees' share of medical costs and eliminate some postretirement benefits. In the 2022 budget, salary and benefit expenditures represent 79.32 percent of the expenditures. This is the lowest percentage since Administration has prepared the budget packages; however, it does not account for expected increases to fire fighter salaries.

Over the last several years, retiree benefits, including pension and healthcare benefits, have been reduced or eliminated for new hires; and the employees' share of medical costs has been increased. The City budgeted over $1.7 million for postemployment benefits (including pensions) in 2018, $2.3 million in 2019, almost 2.2 million in 2020, nearly 2.5 million in 2021, and $2.1 million in the 2022 budget.

Regarding the funding of the healthcare plan, the City accrues an amount for medical costs based on claim experiences. Over the last few years, claim experiences have shown the need to increase the money allocated in order to cover the medical benefit we provide to our employees and retirees. In 2018, although we increased the yearly amount from $12,000 to $13,656 per full-time employee in each department and for retired uniform employees; due to extraordinary high claims, the City had to transfer $500,000 from the GF into the Health Care Fund. At first, we thought perhaps the $500,000 would just be a loan from the GF; however, with several large active claims and the increase in claim experience over the past few years, we determined the plan would not be able to return the money in the short-term. An additional item to note is that overall claim costs (cost of services) have increased by about 60 percent from about six years ago. This is the same time that WellSpan merged with the Good Samaritan. In the 2019 budget, we increased the annual per employee/retiree allocation to $18,996, and we noted that with the higher allocation in 2019, the Health Care Fund stabilized, and a reserve slowly started to be recognized. Thus, in the 2020 budget, we lowered the yearly amount to $16,800 for each full-time employee and for retired uniformed employees. Unfortunately, in 2020, we experienced another extremely high year for claims, and the City had to increase the allocation in 2021 to $21,350. The 2022 Budget allocated $19,080. Thus far, in 2022, the weekly health and dental claims of City employees and retirees are comparable to last year at this time.

Also, to be recognized is the Emergency Medical Services crisis, in not only our County, but in our Commonwealth. Financial woes and staffing shortages threaten the future of First Aid and Safety Patrol (FASP), as well as other ambulance providers. FASP reported to us in October 2018 that their organization was losing money, and without immediate financial assistance would be forced to close its doors. An emergency meeting was held with other partner municipalities who are serviced by FASP. After much due diligence was performed and various meetings held, it was determined that most of the partner municipalities would financially support FASP in its 2020 budgets at $4.00/per capita. FASP requested $4.50/per capita for 2021 and $5.00/per capita for 2022. A meeting was held in August 2022 with FASP partner municipalities, and a preliminary agreement was reached to consider contributing $5.00/per capita for 2023.

In 2013, the City's tax millage was lowered to 3.581 due to a county-wide reassessment. The real estate tax rate increased to 4.581 in 2015 and continues to remain at that rate in 2022.

Earned income tax is limited by the Home Rule Charter to 1.4 percent.

In 2022, the City did not seek the issuance of a tax and revenue anticipation note in order to cover cash flow deficiencies due to its ability to maintain an adequate carryover balance to meet the ebb and flow of receipts and expenditures over a period of years.

The current administration continues to be committed to providing efficient and cost-effective services to the residents, businesses, and taxpayers of the City and has a renewed focus on city living and investment. Priorities continue to include searching for permanent revenue sources to maintain city services, continuing the City's property maintenance program, increasing street maintenance programs, pursuing inter-governmental cost-sharing strategies, and increasing community policing principals.

The City continues to address the priorities in the Economic Development Strategic Plan, "*Grow Lebanon*." One action item was to relocate City offices into the downtown and to construct a downtown parking garage. Moving City Hall downtown will increase foot traffic, police presence, and improve vibrancy in the downtown. In 2020, the City negotiated with the County of Lebanon to sell its share of the Lebanon County-City Municipal Building for $2.25 million and also entered into an agreement of sale to purchase a building in the downtown for $2.2 million. Additionally, the City was awarded a $2 million RACP grant to assist with this project. Phase 1 of the project was to renovate an existing building downtown, the HACC facility located at 735 Cumberland Street, and construct a 10-bay police garage for City Hall. This was completed in May 2021. HACC is a tenant in the building occupying the 2nd floor lab and the entire 3rd floor. Construction costs for the City were around $3.1 million. Growing Lebanon financed construction and project costs as developer for the City and HACC. Factoring in the sale of the City's portion of the municipal building and the RACP grant, the City borrowed about $2.2 million in the form of a bond issuance. The City utilized FSL Public Finance, LLC for the financing. As part of the RFP process, the bond issuance went through a negotiated private sale. Additional surface parking for city employees was constructed on a nearby lot in which the City had removed blighted properties utilizing funds set aside for economic development. The next phase of the project involves constructing a 3-story parking garage. The City is in the planning stage for this next phase.

The City commenced a Blight Assessment Study in three of its ten wards in 2020. This assessment was completed in 2022. The remaining wards will be completed over the next two years.

Regarding other economic development approaches, the City continues to market its Keystone Opportunity Zone (KOZ, 10-year tax abatement), Local Economic Revitalization Tax Assistance (LERTA, 5-year tax abatement) and Opportunity Investment Zones.

The City continues to meet with developers to encourage investment in the City, and we will continue to look to implement long-term community and economic development strategies for tax base stabilization, adopt best management practices to achieve operating efficiencies, and will continue with other marketing and beautification efforts in order to change the perception of the City.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sherry Capello, Mayor, City of Lebanon, City Hall, 735 Cumberland Street, Lebanon, PA 17042 (Telephone: 717-639-2800; Ext. 306).

CITY OF LEBANON
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 22,832,416	$ 11,710,229
Receivables:		
Accounts	410,878	373,022
Taxes	1,919,231	1,845,934
Grants	61,589	305,088
Inventory	11,298	16,169
Prepaid expenses	94,615	260,082
Restricted Assets:		
Cash and cash equivalents	308,849	187,777
Total Current Assets	25,638,876	14,698,301
Noncurrent Assets:		
Conditional grants	3,074	3,074
Loans receivable	3,392,896	3,469,177
Program loans	137,429	137,429
Net pension asset	5,241,420	2,349,271
Capital assets, not being depreciated	6,013,082	975,102
Capital assets, being depreciated, net	46,801,501	46,201,448
Total Noncurrent Assets	61,589,402	53,135,501
TOTAL ASSETS	87,228,278	67,833,802
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - OPEB	24,653,227	13,972,861
Deferred outflows - pension	989,328	1,657,217
TOTAL DEFERRED OUTFLOWS OF RESOURCES	25,642,555	15,630,078
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 112,870,833	$ 83,463,880
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 5,063,596	$ 358,326
Customer deposits	255,761	147,732
Accrued expenses and withholdings	137,493	166,981
Other liabilities	7,973,731	86,647
Accrued health benefits	220,529	242,695
Accrued interest	2,913	247
Lease payable	2,203	2,181
Bonds payable	59,366	30,000
Total Current Liabilities	13,715,592	1,034,809
Noncurrent Liabilities:		
Lease payable	5,417	7,620
Bonds payable	2,251,684	-
Accrued compensated absences	40,177	44,686
Net OPEB liability	79,434,659	58,850,547
Net pension liability	660,016	3,517,135
Total Noncurrent Liabilities	82,391,953	62,419,988
TOTAL LIABILITIES	96,107,545	63,454,797
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - OPEB	1,394,298	2,091,448
Deferred inflows - pension	5,232,062	2,654,908
Long-term receivables - revolving loan funds	3,488,792	3,565,074
TOTAL DEFERRED INFLOWS OF RESOURCES	10,115,152	8,311,430
NET POSITION		
Net investment in capital assets	50,495,913	47,136,749
Restricted for:		
Public safety	43,774	43,105
Public works	2,310,893	1,841,248
Economic development	953,540	891,395
Permanent	48,538	48,446
Net pension asset	5,241,420	2,349,271
Unrestricted (Deficit)	(52,445,942)	(40,612,561)
TOTAL NET POSITION	6,648,136	11,697,653
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 112,870,833	$ 83,463,880

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Data for the Year Ended December 31, 2020)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2021	2020
GOVERNMENTAL ACTIVITIES:						
General governmental	$ 1,582,894	$ 74,736	$ 12,885	$ 578,263	$ (917,010)	$ (1,930,979)
Public safety	18,718,202	496,375	790,400	-	(17,431,427)	(13,010,465)
Public works	2,629,862	1,024,687	811,078	1,932,213	1,138,116	(511,501)
Culture and recreation	517,643	7,417	41,148	-	(469,078)	(456,057)
Economic development	776,052	-	1,060,408	1,792	286,148	(335,299)
Interest on long-term debt	13,646	-	-	-	(13,646)	(13,111)
TOTAL GOVERNMENTAL ACTIVITIES	24,238,299	1,603,215	2,715,919	2,512,268	(17,406,897)	(16,257,412)
TOTAL PRIMARY GOVERNMENT	$ 24,238,299	$ 1,603,215	$ 2,715,919	$ 2,512,268	(17,406,897)	(16,257,412)

	2021	2020
GENERAL REVENUES:		
Property taxes levied for general purposes	3,833,107	3,706,402
Real estate transfer taxes	464,293	333,555
Earned income taxes	6,080,969	5,650,127
Local services taxes	376,685	380,487
Mechanical device taxes	13,693	11,476
Franchise fees	291,852	299,857
Fines and forfeitures	702,635	564,912
Interest and rents	266,973	264,796
Intergovernmental revenues - not restricted	185,172	250,717
Contributions	50,237	48,413
Miscellaneous	91,764	40,933
TOTAL GENERAL REVENUES	12,357,380	11,551,675
CHANGE IN NET POSITION	(5,049,517)	(4,705,737)
NET POSITION, BEGINNING OF YEAR	11,697,653	16,403,390
NET POSITION, END OF YEAR	$ 6,648,136	$ 11,697,653

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(With Summarized Comparative Data for the Year Ended December 31, 2020)

	General	Community Development Block Grant	HOME	Capital Reserve	State Housing and Redevelopment Assistance	American Rescue	Non-major	Total 2021	Total 2020
ASSETS									
Cash and cash equivalents	$ 6,659,800	$ 203,542	$ 165,867	3,718,390	$ 67,297	$ 7,958,746	$ 3,312,966	$ 22,086,608	$ 11,240,609
Receivables:									
Accounts	386,980	175	85	21,059	-	-	2,229	410,528	372,672
Taxes	1,919,231	-	-	-	-	-	-	1,919,231	1,845,934
Grants	41,434	5,861	-	14,294	-	-	-	61,589	305,088
Conditional grants	1,167	-	-	-	-	-	1,907	3,074	3,074
Loans	-	1,158,325	1,650,793	-	579,445	-	4,333	3,392,896	3,469,177
Program loans	-	37,182	10,247	-	-	-	90,000	137,429	137,429
Inventory	11,298	-	-	-	-	-	-	11,298	16,169
Due from other funds	162,526	4,449	579	-	-	-	-	167,554	285,746
Prepaid expenditures	24,152	-	-	-	-	70,463	-	94,615	260,082
Restricted Assets:									
Cash and cash equivalents	260,311	-	-	-	-	-	48,538	308,849	187,777
TOTAL ASSETS	9,466,899	1,409,534	1,827,571	3,753,743	646,742	8,029,209	3,459,973	28,593,671	18,123,757
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Accounts payable	399,034	47,072	3,850	4,286,235	-	272,909	54,496	5,063,596	358,326
Customer deposits	253,776	985	-	-	-	-	1,000	255,761	147,732
Accrued expenses and withholdings	130,780	5,807	-	-	-	-	906	137,493	166,981
Unearned revenue - other	1,667	-	-	-	-	7,748,212	223,502	7,973,381	86,297
Due to other funds	3,543	12,391	1,244	-	-	3,346	147,030	167,554	285,746
TOTAL LIABILITIES	788,800	66,255	5,094	4,286,235	-	8,024,467	426,934	13,597,785	1,045,082
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	277,913	-	-	-	-	-	-	277,913	309,595
Unavailable revenue - other taxes	156,027	-	-	-	-	-	-	156,027	243,153
Unavailable revenue - receivables	-	1,158,913	1,650,793	-	583,198	-	95,888	3,488,792	3,565,074
TOTAL DEFERRED INFLOWS OF RESOURCES	433,940	1,158,913	1,650,793	-	583,198	-	95,888	3,922,732	4,117,822
FUND BALANCES									
Nonspendable	35,450	-	-	-	-	70,463	-	105,913	276,251
Restricted	-	184,366	171,684	-	63,544	-	2,937,151	3,356,745	2,341,841
Assigned	2,867,060	-	-	-	-	-	-	2,867,060	3,659,746
Unassigned (deficit)	5,341,649	-	-	(532,492)	-	(65,721)	-	4,743,436	6,683,015
TOTAL FUND BALANCES	$ 8,244,159	$ 184,366	$ 171,684	$ (532,492)	$ 63,544	$ 4,742	$ 2,937,151	$ 11,073,154	$ 12,960,853

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUND BALANCES		$ 11,073,154
Amounts reported for governmental activities in the statement of net position are different because:		
The net pension asset is not a financial resource and, therefore, is not reported in the funds.		5,241,420
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		52,814,583
An Internal Service Fund is used by the City to charge the costs of medical benefits to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.		525,279
Some of the City's taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		433,940
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest	$ (2,913)	
Lease payable	(7,620)	
Bonds payable	(2,311,050)	
Compensated absences	(40,177)	
Net OPEB liability	(79,434,659)	
Net pension liability	(660,016)	(82,456,435)
Deferred inflows and outflows related to the City's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes of benefit terms, and changes of assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.		
Deferred outflows - OPEB	24,653,227	
Deferred outflows - pension	989,328	
Deferred inflows - OPEB	(1,394,298)	
Deferred inflows - pension	(5,232,062)	19,016,195
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 6,648,136

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Data for the Year Ended December 31, 2020)

	General	Community Development Block Grant	HOME	Capital Reserve	State Housing and Redevelopment Assistance	American Rescue	Non-major	Total 2021	Total 2020
REVENUES									
Taxes	$ 10,887,555	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,887,555	$ 10,273,498
Licenses and permits	636,021	-	-	-	-	-	-	636,021	661,738
Fines and forfeitures	702,635	-	-	-	-	-	-	702,635	564,912
Interest and rents	65,702	47,976	134,379	8,778	102	4,742	5,294	266,973	264,796
Intergovernmental	1,013,531	986,845	-	1,953,190	13,584	588,015	858,194	5,413,359	2,430,661
Charges for services	545,999	-	-	-	-	-	713,047	1,259,046	1,083,282
Contributions	12,835	-	-	37,402	-	-	-	50,237	248,413
Miscellaneous income	84,912	-	-	-	-	-	6,852	91,764	40,933
TOTAL REVENUES	13,949,190	1,034,821	134,379	1,999,370	13,686	592,757	1,583,387	19,307,590	15,568,233
EXPENDITURES									
Current:									
General government	971,128	-	-	4,347,562	-	578,263	-	5,896,953	809,265
Public safety	10,817,796	130,329	-	123,353	-	-	1,844	11,073,322	9,944,889
Public works	1,203,669	466,325	-	1,924,253	-	7,960	1,031,456	4,633,663	2,053,718
Culture and recreation	420,829	-	-	112,155	-	-	-	532,984	316,517
Economic development	388,241	258,958	54,172	-	-	1,792	72,889	776,052	774,419
Miscellaneous	441,495	-	-	110,978	-	-	-	552,473	410,740
Debt service:									
Principal	80,000	-	-	-	-	-	-	80,000	115,000
Interest	10,813	-	-	-	-	-	-	10,813	13,619
TOTAL EXPENDITURES	14,333,971	855,612	54,172	6,618,301	-	588,015	1,106,189	23,556,260	14,438,167
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(384,781)	179,209	80,207	(4,618,931)	13,686	4,742	477,198	(4,248,670)	1,130,066
OTHER FINANCING (USES) SOURCES									
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	-
Proceeds from tax anticipation notes	50,000	-	-	-	-	-	-	50,000	50,000
Proceeds from bond issuance	-	-	-	2,330,000	-	-	-	2,330,000	-
Bond discount	-	-	-	(19,029)	-	-	-	(19,029)	-
Transfers in	192,000	-	-	80,007	-	-	-	272,007	759,948
Transfers out	(80,000)	(192,000)	-	-	-	-	(7)	(272,007)	(759,948)
TOTAL OTHER FINANCING (USES) SOURCES	162,000	(192,000)	-	2,390,978	-	-	(7)	2,360,971	50,000
NET CHANGE IN FUND BALANCES	(222,781)	(12,791)	80,207	(2,227,953)	13,686	4,742	477,191	(1,887,699)	1,180,066
FUND BALANCES, BEGINNING OF YEAR	8,466,940	197,157	91,477	1,695,461	49,858	-	2,459,960	12,960,853	11,780,787
FUND BALANCES, END OF YEAR	$ 8,244,159	$ 184,366	$ 171,684	$ (532,492)	$ 63,544	$ 4,742	$ 2,937,151	$ 11,073,154	$ 12,960,853

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (1,887,699)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($7,437,582) exceeded depreciation/amortization expense ($1,817,271).		5,652,173
Gain or loss on capital asset disposals are reported at the fund level only to the extent of any proceeds received from the sale, while governmental activities reflect the economic impact of a gain or loss.		(14,140)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred inflows of resources decreased by this amount this year.		(118,808)
The issuance of long-term debt (e.g. loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Debt repayments - note and bonds payable	$ 80,000	
Debt repayments - lease payable	2,181	
Debt issued - note and bond issuance	(2,360,971)	(2,278,790)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(79)
An Internal Service Fund is used by the City to charge the costs of medical benefits to the individual funds. The net income of the Internal Service Fund is reported with the governmental activities.		298,353
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for the transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, assets are not recognized in governmental funds unless they represent current financial resources but are recognized in the statement of activities as they accrue. The following differences, therefore, occurred between the statement of activities and the governmental funds.		
Accrued interest	(2,666)	
Compensated absences	4,509	
OPEB expense	(9,206,595)	
Pension expense	2,504,225	(6,700,527)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ (5,049,517)

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes	$ 8,868,902	$ 10,887,555	$ 2,018,653
Licenses and permits	588,400	636,021	47,621
Fines and forfeitures	560,550	702,635	142,085
Interest and rents	58,563	65,702	7,139
Intergovernmental	1,007,654	1,013,531	5,877
Charges for services	492,712	545,999	53,287
Contributions	-	12,835	12,835
Miscellaneous income	7,515	84,912	77,397
TOTAL REVENUE	11,584,296	13,949,190	2,364,894
EXPENDITURES			
Current:			
General government	1,160,488	971,128	189,360
Public safety	11,398,904	10,817,796	581,108
Public works	1,506,081	1,203,669	302,412
Culture and recreation	599,574	420,829	178,745
Economic development		388,241	(388,241)
Miscellaneous	468,656	441,495	27,161
Debt service:			
Principal	96,188	80,000	16,188
Interest	9,300	10,813	(1,513)
TOTAL EXPENDITURES	15,239,191	14,333,971	905,220
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(3,654,895)	(384,781)	3,270,114
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of fixed assets	1,000	-	(1,000)
Proceeds from tax anticipation notes	-	50,000	50,000
Transfers in	229,530	192,000	(37,530)
Transfers out	(80,000)	(80,000)	-
TOTAL OTHER FINANCING SOURCES	150,530	162,000	11,470
NET CHANGE IN FUND BALANCE	(3,504,365)	(222,781)	3,281,584
FUND BALANCE, BEGINNING OF YEAR	8,466,940	8,466,940	-
FUND BALANCE, END OF YEAR	$ 4,962,575	$ 8,244,159	$ 3,281,584

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
STATEMENTS OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 745,808	$ 469,620
Accounts receivable	350	350
TOTAL ASSETS	$ 746,158	$ 469,970
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued health benefits	$ 220,529	$ 242,695
Unearned revenue	350	350
TOTAL LIABILITIES	220,879	243,045
NET POSITION		
Unrestricted	525,279	226,925
TOTAL LIABILITIES AND NET POSITION	$ 746,158	$ 469,970

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Charges for services	$ 2,923,547	$ 2,475,265
Interest income	672	1,861
Miscellaneous income	2,050	1,950
TOTAL OPERATING REVENUES	2,926,269	2,479,076
OPERATING EXPENSES		
Employee benefits	2,627,916	2,697,146
TOTAL OPERATING EXPENSES	2,627,916	2,697,146
OPERATING (LOSS) INCOME	298,353	(218,070)
NET POSITION (DEFICIT), BEGINNING OF YEAR	226,926	444,995
NET POSITION, END OF YEAR	$ 525,279	$ 226,925

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from users	$ 2,923,547	$ 2,916,847
Payments to suppliers	(2,650,082)	(2,376,457)
Miscellaneous revenue	2,050	1,970
Interest income	672	2,904
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	276,187	545,264
NET CHANGE IN CASH AND CASH EQUIVALENTS	276,187	545,264
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	469,620	103,631
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 745,807	$ 648,895
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income	$ 298,353	$ 508,383
Adjustment to reconcile operating (loss) income to net cash (used) provided by operating activities:		
Increase in liabilities:		
Accrued health benefits	(22,166)	36,881
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$ 276,187	$ 545,264

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,004,818	$ 2,499,768
Investments	32,798,975	28,523,805
Accounts receivable	11,517	9,698
TOTAL ASSETS	$ 34,815,310	$ 31,033,271
LIABILITIES AND NET POSITION		
Current Liabilities:		
Escrow - DROP funds	$ 270,437	$ 83,615
Accounts payable	249,965	92,636
TOTAL LIABILITIES	520,402	176,251
NET POSITION		
Net position restricted for pensions	34,294,908	30,857,020
TOTAL LIABILITIES AND NET POSITION	$ 34,815,310	$ 31,033,271

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
ADDITIONS		
Contributions:		
Employee	$ 201,503	$ 221,360
Employer	1,480,494	492,602
Commonwealth	-	664,717
Total Contributions	1,681,997	1,378,679
INVESTMENT INCOME		
Interest and dividends	481,162	487,075
Net appreciation in fair value of investments	3,293,680	2,462,440
Total Investment Income	3,774,842	2,949,515
Less investment expenses	133,337	121,385
Net Investment Income	3,641,505	2,828,130
TOTAL ADDITIONS	5,323,502	4,206,809
DEDUCTIONS		
Administrative costs	9,350	13,249
Refunded contributions	3,579	-
Retirement benefits	1,872,685	1,696,905
TOTAL DEDUCTIONS	1,885,614	1,710,154
CHANGE IN NET POSITION	3,437,888	2,496,655
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	30,857,020	28,360,365
End of year	$ 34,294,908	$ 30,857,020

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lebanon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification). The more significant of these accounting policies are as follows:

Financial Reporting Entity

The City was incorporated in 1868 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a third-class city as defined by state statutes and operates under a Home Rule Charter form of government, which consists of an elected Mayor and the City Council (the Council). The City provides various services to its residents including public safety, public works, culture and recreation, economic development, and general administrative services.

The GASB Codification established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the City's financial reporting entity are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships. Based on the application of these criteria, the City is considered to be an independent reporting entity.

The City has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the City's financial statements. In addition, the City is not aware of any entity which would exercise such oversight which would result in the City being considered a component unit of the entity.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last are excluded from the entity-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. In addition, the fund financial statements present fiduciary funds by fund type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on their use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

The 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 become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific City expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other revenues, including charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

matured. General capital asset acquisitions are reported as expenditures in governmental funds. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

Fund Accounting

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 are accounted for with a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses. The funds are grouped into three types. The following is a description of the fund types used by the City in the accompanying basic financial statements.

Governmental Fund Types

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the period they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities in the current period. For governmental fund types, the City considers all revenues to be available if they are collected within 60 days after fiscal year end. Revenues considered susceptible to accrual include taxes and grants associated with the current fiscal year. All other revenues are considered measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. Also, amounts paid to reduce long-term indebtedness are reported as fund expenditures.

The City reports the following major governmental fund types:

General Fund – This fund is used to account for the general operating activities of the City. General government, public safety, public works, culture and recreation, and economic development are financed through this fund with receipts from general property taxes, transfer taxes, licenses and permits, investment interest, fines, charges for current services, intergovernmental, and other revenue.

Community Development Block Grant Fund – This fund is used to report financial resources that are restricted for community development service expenditures.

HOME Fund – This fund is used to account for grants and contributions that are restricted for the low-income housing development service expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Reserve Fund – This fund is used to account for financial resources that are assigned for current or future capital projects within the City.

State Housing and Redevelopment Assistance Fund –This fund is used to account for financial resources that are received for current or future redevelopment projects within the City.

American Rescue Fund – This fund is used to account for the financial sources from the American Rescue grant and for the related expenditures.

Non-major Governmental Funds – In addition to the above major governmental funds, the City includes certain Special Revenue Funds, and a Permanent Fund in its financial statements.

- **Special Revenue Funds** – Special Revenue Funds are used to account for specific revenues that are legally restricted or internally assigned to expenditures for particular purposes. The following special revenue funds are included in the governmental fund financial statements as non-major funds: Police Special Revenue Fund, Public Works Special Revenue Fund, Parks Special Revenue Fund, Elm Street Rehab Fund, Bridge Over Norfolk South Right of Way Fund, Debt Service Fund, Liquid Fuels Fund, Schropp Estate Fund, Lauther Trust Fund, Act 137 Fund, Hazel Dyke Fund, Rental Rehab Fund, Enterprise Zone Fund, and Stormwater Management Fund.

- **Permanent Fund** – This fund is used to report the resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs. The Louser Memorial Fund is included in the governmental fund financial statements as a permanent fund.

Proprietary Fund Type

Internal Service Fund – This fund is used to account for the financing of dental and health insurance costs for the City's departments.

Fiduciary Fund Type

Trust Funds – Trust funds are used to account for the assets held in trust for the Police and Paid Firemen's pension plans. The pension plans, which are part of the City's legal entity, are single employer defined benefit pension plans that provide benefits to City employees.

Deposits and Investments

For the purpose of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments for the City are reported at fair value or net asset value as discussed in Note 2.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories and Prepaid Items

Inventories of the governmental activities are valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements.

Capital Assets

Capital assets, including property, plant, and equipment, are reported in the entity-wide financial statements. The City has defined capital assets as assets with an initial, individual cost of more than $5,000; capital projects, inclusive of ancillary costs, in excess of $100,000; and an estimated useful life in excess of one year. Capital assets may be purchased or constructed and are recorded at cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

Buildings and improvements	20 - 40 years
Infrastructure	30 - 50 years
Machinery and equipment	2 - 15 years
Automotive equipment	2 - 8 years

Compensated Absences

Compensated absences consist of sick leave to the extent that payments to the employee for the absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee. The liability is based on the sick leave accumulated at December 31 by all employees and is calculated using pay rates in effect at the statement of net position date reduced to the maximum payment allowed by policy or agreement.

The City's non-uniformed, non-bargaining employees earn sick leave according to the provisions of their personnel policy manual. Full-time employees receive a lump sum payment for unused, accumulated sick leave upon retirement if they have completed at least 10 years of service. Maximum limits for the lump sum payment depend on the years of service accumulated by the employee.

The City's non-uniformed, union employees earn sick leave according to requirements outlined in their master agreement. Permanent, full-time hourly wage employees receive a lump sum

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

payment for unused, accumulated sick leave upon retirement if they have completed at least 10 years of service. Maximum limits for the lump sum payment depend on the years of service accumulated by the employee.

According to their master agreements, police officers receive $4 per day of unused sick leave upon retirement, up to a maximum accumulation of 300 days; and firefighters receive $5 per day for unused sick leave upon retirement, up to a maximum of 180 days.

The compensated absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities or business-type activities.

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

Unearned Revenues

Revenues that are received but not earned are recorded as unearned revenue in the City's financial statements. In the City's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet, and revenue is recognized.

Fund Balances

The following classifications describe the relative strength of the spending constraints.

Nonspendable – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – Amounts limited by Council policy (e.g., future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.

Assigned – Amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. This intent can be expressed by the Council or through the Council delegating this responsibility to the City Manager through the budgetary process.

Unassigned – Amounts available for consumption or not restricted in any manner.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted as they are needed. When committed, assigned, and unassigned funds are available for expenditure, it is the City's policy to use committed funds first, assigned funds second, and unassigned funds last, unless the City Council has provided otherwise in its commitment or assignment actions.

Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the City that does not meet the definition of "restricted" or "net investment in capital assets."

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category under the accrual and modified basis of accounting: deferred outflows related to pensions and deferred outflows related to OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has four items that qualify for reporting in this category under the accrual and modified accrual basis of accounting: deferred inflows related to pension, deferred inflows related to OPEB, unavailable tax revenue, and certain long-term receivables for the revolving loans.

Budgetary Information

Commonwealth of Pennsylvania statutes require that city governments establish budgetary systems and adopt annual operating budgets. The City's annual budget is based on estimates of revenues and expenditures approved by Council. The City prepares formal budgets for the General Fund and the Liquid Fuels Fund (a non-major fund), and follows the following procedures as outlined in the City's Home Rule Charter in establishing the budgetary data reflected in the financial statements:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1) At least 60 days prior to the beginning of the fiscal year, the Mayor prepares and submits a budget to the Council presenting the financial plan for conducting the affairs of the City for the ensuing year. The budget submitted by the Mayor to the Council must be balanced so that anticipated revenues and funds available are at least equal to estimated expenditures.

2) After submission to the Council, prior to and after adoption, the budget is deemed to be a public record available for inspection during regular business hours.

3) Within 15 days after submission of the annual budget to the Council, the City Clerk gives public notice regarding the time and place of public hearings on the annual budget. The public hearings take place at a time and place designated by the City Council.

4) After the public hearings are held, the Council or Committee(s) of the Council reviews the budget. The financial staff of the City assists the Council in formatting any proposed modifications so that they are appropriate to the budget format submitted and recommended by the Mayor.

5) By December 1, the City Council adopts a budget by ordinance for each of the funds of the City Government, which will be balanced so that estimates of revenues and funds available are at least equal to estimated expenditures.

6) By December 5, the City Clerk submits the budget adopted by the Council to the Mayor, specifying separately and distinctly any modifications, additions, increases, or decreases made to the Mayor's recommended budget by the Council. If the Mayor approves all such modifications, changes, increases, or decreases, he or she signs the budget and the statement of all individual changes and returns them to the City Clerk. The budget, including all such changes, is then deemed to be adopted.

7) If the Mayor objects to the budget as a whole or to any of the individual modifications, changes, increases, or decreases, he or she may veto the entire budget or any of the individual changes by submitting a written statement of his or her objections and an indication of veto by no later than December 12.

8) Council is required to meet no later than December 15 to consider the Mayor's veto on the budget or any individual changes. If after consideration, a majority plus one of the members of the Council in office votes to override the Mayor's veto if the budget or the proposed changes, the adopted budget, together with any changes not objected to by the Mayor and any changes objected to by the Mayor and overruled by the Council, shall be deemed to be the adopted budget of the City for the ensuing year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

9) If the Council fails to take action by no later than December 1, then the budget submitted by the Mayor to Council shall be the budget for the ensuing fiscal year.

10) If the Council takes action by December 1 and the Mayor refuses to exercise approval or veto power on the budget and any changes made by the Council, then the budget adopted by the Council is deemed to be the budget for the ensuing fiscal year.

11) If the Council has adopted a budget by December 1, the Mayor has indicated his or her veto of the budget as a whole or of various changes, and the Council has not taken action to consider the Mayor's veto, then the Mayor's veto will be deemed to have been sustained; and the budget for the ensuing year is deemed to be the budget adopted by Council with the changes vetoed by the Mayor.

12) The budget lapses at year end.

The formal budgetary process is employed as a planning device. The adopted budget is on a basis consistent with GAAP. For 2021, there were no revisions to the legally adopted budget.

Implementation of GASB Statement

During the year ended December 31, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, "Lease Accounting." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Third-class City Code authorizes the City's Council to invest the City's funds consistent with sound business practice and as authorized by the Local Government Unit Debt Act. Authorized types of investments for the City's funds are as follows:

1) United States Treasury bills

2) Short-term obligations of the United States Government or its agencies or instrumentalities

3) Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Trust, National Credit Union Share Insurance Fund, Pennsylvania Deposit Insurance Corporation, or Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that appropriate collateral as provided by law is pledged by the depository

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (cont'd)

4) Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America; (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth; or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision

5) Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for City funds listed in the items above

6) Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Trust, National Credit Union Share Insurance Fund, Pennsylvania Deposit Insurance Corporation, or Pennsylvania Savings Association Insurance Corporation to the extent that such amounts are so insured. For amounts exceeding the insured maximum, such certificates of deposit are to be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks are limited to an amount equal to 20 per centum of a bank's total capital surplus. Certificates of deposit purchased from savings and loan associations or savings banks are limited to an amount equal to 20 per centum of an institution's assets minus liabilities.

7) Any investment authorized by 20 Pa.C.S. Ch. 73 (relating to fiduciary investments) is an authorized investment for any pension or retirement fund.

In making investments of City funds, the Council has the authority to permit assets pledged as collateral to be pooled to secure deposits of the public funds. In addition, the Council is permitted to combine money from more than one fund under City control for the purchase of a single investment, provided that each of the funds combined is accounted for separately, and the earnings are separately computed and recorded.

A reconciliation of the financial statement presentation to the cash and cash equivalents and investment totals is detailed in the following table.

	Cash and Cash Equivalents	Investments	Total
Governmental activities	$22,832,416	$ -	$22,832,416
Governmental activities, restricted	308,849	-	308,849
Fiduciary funds	2,004,818	32,798,975	34,803,793
Totals	$25,146,083	$32,798,975	$57,945,058

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (cont'd)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2021, the carrying amount of the City's deposits was $25,146,083, and the bank balance was $25,245,845. Of the bank balance, $272,483 was covered by federal depository insurance, and $24,973,362 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the City's name.

Investments

As of December 31, 2021, the City had the following investments:

Investment Type	Percentage of Investments	Maturities	Fair Value
U.S. Government agency obligations	0.01%	<10 Years	$ 4,918
Equities and equity mutual funds	99.99%	N/A	32,794,057
Total Investments			$ 32,798,975

U.S. Treasury bills and agency obligations are securities and debt instruments of agencies of the U.S. Government that have an implied but not explicit guarantee. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Police Pension Plan and the City do not have formal investment policies that would limit the investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Paid Firemen's Pension Plan limits individual fixed income securities to maturities of 30 years or less.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal investment policy pertaining to credit risk. The Police

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (cont'd)

Pension Plan requires that fixed income securities, other than U.S. Treasury and U.S. Government Agency investments, have a Moody's, Standard & Poor's, and/or Fitch's credit quality rating of not less than "BBB." The Paid Firemen's Pension Plan limits the purchase of corporate or tax-exempt debt issues that meet or exceed a credit rating of "A" from Moody's and/or Standard & Poor's at the time of purchase.

The Police Pension Plan provides that domestic equities holdings in any one company shall not exceed more than 10 percent of the fair value of the portfolio. Additionally, the policy provides that not more than 35 percent of the fair value of the portfolio shall be invested in any one economic sector. For domestic fixed income securities, no one issuer, other than securities of the U.S. Government or agencies, shall exceed 10 percent of the fair value of the fixed income portfolio. For international equities, equity holdings in any one company is not to exceed more than 10 percent of the international equity portfolio, and no more than 35 percent of the portfolio is to be invested in one industry category.

The Paid Firemen's Pension Plan limits equities to five percent of the account's fair value for an individual security and twenty percent for a particular industry. For fixed income funds, investments in securities of single issues, with the exception of the U.S. Government and its agencies, must not exceed five percent of the fund's fair value.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 has no investments subject to custodial credit risk.

NOTE 3 REAL ESTATE TAXES

Property taxes attach as an enforceable lien on property on January 1. Taxes are levied on March 1, payable under the following terms: two percent discount, March 1 based on the assessed value listed for the real property located in the City through April 30; face amount, May 1 through June 30; and ten percent penalty after June 30. The City bills and collects its own property taxes. Real estate taxes levied for 2021 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2021 and expected to be collected within the first 60 days of 2021 are recognized as revenue in 2021. Net receivables estimated to be collectible subsequent to March 1, 2022 are reflected in unavailable revenue. Prior years levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectability.

The rate of real estate taxation in 2021 was 4.581 mills for general purposes on a total City assessed valuation of $858,944,500.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable as of year-end for the City's individual major funds and non-major governmental funds in the aggregate are as follows:

	General Fund	Community Development Block Grant Fund	HOME Fund	Capital Reserve Fund	State Housing and Development Fund	Non-major Funds	Total
Taxes:							
Real estate	$ 325,602	$ -	$ -	$ -	$ -	$ -	$ 325,602
Earned income	1,508,600	-	-	-	-	-	1,508,600
Local services	85,029	-	-	-	-	-	85,029
Total Taxes	1,919,231	-	-	-	-	-	1,919,231
Accounts	386,980	175	85	21,059	-	2,229	410,528
Grants	41,434	5,861	-	14,294	-	-	61,589
Conditional grants	1,167	-	-	-	-	1,907	3,074
Loans	-	1,158,325	1,650,793	-	579,445	4,333	3,392,896
Program loans	-	37,182	10,247	-	-	90,000	137,429
Total Receivables	$2,348,812	$ 1,201,543	$1,661,125	$ 35,353	$ 579,445	$ 98,469	$5,924,747

Council adopted Bill No. 21, Sessions 2010-2011, on April 25, 2011, approving an intermunicipal agreement with other Lebanon County municipalities and school districts to provide for a compromise of disputes relating to the collection and distribution of earned income taxes by the Lebanon County Earned Income Tax Bureau (the Bureau). According to an independent report conducted by a local accounting firm, the Bureau's actual allocation of earned income tax revenues within Lebanon County from 2004 through 2007 either over-compensated or under-compensated each Lebanon taxing jurisdiction. As a result, the report estimates that revenues of $1,447,958 are due to the City. The agreement provides for the City to be repaid for those underpayments over a 10-year period. The affected municipalities and school districts had not all adopted the agreement as of the date of this report. However, the City has taken legal action in order to recover the $1.4 million. In 2012, the City and eleven other plaintiffs filed a civil suit in the Lebanon Court of Common Pleas against the five municipalities that did not sign the intermunicipal agreement. As of December 31, 2021, $189,341 is recorded as a receivable and unavailable revenue.

NOTE 5 LOAN PROGRAMS

Conditional grants, deferred loans, and program loans totaling $3,074, $3,392,896, and $137,429, respectively, have been recorded as receivables at December 31, 2021. Unearned revenues totaling $223,502 and unavailable receivables totaling $3,488,792 have been recorded to offset the conditional grants, deferred loans, and program loans. As these loans are repaid, the City will use the funds to enter into another loan agreement based on the loan programs' criteria.

NOTE 5 LOAN PROGRAMS (cont'd)

Community Development Block Grant Program

The Community Development Block Grant Program provided funds to the City for the purpose of making loans to individuals within the City to finance rehabilitation of residential property. At December 31, 2021, loans outstanding from the rehabilitation project totaled $37,182. The loan agreements require repayment of principal and interest, ranging from three percent to five percent, over terms of one to fifteen years.

The Community Development Block Grant Program also disburses funds in the forms of conditional grants and deferred loans for homeowners, and conditional grants for investors for rehabilitation of rental units for lower-income tenants. Conditional grants for eligible low-income homeowners are available for up to $5,000 to make repairs to homes in the City. The grants are forgiven at the rate of 20 percent each year for five years, unless the forgiveness is frozen by the Rehab Committee. Of the property sold, transferred, or vacated before the end of the five years, the unforgiven portion of the grant must be repaid. Conditional grants are secured with a judgment note. There were no principal balances outstanding at December 31, 2021 for these conditional grants.

Deferred loans are secured by a mortgage on the property. Repayment of the loan is deferred until the property is sold or until the original occupant moves out. The principal balance outstanding at December 31, 2021 for these loans totaled $1,158,325, and the deferred balance, including finance charges and penalties, was $1,158,913.

Home Grant and Homebuyer Program

The Home Grant Program also disburses funds in the form of loans. The principal balances outstanding at December 31, 2021 for the loans amounted to $10,247.

In addition, the Home Grant Program and the Homebuyer Program also disburse funds in the form of deferred payment loans for low and modest-income households. The deferred payment loans are secured by a mortgage on the property. Repayment of the loan is deferred. The principal balances outstanding at December 31, 2021 for these loans totaled $1,650,793 in the HOME Fund. Deferred inflows of resources, including finance charges and penalties, were $1,650,793.

DownCity Revitalization Program

State funds received through a DownCity Revitalization Program Grant and funds received through the General Fund were matched with Community Development Block Grants Funds to finance rehabilitation of rental units located in the City's DownCity "Enterprise Zone." The loan agreements require repayment of principal and interest, ranging from three to five percent, over terms of one to fifteen years. There were no principal balances outstanding at December 31, 2021 in the Enterprise Zone (non-major) fund.

NOTE 5 LOAN PROGRAMS (cont'd)

The DownCity Revitalization Program also disburses funds in the form of conditional grants and deferred loans. The principal balance outstanding at December 31, 2021 for the conditional grants amounted to $0 in the Enterprise Zone (non-major) Fund and $0 in the Redevelopment Assistance Fund. The principal balance for the deferred loans amounted to $90,000 in the Enterprise Zone (non-major) Fund. Deferred inflows of resources for the deferred loans totaled $91,907.

The grant contract for the DownCity Revitalization Program does not stipulate how the principal and interest payments for these loans may be used. An interest-bearing account has been established where the principal and interest payments will be held until future eligible projects are requested and approved. Funds will then be put back into the program.

Housing and Redevelopment Assistance Program

State funds received through the Housing and Redevelopment Assistance Grant were disbursed in the form of deferred loans for community revitalization projects. The loan agreements require repayment of principal and interest at rates ranging from two to three percent over a 30-year term. The principal balances outstanding at December 31, 2021 for the deferred loans totaled $481,417 and $98,028 for the program loans in the State Housing and Redevelopment Assistance Fund.

State funds received through the Commonwealth of Pennsylvania were disbursed in the form of a deferred loan for a façade project. The loan agreement requires repayment when the property is sold. The principal balance outstanding at December 31, 2021 for the deferred loan was $4,333 in the Elm Street (non-major) fund.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2021 is as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 162,526	$ 3,543
Community Development Block Grant Fund	4,449	12,391
HOME Fund	579	1,244
American Rescue Fund	-	3,346
Non-major Funds	-	147,030
Totals	$ 167,554	$ 167,554

These interfund receivables and payables represent planned transfers between funds to reimburse operating expenditures for which cash was not moved prior to year end.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

The City made the following interfund operating transfers during the year ended December 31, 2021. The transfers were made to make debt payments and reimburse the General Fund for indirect costs.

	Transfers In	Transfers Out
General Fund	$ 192,000	$ 80,000
Community Development Block Grant Fund	-	192,000
Capital Reserve Fund	80,007	-
Non-major Funds	-	7
Totals	$ 272,007	$ 272,007

NOTE 7 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 975,102	$ -	$ -	$ 975,102
Construction-in-progress	-	5,037,980	-	5,037,980
Total Capital Assets Not Being Depreciated	975,102	5,037,980	-	6,013,082
Capital assets being depreciated/ amortized:				
Buildings and improvements	8,332,148	9,008	185,132	8,156,024
Infrastructure	65,608,492	2,244,017	-	67,852,509
Machinery and equipment	2,273,552	126,267	19,484	2,380,335
Automotive equipment	3,331,237	52,172	-	3,383,409
Right to use asset - equipment	11,602	-	-	11,602
Total Capital Assets Being Depreciated	79,557,031	2,431,464	204,616	81,783,879
Less accumulated depreciation/ amortization	(33,355,583)	(1,817,271)	(190,476)	(34,982,378)
Total Capital Assets Being Depreciated, Net	46,201,448	614,193	14,140	46,801,501
Governmental Activities, Net	$ 47,176,550	$ 5,652,173	$ 14,140	$ 52,814,583

NOTE 7 CAPITAL ASSETS (cont'd)

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

Governmental Activities:	
General government	$ 1,349,424
Public safety	116,533
Public works	232,113
Culture and recreation	119,201
Total Depreciation/Amortization Expense - Governmental Activities	$ 1,817,271

NOTE 8 LONG-TERM LIABILITIES

General Obligation Bonds

In 1999, the County of Lebanon (the County) issued General Obligation Bonds, Series of 1999, to pay for improvements to the municipal building jointly owned by the City and County. That same year, the City entered into a subsidy agreement with the County to assist in the repayment of a portion of the Bonds that was directly related to the City's obligations. The principal and interest payments on the obligations of the City and the note subsidy agreement with the City were secured in full faith, credit, and taxing power of the City.

In 2004, the General Obligation Bonds, Series of 1999, were refinanced by the County-issued General Obligation Bonds, Series of 2004; however, the 1999 subsidy agreement between the City and the County remained in place. The principal amount of the 2004 Bonds attributable to the City under the subsidy agreement totaled $515,000. Principal payments were due annually on October 15 until 2021. Interest on the unpaid principal balance ranged from 1.65 percent to 4.45 percent and was payable on April 15 and October 15 until the bonds matured. The 2004 Bonds were currently refunded in 2009.

On August 12, 2009, the County refunded the General Obligation Bonds, Series of 2004. The principal amount of the 2009 Bonds attributable to the City under the original subsidy agreement totaled $380,000. Principal payments were due annually on October 15 from 2010 through 2015 and 2021 through 2022. Interest on the unpaid principal balance ranged from 2.0 percent to 3.75 percent and was payable on April 15 and October 15 until the bonds matured. The 2009 Bonds were paid off in 2021.

In September 2021, the City issued General Obligation Bonds, Series of 2021, to pay for improvements to City Hall and to pay for the cost of issuing and inuring the bonds. The principal

NOTE 8 LONG-TERM LIABILITIES (cont'd)

amount of the bonds totaled $2,330,000. Principal payments are due on November 15 through 2051. Interest on the unpaid principal balance ranged from 1.00 percent to 2.45 percent and are payable on May 15 and November 15 until the bonds mature.

A schedule of changes in long-term obligations is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	$ 30,000	$ 2,330,000	$ (30,000)	$ 2,330,000	$ 60,000
Bond discount		(19,029)	79	(18,950)	(634)
General obligation bonds, net	30,000	2,310,971	(29,921)	2,311,050	59,366
Lease payable	9,801	-	(2,181)	7,620	2,203
Compensated absences	44,686	-	(4,509)	40,177	-
Net pension liability	3,517,135	-	(2,857,119)	660,016	-
Net OPEB liability	58,850,547	20,584,112	-	79,434,659	-
Total Long-term Obligations	$62,452,169	$22,895,083	$ (2,893,730)	$82,453,522	$ 61,569

An analysis of the bond debt service requirements to maturity on the loans is as follows:

Year Ending December 31,	Principal	Interest	Total Maturities
2022	$ 60,000	$ 11,746	$ 71,746
2023	60,000	11,443	71,443
2024	60,000	11,141	71,141
2025	60,000	10,838	70,838
2026	65,000	10,536	75,536
2027 - 2031	325,000	160,181	485,181
2032 - 2036	285,000	166,244	451,244
2037 - 2041	390,000	144,445	534,445
2042 - 2046	530,000	120,503	650,503
2047 - 2051	495,000	60,671	556,671
Totals	$ 2,330,000	$ 707,748	$ 3,037,748

The City leases copiers under a lease arrangement with an expiration date in May 2025. At December 31, 2021, the minimum future rental payments under the noncancelable leasing arrangement for the remaining period and in the aggregate are as follows:

NOTE 8 LONG-TERM LIABILITIES (cont'd)

Year Ending December 31,	Principal	Interest	Total Maturities
2022	$ 2,203	$ 67	$ 2,270
2023	2,226	44	2,270
2024	2,248	22	2,270
2025	943	3	946
Total	$ 7,620	$ 136	$ 7,756

Payments of long-term liabilities are expected to be funded by the General Fund.

NOTE 9 FUND BALANCE

As of December 31, 2021, fund balances are composed of the following:

	General Fund	Community Development Block Grant Fund	HOME Fund	Capital Reserve	State Housing and Redevelopment Assistance Fund	American Rescue Fund	Non-major Fund	Governmental Funds
Nonspendable:								
Prepaid items	$ 24,152	$ -	$ -	$ -	$ -	$ 70,463	$ -	$ 94,615
Inventory	11,298	-	-	-	-	-	-	11,298
Total Nonspendable	35,450	-	-	-	-	70,463	-	105,913
Restricted:								
Public safety	-	-	-	-	-	-	43,774	43,774
Public works	-	-	-	-	-	-	2,310,893	2,310,893
Economic development	-	184,366	171,684	-	63,544	-	533,946	953,540
Permanent	-	-	-	-	-	-	48,538	48,538
Total Restricted	-	184,366	171,684	-	63,544		2,937,151	3,356,745
Assigned:								
2022 budget	2,657,922	-	-	-	-	-	-	2,657,922
Redevelopment	209,138	-	-	-	-	-	-	209,138
Total Assigned	2,867,060	-	-	-	-	-	-	2,867,060
Unassigned (deficit)	5,341,649	-	-	(532,492)	-	(65,721)	-	4,743,436
Total Fund Balance	$8,244,159	$ 184,366	$ 171,684	$ (532,492)	$ 63,544	$ 4,742	$2,937,151	$11,073,154

NOTE 10 NET INVESTMENT IN CAPITAL ASSETS

A schedule of net investment in capital assets as of December 31, 2021 is as follows:

Governmental Activities:	
Total capital assets, net	$ 52,814,583
Less: bonds payable, net	(2,318,670)
Total Net Investment in Capital Assets	$ 50,495,913

NOTE 11 SELF-INSURED HEALTH BENEFITS

The City is exposed to risk of loss in the area of health insurance benefits. The Internal Service Fund is used to account for the risk associated with health benefits. The City has elected to retain a portion of the risk of loss from health benefit claims by reducing insurance coverage to obtain the benefits of reduced premium costs. The City changed its excess health benefits risk insurance, effective August 1, 1998, for claim payments in excess of the individual stop-loss and aggregate stop-loss deductible for the benefit determination period.

The aggregate stop-loss deductible is the calculated annualized amount based on the number of employees and dependents multiplied by the determination factors with a maximum of $5,000,000 in aggregate claims covered by the plan of insurance. At December 31, 2021, the City had 134 participants in the plan. The individual stop-loss deductible for the benefit determination period is $65,000 per employee with a maximum of $1,000,000 in claims per individual covered by the plan of insurance.

The City maintains reserves for claims incurred and claims incurred but not reported as estimated by the City using historical data and known claims.

The self-insured health benefits liability balance is based on the requirements of GASB Statement No. 10 (that was amended by Statement No. 20), which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The following summary provides aggregate information on the prior year health benefits self-insurance liability, incurred claims, and payments during the years ended December 31, 2021 and 2019, and the ending health benefits self-insurance liability at December 31, 2021 and 2020, recorded in the City's Internal Service Fund.

Year Ended December 31,	Beginning Liability	Prior Year Incurred but Not Accrued	Incurred Claims	Payments	Ending Liability
2021	$ 242,695	$ -	$2,627,916	$2,650,082	$ 220,529
2020	$ 203,900	$ -	$2,697,146	$2,658,351	$ 242,695

NOTE 12 NON-UNIFORMED DEFINED BENEFIT PENSION PLAN

Plan Description

The City, through provisions of Bill No. 36 of 2004-2005, adopted pursuant to Act 15, entered into an agreement with the Pennsylvania Municipal Retirement System (PMRS), to provide employee pension benefits to non-uniformed employees through participation in the PMRS. The PMRS was created by the Pennsylvania General Assembly in 1974 with the passage of the Pennsylvania Municipal Retirement Law 1974, P.L. 34, No. 15. PMRS administers pension plans on a contracted basis for any municipality or institution supported and maintained by a Pennsylvania municipality. This agent multiple-employer public employee retirement system maintains each municipality's account separately with that municipality's contributions and related employee contributions, and earnings segregated into separate accounts. PMRS issues a separate Annual Comprehensive Financial Report, which can be obtained by contacting the PMRS accounting office at P.O. Box 1165, Harrisburg, PA 17108-1165.

Plan Membership

Plan membership as of December 31, 2020 consisted of the following:

Active employees	25
Retirees and beneficiaries currently receiving benefits	49
Inactive members entitled to but not yet receiving benefits	5
Total	79

Plan Benefits

Benefit terms were established under the 2005 agreement between PMRS and the City. Changes to benefit terms can only occur by modification of this agreement. Major provisions of the 2005 agreement include the following:

Membership for full-time employees of the Municipality is mandatory. Membership for part-time employees, seasonal employees, and temporary employees is prohibited, as is membership for individuals paid only on a fee basis. Benefits vest after five years of credited service. A member shall be eligible for a retirement benefit upon attainment of retirement age, which shall be 60 years of age. Early retirement is given if a member has been involuntarily terminated after eight years of credited service or has separated voluntarily after twenty years of service. For early retirement, benefits will be actuarially reduced for each year or partial year thereof that the early retirement takes place prior to age 60.

The basic annual benefit shall be equal to 1.25 percent of the member's final salary multiplied by all years of credited service. Effective January 1, 2008, the basic annual benefit shall be equal to 1.50 percent of the member's final salary multiplied by all years of credited service. The final salary shall be the greater of the final one year of compensation, or the average of the final five consecutive years of employment.

NOTE 12 NON-UNIFORMED DEFINED BENEFIT PENSION PLAN (cont'd)

The plan also provides death benefits for active and retired employees, as well as disability benefits for active employees.

The plan does allow for cost-of-living adjustments to an employee's retirement allowance subsequent to the employee's retirement date, if eligible.

Contributions

Required contributions to the plan are governed by the 2005 agreement. The PMRS Board will actuarially determine the normal cost of the benefits provided under the contract (2005 agreement), and any liability associated with the actuarial experience of such benefits which shall be contributed annually by the City. If applicable, any additional amount which shall be contributed annually toward a reserve account for the disability allowances, which may be payable in accordance with the contract (2005 agreement), shall also be determined and charged to the City. The amounts so determined shall be computed in accordance with the requirements of Act 205 of 1984 (Act 205), the Municipal Pension Plan Fund Standard and Recovery Act, Act 15 of 1974, the Pennsylvania Municipal Retirement Law, and subsequent amendments to either Act. Members shall contribute five percent of their compensation to fund the annuity.

For the year ended December 31, 2021, the active employee contribution rate was 5.0 percent, and the City's contribution rate was 0.0 percent.

Net Pension Liability

The components and changes in the City's net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2019	$ 10,069,542	$ 14,255,086	$ (4,185,544)
Service cost	119,484	-	119,484
Interest cost	515,182	-	515,182
Difference between expected and actual experience	(261,475)	-	(261,475)
Change in assumptions	334,628	-	334,628
Contributions – employer	-	20	(20)
Contributions – members	-	57,432	(57,432)
Net investment income	-	689,516	(689,516)
Market value investment income	-	1,034,693	(1,034,693)
Administrative expenses	-	(31,782)	31,782
Benefit payments	(761,799)	(761,799)	-
Net changes	(53,980)	988,080	(1,042,060)
Balances at December 31, 2020	$ 10,015,562	$ 15,243,166	$ (5,227,604)

NOTE 12 NON-UNIFORMED DEFINED BENEFIT PENSION PLAN (cont'd)

Detailed information about the pension plan's fiduciary net position is available in the separately issued PMRS financial report.

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2021, the City recognized pension credit of $743,473 under this plan. At December 31, 2021, the City reported deferred outflows and inflows of resources related to the Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 130,737	$ -
Changes in assumptions	-	167,314
Net difference between projected and actual earnings on pension plan investments	1,734,844	-
	$ 1,865,581	$ 167,314

The deferred inflows of resources will be recognized in pension expense as follows:

Year Ended December 31,	
2022	$ 586,440
2023	346,723
2024	558,167
2025	206,937
	$ 1,698,267

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the liabilities from an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement:

- Inflation: 3.00 percent
- Salary increases: Age/merit scale including inflation, ranging from 2.80 percent to 7.05 percent

NOTE 12 NON-UNIFORMED DEFINED BENEFIT PENSION PLAN (cont'd)

- Investment rate of return: 5.25 percent compounded annually, net of expenses
- Post-retirement cost of living increase: 2.80 percent, subject to plan limitations

Mortality rates pre-retirement were based on the RP-2000 Scale projected fifteen years with Scale AA with a five-year setback for females. Mortality rates post-retirement were based on the RP-2000 Scale AA projected five years for males and ten years for females. The current mortality assumptions, while not reflecting projections for improvements, are subject to experience review every four years, at which time recommendations of changes to reflect changes in experience over those expected from the tables applied over the five-year period preceding the experience analysis are received and reviewed by the Board. Such experience is required by State statute.

The actuarial assumptions used in the December 31, 2020 valuation were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 as well as subsequent Board-approved assumption changes.

Investments

The PMRS system's long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to this method:

1) Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.

2) The nominal rates of return by asset class are adjusted by a constant of expected future annual inflation rate of three percent to produce real rates of return.

3) The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below.

4) These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the PMRS Board has been determined to be 70 percent.

NOTE 12 NON-UNIFORMED DEFINED BENEFIT PENSION PLAN (cont'd)

The target allocation is in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity (large capitalized firms)	25.0%	4.6%
Domestic equity (small capitalized firms)	15.0%	7.3%
International equity (developed markets)	15.0%	3.5%
International equity (emerging markets)	10.0%	0.3%
Real estate	20.0%	5.4%
Fixed income	15.0%	1.1%
	100.0%	

Based on the four-part analysis, the PMRS Board established the system's long-term expected rate of return at 7.0 percent.

In addition to determining the system's long-term expected rate of return, PMRS also develops a long-term expected rate of return for individual participating municipalities. The long-term expected rate of return for individual participating municipalities is also referred to as the regular interest rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the regular interest rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS.

Therefore, under the law, the long-term expected rate of return for individual participating municipalities is equal to the regular interest rate. The rationale for the difference between the system's long-term expected rate of return and the individual participating municipalities' regular interest rate is described in the following section, "discount rate." As of December 31, 2020, the regular interest rate was 5.25 percent.

The system's policy in regard to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

Discount Rate

While it is often common practice to establish an actuarial discount rate that is equal to the long-term expected rate of return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the regular interest rate. The PMRS Board establishes the regular interest

NOTE 12 NON-UNIFORMED DEFINED BENEFIT PENSION PLAN (cont'd)

rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year.

The PMRS Board considers the following five quantitative factors in establishing the regular interest rate:

1) Retiree plan liability as a percentage of total plan liability,

2) Active plan participant liability as a percentage of total plan liability,

3) Smoothed Pension Benefit Guarantee Corporation ("PBGC") annuity rates as a proxy for annuity purchase rates,

4) PMRS system long-term expected rate of return and,

5) PMRS administrative expenses.

The PMRS Board may then adjust the regular interest rate due to a variety of qualitative factors such as the desire to minimize regular interest rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the system's investment and actuarial consultants. The discount rates adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25 percent for the December 31, 2020 valuation.

The regular interest rate/discount rate will likely be less than the system's long-term expected rate of return. Should the system experience a prolonged period of investment returns in excess of the regular interest rate, the PMRS Board is authorized to allocate any applicable portion of such excess in accordance with PMRS Board policies in the form of excess interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required (depletion testing), used the following assumptions: 1) member contributions will be made at the current contribution rate; 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate; and 3) the system's long-term expected rate of return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 5.25 percent, as well as what the plan's net pension liability would be if it were calculated

NOTE 12 NON-UNIFORMED DEFINED BENEFIT PENSION PLAN (cont'd)

using a discount rate that is one percentage point lower (4.25 percent) or one percentage point higher (6.25 percent) than the current rate.

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Plan's net pension liability (asset)	$ (4,237,033)	$ (5,227,604)	$ (6,078,768)

NOTE 13 PAID FIREMEN'S PENSION PLAN

Plan Description

The City's Paid Firemen's Pension Plan is a single employer defined benefit plan established by the City in accordance with the Third-class City Code and State statutes. The plan is governed by a pension board consisting of the Mayor, two career firefighters, and two lay members appointed by the Mayor which may amend plan provisions, and which is responsible for the management of plan assets. The City has delegated the authority to manage certain plan assets to Principal Life Insurance Company. The plan is reported as a pension trust fund in the statement of fiduciary net position and changes therein. The plan does not issue stand-alone financial reports.

Basis of Accounting

The plan financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments of the plan are reported at fair value.

Plan Membership

Plan membership as of December 31, 2021 consisted of the following:

Active employees	21
Retirees and beneficiaries currently receiving benefits	22
Inactive members entitled to but not yet receiving benefits	0
Total	43

NOTE 13 PAID FIREMEN'S PENSION PLAN (cont'd)

Plan Benefits

The benefits provided by the plan are based upon average monthly compensation, age, and length of service. A summary of benefit provisions is as follows:

Normal Retirement Age: If hired prior to July 1, 1972, attainment age of 50 and completion of 20 years of vesting service. If hired on or after July 1, 1972, attainment age of 50 and completion of 25 years of vesting service.

Average Compensation Period: Based upon the highest five consecutive calendar year period of employment or upon the final rate of annual compensation as of the date of employment termination, if higher.

Vesting: 100 percent after completion of 12 years of service.

Normal Forms of Benefits: Life

Normal Benefits: Equal to 50 percent of average annual compensation plus service incremental benefit.

Death Benefit: A death benefit is payable to a participant's surviving spouse in an amount equal to 100 percent or to his children under age 18 in an amount equal to 50 percent of the benefit the participant would have been receiving had he been retired at the time of death.

Service Related Disability Benefit: Payable until normal retirement, death, or recovery and a deferred annuity payable at normal retirement age. Disability benefit is equal to 50 percent of average annual compensation.

Non-service Related Disability Benefit: Participant has completed 10 years of vesting service. Payable until normal retirement, death, or recovery and a deferred annuity payable at normal retirement date. Disability benefit is equal to 50 percent of average annual compensation multiplied by the ratio, not greater than one, of the actual years of benefit service at the date of disability to the minimum required years of benefit service for normal retirement.

Cost of Living Adjustment: An annual cost of living adjustment is made to participants who retired between January 1, 2009 and December 31, 2017, with a maximum total cost of living increase of 10 percent of the initial benefit. No adjustment shall result in a monthly benefit in excess of 50 percent of the monthly salary being paid to a paid firefighter of the highest pay grade.

Service Increment: $1/40^{th}$ of such benefit amount for each year of benefit service in excess of 20 (but excluding years after attainment of age 65). The incremental benefit may not exceed $1,200 per year.

NOTE 13 PAID FIREMEN'S PENSION PLAN (cont'd)

Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute five percent of compensation plus $1 per month to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Net Pension Liability

The components and changes in the City's net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2019	$ 8,839,433	$ 8,407,254	$ 432,179
Service cost	195,664	-	195,664
Interest cost	693,921	-	693,921
Differences between expected and actual experience	(261,688)	-	(261,688)
Changes in assumptions	168,117		168,117
Contributions – employer	-	292,072	(292,072)
Contributions – members	-	67,690	(67,690)
Net investment income	-	857,247	(857,247)
Administrative expenses	-	(5,000)	5,000
Benefit payments	(475,036)	(475,036)	-
Net changes	290,978	736,973	(445,995)
Balances at December 31, 2021	$ 9,130,411	$ 9,144,227	$ (13,816)

Detailed information about the pension plan's fiduciary net position is available in the separately issued PMRS financial report.

NOTE 13 PAID FIREMEN'S PENSION PLAN (cont'd)

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2021, the City recognized pension credit of $77,697 under this plan. At December 31, 2021, the City reported deferred outflows and inflows of resources related to the Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 392,683
Changes of assumptions	140,082	-
Net difference between expected and actual experience	-	431,586
	$ 140,082	$ 824,269

The deferred inflows of resources will be recognized in pension expense as follows:

Year Ended December 31,	
2022	$ (137,744)
2023	(294,615)
2024	(159,533)
2025	(79,054)
2026	(13,241)
	$ (684,187)

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021, using the following actuarial assumptions applied to all periods included in the measurement:

- Inflation: 2.17 percent
- Salary increases: 5.00 percent, including inflation
- Investment rate of return: 8.00 percent, including inflation
- Post-retirement cost of living increase: 4.00 percent, subject to plan provisions and limitations

NOTE 13 PAID FIREMEN'S PENSION PLAN (cont'd)

Mortality rates were based on the RP-2000 Table projected to 2017 using Scale AA.

The actuarial assumptions used in the January 1, 2021 valuation were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.

Investments

The pension trust fund investments are stated at fair value determined by the trustee. Investments that do not have an established market are reported at estimated fair value.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021 are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity (large cap)	32.0%	5.72%
Domestic equity (mid cap)	4.0%	6.77%
Domestic equity (small cap)	2.0%	6.77%
International equity	18.0%	6.55%
Fixed income	38.0%	1.31%
Real estate	6.0%	5.41%
Cash	0.0%	-0.33%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was eight percent. 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 equal to the MMO. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 PAID FIREMEN'S PENSION PLAN (cont'd)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the plan, calculated using the discount rate of eight percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (seven percent) or one percentage point higher (nine percent) than the current rate.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
Plan's net pension liability (asset)	$ 1,017,132	$ (13,816)	$ (883,058)

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the plan was 10.37 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP)

A participant who was hired on or after January 1, 1995 and who is eligible for a normal retirement benefit can elect to participate in the deferred retirement option plan (DROP) for a maximum three-year period. A participant hired prior to January 1, 1995 and who is eligible for a normal retirement benefit can elect to participate in the DROP during the periods July 1, 2015 through December 31, 2015 and July 1, 2016 through December 31, 2016 only for a maximum three-year period. Termination of employment is required at the end of the DROP period.

The monthly benefit is held in a separate interest-bearing account until it is distributed as a lump sum payment upon termination of employment. Interest to the DROP account is credited at the actual rate earned but will not be less than 0.0 percent nor more than 4.5 percent. After termination of employment, the biweekly benefit is payable for life. The accrued benefit is as of the date of participation in the DROP, and no additional service will be earned after entry into the DROP.

As of December 31, 2021, no plan members were participating in the DROP and are considered retired for pension purposes. The DROP account balances as of December 31, 2021 are $0.

NOTE 14 POLICE PENSION PLAN

Plan Description

The City's Police Pension Plan is a single employer defined benefit plan established by the City in accordance with the Third-class City Code and State statutes. The plan is governed by a pension board consisting of the Mayor, three police officers, and three lay members appointed by the Mayor which may amend plan provisions, and which is responsible for the management of plan assets. The plan is reported as a pension trust fund in the statement of fiduciary net position and changes therein. The plan does not issue stand-alone financial reports.

Basis of Accounting

The plan financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments of the plan are reported at fair value.

Plan Membership

Plan membership as of December 31, 2021 consisted of the following:

Active employees	33
Retirees and beneficiaries currently receiving benefits	49
Inactive members entitled to but not yet receiving benefits	2
Total	84

Plan Benefits

The benefits provided by the plan are based upon average monthly compensation, age, and length of service. A summary of benefit provisions is as follows:

Normal Retirement Age: If hired prior to July 11, 1966, a participant is eligible for normal retirement after completion of 20 years of vesting service. If hired on or after July 11, 1966, a participant is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service.

Average Compensation Period: Based upon the highest consecutive 60 months of employment or base salary plus longevity plus shift differential received during the 12 months immediately preceding the date of retirement, if higher.

NOTE 14 POLICE PENSION PLAN (cont'd)

Vesting: 100 percent after completion of 12 years of service.

Normal Forms of Benefits: Life

Normal Benefits: Equal to 50 percent of average annual compensation plus service incremental benefit.

Death Benefit: A death benefit is payable to a participant's surviving spouse in an amount equal to 100 percent or to his children under age 18 in an amount equal to 50 percent of the benefit the participant would have been receiving had he been retired at the time of death.

Service Related Disability Benefit: Disability benefit is equal to 50 percent of average annual compensation. The disability pension is reduced by Worker's Compensation.

Non-Service Related Disability Benefit: Participant has completed 10 years of vesting service. Disability benefit is equal to 50 percent of average annual compensation multiplied by the ratio, not greater than one, of the actual years of service at the date of disability to the minimum required years of benefit service for normal retirement. The monthly disability pension is reduced by Worker's Compensation.

Cost of Living Adjustment: An annual cost of living adjustment is made to members who retire on or after January 1, 1999, with a maximum total cost of living increase of 10 percent of the initial pension. No adjustment shall result in monthly pension in excess of 50 percent of the monthly salary being paid to patrolmen of the highest pay grade.

Service Increment: 1/40th of such benefit amount for each year of benefit service in excess of 20 (but excluding years after attainment of age 65). The incremental benefit may not exceed $1,200 per year.

Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute five percent of compensation plus $1 per month to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

NOTE 14 POLICE PENSION PLAN (cont'd)

Net Pension Liability

The components and changes in the City's net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2020	$ 25,571,996	$ 22,487,040	$ 3,084,956
Service cost	411,633	-	411,633
Interest cost	1,959,727	-	1,959,727
Changes for experience	(691,692)	-	(691,692)
Changes for assumptions	-	-	-
Contributions – employer	-	1,188,422	(1,188,422)
Contributions – members	-	135,877	(135,877)
Net investment income	-	2,789,109	(2,789,109)
Administrative expenses	-	(8,800)	8,800
Benefit payments	(1,211,228)	(1,211,228)	-
Net changes	468,440	2,893,380	(2,424,940)
Balances at December 31, 2021	$ 26,040,436	$ 25,380,420	$ 660,016

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2021, the City recognized pension credit of $72,994 under this plan. At December 31, 2021, the City reported deferred outflows and inflows of resources related to the police pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 489,207	$ 1,799,290
Changes of assumptions	192,725	-
Net difference between expected and actual experience	-	742,922
	$ 681,932	$ 2,542,212

NOTE 14 POLICE PENSION PLAN (cont'd)

The deferred inflows of resources will be recognized in pension expense as follows:

Year Ended December 31,	
2022	$ (322,768)
2023	(811,978)
2024	(390,000)
2025	(335,534)
	$ (1,860,280)

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019, using the following actuarial assumptions applied to all periods included in the measurement:

- Inflation: 3.00 percent
- Salary increases: 5.00 percent, including inflation
- Investment rate of return: 8.00 percent, including inflation
- Post-retirement cost of living increase: 3.00 percent, subject to plan provisions and limitations

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

The actuarial assumptions used in the January 1, 2021 valuation were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan. A recent actuarial experience study was not performed.

Investments

The investment objective of the plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash-equivalent securities, and, as such, is intended to be structured less aggressively than speculative portfolios. The pension trust fund investments are stated at fair value determined by the trustee. Investments that do not have an established market are reported at estimated fair value.

NOTE 14 POLICE PENSION PLAN (cont'd)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	60.0%	5.50% - 7.50%
Fixed income	35.0%	1.00% - 3.00%
Cash	5.0%	0.00% - 1.00%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was eight percent. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of eight percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (seven percent) or one percentage point higher (nine percent) than the current rate.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
Plan's net pension liability (asset)	$ 3,591,676	$ 660,016	$ (1,794,301)

NOTE 14 POLICE PENSION PLAN (cont'd)

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the plan was 18.71 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP)

An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option plan (DROP) for a period of not less than 12 months nor more than 36 months.

The biweekly pension shall be calculated as of the date of participation in the DROP and shall be accumulated with investment earnings in the DROP account with the annual investment return on the DROP account being not less than zero percent nor more than 4.5 percent. The DROP account shall be distributed in a lump sum at retirement.

As of December 31, 2021, three plan members were participating in the DROP and are considered retired for pension purposes. The DROP account balance as of December 31, 2021 was $270,437.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in the preceding notes, the City has established benefits for eligible employees to have healthcare benefits provided after retirement. A description of eligibility and benefits for the three classes of employees is listed below.

Paid Firemen

A firefighter hired prior to July 1, 1972 is eligible for normal retirement after attainment of age 50 and completion of 20 years of service. A firefighter hired on or after July 1, 1972 is eligible for normal retirement after attainment of age 50 and completion of 25 years of service. If a firefighter is disabled in the line of duty, or has completed ten years of service and is disabled outside of the line of duty, he is eligible for a disability retirement. Upon retirement, eligible firefighters receive the following benefits.

Health Insurance Benefits

The City will provide medical and prescription drug insurance coverage for retired firefighters and their spouses. Effective January 1, 2005, the following shall also apply to the surviving spouses and dependents of any bargaining unit member who retires after the effective date.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

This coverage shall be provided to the surviving spouse until his or her death or remarriage and to eligible dependents for the periods of their eligibility.

It is understood that the City will have the right to take advantage of the most economical way to provide such medical and prescription drug insurance coverage, including requiring the retired firefighter to obtain such medical and prescription drug insurance coverage at any place of postretirement employment, if available, for himself and his spouse, or by taking advantage of Medicare or Medicaid coverage.

Upon reaching the age of 65, the retired firefighter and his spouse shall be required to elect Medicare (Part A & B) coverage. No reimbursement shall be made for Medicare or any supplemental insurance coverage carried by the retired firefighter or his spouse.

Employees hired after January 1, 2019 are not entitled to any postemployment healthcare.

Life Insurance Benefits

Life insurance benefits shall be $5,000 term insurance coverage per retiree.

Police

A police officer is eligible for normal retirement after completion of 20 years of service. If a police officer is disabled in the line of duty, or has completed ten years of service and is disabled outside of the line of duty, he is eligible for a disability retirement. Upon retirement, eligible officers receive the following benefits.

Health Insurance Benefits

The City will provide medical and prescription drug insurance coverage for retired officers hired on or before December 31, 2015, as well as their spouses. No officer or spouse of an officer hired after December 31, 2015 shall be eligible for postretirement healthcare from the City in any form. It is understood that the City will have the right to take advantage of the most economical way to provide such medical and prescription drug insurance coverage, including requiring the retired officer to:

1) Obtain such medical and prescription drug insurance coverage at any place of postretirement employment if such coverage is available and essentially equivalent to that offered by the City and if such insurance is available at a cost to the retired officer that is less than the City's cost at the time.

2) Take advantage of Medicare or Medicaid coverage; however, any cost to the retired officer will be paid by the City. The City will not pay the cost of any additional insurance coverage elected by the retired officer.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Life Insurance Benefits

Life insurance benefits shall be $5,000 term insurance coverage per retiree.

AFSCME and Management Employees

Health Insurance Benefits

The City shall provide a health benefit plan for retirees between the ages of 60 and 64 and their spouses, contingent upon the following conditions:

1) Retiree must retire from the City with 20 years of service and be at least age 60 and no more than age 64.

2) The benefit ceases when retiree reaches age 65 or receives Medicare, whichever comes first; coverage for retiree's spouse ceases when retiree reaches age 65 or receives Medicare, whichever comes first.

3) It is understood that the City will have the right to take advantage of the most economical way to provide such medical and prescription drug insurance coverage, including requiring the retiree to obtain such medical and prescription drug insurance coverage at any place of postretirement employment, if available, for himself and his spouse, or taking advantage of Medicare or Medicaid coverage. AFSCME covered employees retired after January 1, 2015 shall be required to take the healthcare plan offered by a subsequent employer regardless of cost.

4) The retiree is required to contribute toward the cost of said coverage at the same rate paid twice monthly by active employees. Retirees shall pay $30 twice monthly for their health insurance coverage. Any retiree who has dependents covered under the health insurance program shall pay $50 twice monthly for coverage.

5) Employees hired after January 1, 2017 are not entitled to any postemployment healthcare.

Life Insurance Benefits

Life insurance benefits shall be $2,000 term insurance coverage per retiree.

Actuarial Assumptions

Discount Rate

The discount rate used to measure the total OPEB liability was 1.93 percent based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2021.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be five percent.

Withdrawal

The table below shows rates of withdrawal at selected ages.

Age	Rate	Age	Rate	Age	Rate
20	5.50%	35	2.50%	50	0.00%
25	5.00%	40	1.00%	55	0.00%
30	4.00%	45	0.50%	60	0.00%

Mortality

Mortality rates are based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected seven years and rates for non-annuitants projected fifteen years using Scale AA to reflect mortality improvement.

Disability

Disability was assumed for SOA 1987 Group LTD for paid firemen and police. No disability was assumed for AFSCME and management employees.

Retirement

Firemen and Police – Latest of age 53, age at the completion of 28 years of service, or age on the valuation date.

AFSCME and Management Employees – Latest of age 60, age at the completion of 20 years of service, or age on the valuation date.

Percent of Eligible Retirees Electing Coverage in Plan

One hundred percent of paid firemen and police and fifty percent of AFSCME and management employees are assumed to elect coverage.

Percent Married at Retirement

Sixty percent of employees electing coverage at retirement are assumed to be married and have a spouse covered by the plan.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows:

Age	Males	Females
45 - 49	$ 10,493	$ 15,154
50 - 54	13,896	17,126
55 - 59	16,925	17,920
60 - 64	22,087	20,586
65+	10,839	10,839

Retiree Contributions

Retiree contributions are not assumed to increase.

Life Insurance

It is assumed that the annual cost to provide life insurance varies by age. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.

Healthcare Cost Trend Rate

The healthcare cost trend rate is 5.5 percent in 2021 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 4.0 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

The actuarial value of assets is equal to the market value of assets.

Participant Data

Participant data is based on census information as of January 1, 2021.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.64 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 0.93%	Current Discount Rate 1.93%	1% Increase 2.93%
Total OPEB liability	$ 97,856,202	$ 79,434,659	$ 65,541,174
Fiduciary net position	-	-	-
Net OPEB liability	$ 97,856,202	$ 79,434,659	$ 65,541,174

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB liability	$ 63,438,558	$ 79,434,659	$101,237,830
Fiduciary net position	-	-	-
Net OPEB liability	$ 63,438,558	$ 79,434,659	$101,237,830

Changes in Total OPEB Liability

Total OPEB liability as of January 1, 2020	$ 58,850,547
Service cost	2,180,148
Interest on OPEB obligation	1,967,051
Changes of assumptions	17,713,835
Benefit payments	(1,276,922)
Total OPEB liability as of January 1, 2021	$ 79,434,659

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

The amount of OPEB expense recognized by the City was $10,583,658 for the year ended December 31, 2021. At December 31, 2021, the City reported deferred outflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 20,796,996	$ 1,394,298
Differences between expected and actual experience	2,479,169	-
Contributions subsequent to the date of measurement	1,377,062	-
Total	$ 24,653,227	$ 1,394,298

An amount of $1,377,062 is reported as deferred outflows of resources resulting from the City's benefit payments subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021.

Deferred outflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

Year Ending December 31,	
2022	$ 6,436,461
2023	5,602,746
2024	6,299,893
2025	3,542,767
	$ 21,881,867

Change in Assumptions

The discount rate changed from 3.26 percent to 1.93 percent. The trend assumption was updated. The assumption for mortality was updated.

NOTE 16 COMMITMENTS AND CONTINGENCIES

The City is exposed to various cases and legal actions arising in the ordinary course of business. In the opinion of management's and the City's legal counsel, the ultimate outcome will not have a material adverse effect on the City's financial position.

NOTE 16 COMMITMENTS AND CONTINGENCIES (cont'd)

The City receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. City officials do not expect any significant adjustments as a result of these examinations.

The City has entered into various agreements for ongoing construction projects. The commitment under those contracts is as follows:

	Amount	Completed of 12/31/21	Commitments
Swimming pool demolition	$ 138,161	$ 108,711	$ 29,450
8th Street parking lot	319,276	266,503	58,223
City Hall renovations	5,413,437	4,627,460	785,977
Totals	$ 5,876,324	$ 5,002,674	$ 873,650

In addition, the City has incurred costs in the amount of $35,306 not under formal contracts as of December 31, 2021.

NOTE 17 RISK MANAGEMENT

The City is exposed to various risks of loss related to theft and destruction of assets, errors and omissions, and natural disasters. The City has purchased various insurance policies to safeguard its assets from risk of loss. There has been no significant change in coverage, and there have been no losses above insurance limits during the past year or the three prior years.

NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE

In accordance with the adoption of GASB Statement No. 87, as discussed in Note 1, the City has restated its January 1, 2020 net position in its governmental activities to record the right to use asset ($9,761) and lease payable ($9,801) associated with the City's leasing arrangement at December 31, 2020. The net result of this change is a decrease of $40 in the net investment in capital assets.

NOTE 19 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the City's income in 2022. Other financial impact could occur, though such potential impact is unknown at this time.

NOTE 20 SUBSEQUENT EVENTS

On January 7, 2022, the City closed on a $1 million tax and revenue anticipation note authorized by City Council. As of October 3, 2022, the City has not had to use the note to meet its liabilities.

The City has evaluated all subsequent events through October 3, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET), RELATED RATIOS, AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	$ 119,484	$ 118,571	$ 119,497	$ 117,928	$ 107,331	$ 115,513	$ 120,482
Interest on total pension liability	515,182	520,576	495,822	500,291	522,320	517,087	526,648
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(261,475)	-	574,652	-	(165,021)	(60,039)	(111,693)
Changes of assumptions	334,628	-	-	-	211,211	89,605	-
Benefit payments	(761,799)	(724,263)	(710,980)	(699,015)	(609,389)	(628,114)	(659,997)
Net change in total pension liability	(53,980)	(85,116)	478,991	(80,796)	66,452	34,052	(124,560)
Total pension liability, beginning	10,069,542	10,154,658	9,675,667	9,756,463	9,690,011	9,655,959	9,780,519
Total pension liability, ending (a)	$ 10,015,562	$ 10,069,542	$ 10,154,658	$ 9,675,667	$ 9,756,463	$ 9,690,011	$ 9,655,959
FIDUCIARY NET POSITION							
Contributions - employer	$ -	$ (1,720)	$ -	$ -	$ -	$ -	$ 2,547
Contributions - PMRS assessment	20	1,760	20	80	20	80	-
Contributions - employee	57,432	56,993	56,499	55,749	55,009	53,326	48,710
Investment income net of investment expenses	1,724,209	2,443,921	(400,972)	2,044,623	1,062,703	(99,324)	680,522
Benefit payments	(761,799)	(724,263)	(710,980)	(699,015)	(609,389)	(628,114)	(659,997)
Administrative expenses, including refunds of member contributions	(31,782)	(25,534)	(30,966)	(32,218)	(35,036)	(30,187)	(27,595)
Net change in fiduciary net position	988,080	1,751,157	(1,086,399)	1,369,219	473,307	(704,219)	44,187
Fiduciary net position, beginning	14,255,086	12,503,929	13,590,328	12,221,109	11,747,802	12,452,021	12,407,834
Fiduciary net position, ending (b)	$ 15,243,166	$ 14,255,086	$ 12,503,929	$ 13,590,328	$ 12,221,109	$ 11,747,802	$ 12,452,021
Net pension asset [(a) - (b)]	$ (5,227,604)	$ (4,185,544)	$ (2,349,271)	$ (3,914,661)	$ (2,464,646)	$ (2,057,791)	$ (2,796,062)
Plan fiduciary net position as a percentage of the total pension asset	152.19%	141.57%	123.13%	140.46%	125.26%	121.24%	128.96%
Covered payroll	$ 1,148,637	$ 1,139,860	$ 1,129,973	$ 1,115,132	$ 1,100,187	$ 1,066,518	$ 1,116,776
Net pension asset as a percentage of covered payroll	-455.11%	-367.20%	-207.91%	-351.05%	-224.02%	-192.94%	-250.37%

Note on Cumulative Information
In accordance with GASB Statement No. 67, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET), RELATED RATIOS, AND INVESTMENT RETURNS - PAID FIREMEN'S PENSION PLAN

	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY								
Service cost	$ 195,664	$ 202,392	$ 192,754	$ 168,968	$ 160,922	$ 136,558	$ 130,055	$ 118,290
Interest on total pension liability	693,921	672,228	642,443	642,705	625,033	612,383	586,986	554,125
Differences between expected and actual experience	(291,688)	-	(237,453)	-	(206,783)	-	(13,754)	-
Changes of assumptions	168,117	-	-	-	16,171	-	109,555	-
Benefit payments	(475,036)	(471,278)	(473,775)	(728,790)	(417,405)	(431,744)	(380,418)	(358,004)
Net change in total pension liability	290,978	403,342	123,969	82,883	177,938	317,197	432,424	314,411
Total pension liability, beginning	8,839,433	8,436,091	8,312,122	8,229,239	8,051,301	7,734,104	7,301,680	6,987,269
Total pension liability, ending (a)	$ 9,130,411	$ 8,839,433	$ 8,436,091	$ 8,312,122	$ 8,229,239	$ 8,051,301	$ 7,734,104	$ 7,301,680
FIDUCIARY NET POSITION								
Contributions - employer	$ 292,072	$ 280,903	$ 263,490	$ 244,929	$ 192,543	$ 188,936	$ 198,677	$ 198,453
Contributions - employee	67,690	66,593	63,880	56,656	55,730	48,031	56,219	56,959
Investment income net of investment expenses	857,247	908,461	1,191,092	(335,162)	987,018	354,208	(55,148)	330,128
Benefit payments	(475,036)	(471,278)	(473,775)	(728,790)	(417,405)	(431,744)	(380,418)	(358,004)
Administrative expenses, including refunds of member contributions	(5,000)	(3,925)	(6,125)	(5,120)	(5,000)	(5,420)	(6,200)	-
Net change in fiduciary net position	736,973	780,754	1,038,562	(767,487)	812,886	154,011	(186,870)	227,536
Fiduciary net position, beginning	8,407,254	7,626,500	6,587,938	7,355,425	6,542,539	6,388,528	6,575,398	6,347,862
Fiduciary net position, ending (b)	$ 9,144,227	$ 8,407,254	$ 7,626,500	$ 6,587,938	$ 7,355,425	$ 6,542,539	$ 6,388,528	$ 6,575,398
Net pension liability (asset) [(a) - (b)]	$ (13,816)	$ 432,179	$ 809,591	$ 1,724,184	$ 873,814	$ 1,508,762	$ 1,345,576	$ 726,282
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.15%	95.11%	90.40%	79.26%	89.38%	81.26%	82.60%	90.05%
Covered payroll	$ 1,777,961	$ 1,651,452	$ 1,522,501	$ 1,343,395	$ 1,353,115	$ 1,326,573	$ 1,477,038	$ 1,439,664
Net pension liability (asset) as a percentage of covered payroll	-0.78%	26.17%	53.18%	128.35%	64.58%	113.73%	91.10%	50.45%

Note on Cumulative Information

In accordance with GASB Statement No. 67, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY, RELATED RATIOS, AND INVESTMENT RETURNS - POLICE PENSION PLAN

	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY								
Service cost	$ 411,633	$ 420,985	$ 400,938	$ 380,672	$ 362,545	$ 383,539	$ 365,275	$ 401,230
Interest on total pension liability	1,959,727	1,933,838	1,851,275	1,774,992	1,703,187	1,596,665	1,536,177	1,511,035
Changes of benefit terms	-	-	-	-	-	483,994	-	-
Differences between expected and actual experience	(691,692)	-	(473,920)	-	(316,238)	-	(469,365)	-
Changes of assumptions	-	-	481,814	-	389,332	-	(8,976)	-
Benefit payments	(1,211,228)	(1,175,160)	(1,310,840)	(1,154,615)	(1,141,720)	(1,188,131)	(1,139,095)	(1,028,301)
Net change in total pension liability	468,440	1,179,663	949,267	1,001,049	997,106	1,276,067	284,016	883,964
Total pension liability, beginning	25,571,996	24,392,333	23,443,066	22,442,017	21,444,911	20,168,844	19,884,828	19,000,864
Total pension liability, ending (a)	$ 26,040,436	$ 25,571,996	$ 24,392,333	$ 23,443,066	$ 22,442,017	$ 21,444,911	$ 20,168,844	$ 19,884,828
FIDUCIARY NET POSITION								
Contributions - employer	$ 1,188,422	$ 876,416	$ 905,014	$ 647,580	$ 629,410	$ 668,402	$ 1,201,085	$ 998,520
Contributions - employee	135,877	149,550	136,596	140,012	135,512	138,509	146,783	138,165
Investment income net of investment expenses	2,789,109	1,923,864	3,506,085	(955,605)	2,361,667	882,284	(29,616)	969,692
Benefit payments	(1,211,228)	(1,175,160)	(1,310,840)	(1,154,615)	(1,141,720)	(1,188,131)	(1,139,095)	(1,033,149)
Administrative expenses, including refunds of member contributions	(8,800)	(12,700)	(622)	(4,642)	(6,718)	(5,000)	(7,021)	(8,926)
Net change in fiduciary net position	2,893,380	1,761,970	3,236,233	(1,327,270)	1,978,151	496,064	172,136	1,064,302
Fiduciary net position, beginning	22,487,040	20,725,070	17,488,837	18,816,107	16,837,956	16,341,892	16,169,756	15,105,454
Fiduciary net position, ending (b)	$ 25,380,420	$ 22,487,040	$ 20,725,070	$ 17,488,837	$ 18,816,107	$ 16,837,956	$ 16,341,892	$ 16,169,756
Net pension liability [(a) - (b)]	$ 660,016	$ 3,084,956	$ 3,667,263	$ 5,954,229	$ 3,625,910	$ 4,606,955	$ 3,826,952	$ 3,715,072
Plan fiduciary net position as a percentage of the total pension liability	97.47%	87.94%	84.97%	74.60%	83.84%	78.52%	81.03%	81.32%
Covered payroll	$ 2,514,714	$ 2,767,455	$ 2,681,259	$ 2,758,883	$ 2,650,719	$ 2,561,105	$ 2,987,438	$ 2,629,816
Net pension liability as a percentage of covered payroll	26.25%	111.47%	136.77%	215.82%	136.79%	179.88%	128.10%	141.27%

Note on Cumulative Information
In accordance with GASB Statement No. 67, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	$ -	$ 2,547	$ (2,547)	$ 1,116,776	0.23%
2015	-	80	(80)	1,066,518	0.01%
2016	-	20	(20)	1,100,187	0.00%
2017	-	80	(80)	1,115,132	0.01%
2018	-	20	(20)	1,129,973	0.00%
2019	-	40	(40)	1,139,860	0.00%
2020	-	20	(20)	1,148,637	0.00%

NOTES TO SCHEDULE

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar 2018 is based upon the January 1, 2015 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization period	Level dollar based upon the amortization periods in Act 205
Asset valuation method	Based upon the municipal reserves
Discount rate	5.50%
Inflation	3.00%
Salary increases	Age-related scale with merit and inflation component
COLA increases	3.00% for those eligible for a COLA
Pre-retirement mortality	Males - RP-2000 with one-year set back, Females - RP-2000 with five-year set back
Post-retirement mortality	Sex distinct RP-2000 combined healthy mortality
Mortality	RP-2000 table - This table does not include projected mortality improvements.

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PAID FIREMEN'S PENSION PLAN

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2012	$ 97,758	$ 97,758	$ -	$ 1,311,964	7.45%
2013	102,870	102,870	-	1,365,404	7.53%
2014	198,453	198,453	-	1,439,664	13.78%
2015	198,677	198,677	-	1,477,038	13.45%
2016	188,936	188,936	-	1,326,573	14.24%
2017	192,543	192,543	-	1,353,115	14.23%
2018	244,929	244,929	-	1,343,395	18.23%
2019	263,490	263,490	-	1,522,501	17.31%
2020	280,903	280,903	-	1,651,452	17.01%
	292,072	292,072	-	1,777,961	16.43%

NOTES TO SCHEDULE

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Asset valuation method	Market value of assets as determined by the trustee
Inflation	4.00%
Salary increases	5.00%
Investment rate of return	8.00%
Retirement age	Normal retirement age, or age on valuation date, if greater
Mortality	RP 2000 table combine mortality table projected to 2017 using scale AA

Changes in Assumptions:

In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was change to the RP-2000 Table projected to 2017 using Scale AA.

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2012	$ 818,503	$ 818,503	$ -	*	*
2013	974,213	974,213	-	2,612,769	37.29%
2014	998,520	998,520	-	2,629,816	37.97%
2015	1,201,085	1,201,085	-	2,987,438	40.20%
2016	668,402	668,402	-	2,561,105	26.10%
2017	629,410	629,410	-	2,650,719	23.74%
2018	647,580	647,580	-	2,758,883	23.47%
2019	905,014	905,014	-	2,681,259	33.75%
2020	876,416	876,416	-	2,767,455	31.67%
2021	1,188,422	1,188,422	-	2,514,714	47.26%

* Information unavailable due to biennially required Act 205 report.

NOTES TO SCHEDULE

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	13 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	8.00%
Retirement age	It is assumed that all members enter the Deferred Retirement Option Plan (DROP) upon meeting the eligiblity requirements for normal retirement. It is also assumed that participation in the DROP continues for 36 months.
Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

Changes in Benefit Terms:

Added deferred reitrement option plan effctive July 1, 2016

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

	MEASUREMENT DATE			
	January 1, 2020	January 1, 2020	January 1, 2019	January 1, 2018
TOTAL OPEB LIABILITY				
Service cost	$ 2,180,148	$ 1,426,704	$ 1,560,594	$ 1,332,803
Interest on total OPEB liability	1,967,051	1,601,604	1,446,734	1,459,988
Changes of benefit terms	-	(2,986)	-	393,240
Differences between expected and actual experiences	-	4,131,949	-	-
Changes of assumptions	17,713,835	9,653,685	(3,485,748)	4,168,577
Benefit payments	(1,276,922)	(1,164,784)	(1,176,808)	(1,123,718)
NET CHANGE IN TOTAL OPEB LIABILITY	20,584,112	15,646,172	(1,655,228)	6,230,890
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	58,850,547	43,204,375	44,859,603	38,628,713
TOTAL OPEB LIABILITY, END OF YEAR	$ 79,434,659	$ 58,850,547	$ 43,204,375	$ 44,859,603
PLAN FIDUCIARY NET POSITION				
Contributions - employer	$ -	$ -	$ -	$ -
Net investment income	-	-	-	-
Benefit payments	-	-	-	-
Administrative expenses	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-	-	-	-
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	-	-	-	-
PLAN FIDUCIARY NET POSITION, END OF YEAR	$ -	$ -	$ -	$ -
CITY'S NET OPEB LIABILITY	$ 79,434,659	$ 58,850,547	$ 43,204,375	$ 44,859,603
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	$ 5,390,973	$ 5,390,973	$ 5,372,369	$ 5,372,369
City's net OPEB liability as a percentage of covered payroll	1473.48%	1091.65%	804.20%	835.01%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a Percentage of Payroll
2018	$ -	$ -	$ -	$ 5,372,369	0.00%
2019	-	-	-	5,372,369	0.00%
2020	-	-	-	5,390,973	0.00%
2021	-	-	-	5,390,973	0.00%

NOTES TO SCHEDULE

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Valuation Date:	January 1, 2020

Methods and Assumptions Used

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	3.26%
Healthcare trend rates	5.5% in 2020 through 2023. Rate gradually decrease from 5.4% in 2024 to 4.0% in 2075.

SUPPLEMENTARY INFORMATION

CITY OF LEBANON
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2021

	Paid Firemen's Pension	Police Pension	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ 2,004,818	$ 2,004,818
Investments	9,144,227	23,654,748	32,798,975
Accounts receivable	-	11,517	11,517
TOTAL ASSETS	$ 9,144,227	$ 25,671,083	$ 34,815,310
LIABILITIES AND NET POSITION			
Current Liabilities:			
Escrow - DROP funds	$ -	$ 270,437	$ 270,437
Accounts payable	-	249,965	249,965
TOTAL LIABILITIES	-	520,402	520,402
NET POSITION			
Net position restricted for pensions	9,144,227	25,150,681	34,294,908
TOTAL LIABILITIES AND NET POSITION	$ 9,144,227	$ 25,671,083	$ 34,815,310

CITY OF LEBANON
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Paid Firemen's Pension	Police Pension	Total
ADDITIONS			
Contributions:			
Employee	$ 67,690	$ 133,813	$ 201,503
Employer	292,072	1,188,422	1,480,494
Commonwealth	-	-	-
Total Contributions	359,762	1,322,235	1,681,997
INVESTMENT INCOME			
Interest and dividends	-	481,162	481,162
Net depreciation in fair value of investments	866,241	2,427,439	3,293,680
Total Investment Income	866,241	2,908,601	3,774,842
Less investment expenses	13,994	119,343	133,337
Net Investment Income	852,247	2,789,258	3,641,505
TOTAL ADDITIONS	1,212,009	4,111,493	5,323,502
DEDUCTIONS			
Administrative costs	-	9,350	9,350
Retirement benefits	475,036	1,397,649	1,872,685
TOTAL DEDUCTIONS	475,036	1,410,578	1,885,614
CHANGE IN NET POSITION	736,973	2,700,915	3,437,888
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	8,407,254	22,449,766	30,857,020
End of year	$ 9,144,227	$ 25,150,681	$ 34,294,908

SINGLE AUDIT

BTCPA
BARBACANE THORNTON & COMPANY

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

October 3, 2022

To the Honorable Mayor and City Council
City of Lebanon
Lebanon, Pennsylvania

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Lebanon, Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Lebanon (the City), and have issued our report thereon dated October 3, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

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To the Honorable Mayor and City Council
City of Lebanon

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

BTCPA
BARBACANE THORNTON & COMPANY

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH
THE UNIFORM GUIDANCE

October 3, 2022

To the Honorable Mayor and City Council
City of Lebanon
Lebanon, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the City of Lebanon's (the City) 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 the City's major federal program for the year ended December 31, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

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

Basis for Opinion on 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.

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To the Honorable Mayor and City Council
City of Lebanon

We are required to be independent of the City 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 its major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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

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's federal program.

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'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 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's compliance with the requirements of its 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'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'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's internal control over compliance. Accordingly, no such opinion is expressed.

To the Honorable Mayor and City Council
City of Lebanon

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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

CITY OF LEBANON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PROJECT AWARD OR PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 01/01/2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 12/31/2021	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Housing and Urban Development											
Community Development Block Grants/Entitlement Grants	D	14.218	B-14-MC-42-0021	01/01/14-09/01/21	$ 659,269	$ 104,104	$ -	$ 104,104	$ 104,104	$ -	$ -
Community Development Block Grants/Entitlement Grants	D	14.218	B-16-MC-42-0021	01/01/16-09/01/23	617,453	77,486	-	77,486	77,486	-	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-17-MC-42-0021	01/01/17-09/01/24	620,933	28,845	1,470	27,375	27,375	-	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-18-MC-42-0021	01/01/18-09/01/25	667,861	27,477	-	27,477	27,477	-	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-19-MC-42-0021	01/01/19-09/01/25	648,962	102,552	16,066	86,486	86,486	-	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-20-MC-42-0021	01/01/20-09/01/27	665,380	488,628	(538)	495,027	495,027	5,861	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-21-MC-42-0021	01/01/21-09/01/28	660,734	96,000	-	96,000	96,000	-	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-20-MW-42-0021	07/22/20-07/22/26	391,481	80,869	7,979	72,890	72,890	-	-
Total CFDA #14.218						1,005,961	24,977	986,845	986,845	5,861	-
U.S. Department of Justice:											
Bulletproof Vest Partnership Program	D	16.607	N/A	04/01/20-08/31/22	3,600	2,222	2,222	4,275	4,275	4,275	-
Passed through Pennsylvania Commission on Crime & Delinquency											
Lebanon City Police Department Body Worn Cameras	I	16.835	2019-BC-BX-0021	01/01/21-09/30/22	28,937	28,937	-	28,937	28,937	-	-
Total U.S. Department of Justice						31,159	2,222	33,212	33,212	4,275	-
U.S. Department of Transportation:											
Passed through North Central Highway Safety Network											
State and Community Highway Safety - Buckle Up	I	20.600	N/A	10/01/20-09/30/21	15,000	2,139	592	1,547	1,547	-	-
State and Community Highway Safety - Aggressive Driving	I	20.616	N/A	10/01/20-09/30/21	15,000	3,967	827	3,140	3,140	-	-
Total Passed through North Carolina Central Highway Safety Network						6,106	1,419	4,687	4,687	-	-
Passed through Pennsylvania Department of Transportation											
Highway Planning and Construction	I	20.205	R2008005	01/01/22-09/30/22	1,967,888	1,909,959	-	1,924,253	1,924,253	14,294	
Total U.S. Department of Transportation						1,916,065	1,419	1,928,940	1,928,940	14,294	-
U.S. Department of Homeland Security:											
Assistance to Firefighters Grant	D	97.044	EMP-2018-FM-E001	08/14/17-09/30/20	164,091	164,091	164,091	-	-	-	-
Passed through the Pennsylvania Emergency Management Agency											
Flood Mitigation Assistance Grant Program	I	97.029	EMP-2018-FM-E001	08/14/17-09/30/21	195,840	39,303	26,050	13,253	13,253	-	-
Total CFDA #97.029											
Staffing for Adequate Fire and Emergency Response	I	97.083	N/A	03/06/20-06/31/21	25,342	25,432	-	25,432	25,432	-	-
Total U.S. Department of Homeland Security						228,826	190,141	38,685	38,685	-	-

CITY OF LEBANON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PROJECT AWARD OR PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 01/01/2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 12/31/2021	PASSED THROUGH TO SUB-RECIPIENTS
(cont'd)											
U.S. Department of Health and Human Services:											
Passed through Pennsylvania State University											
Better Together: Enhancing Hispanic Health	I	93.738	6 NU 58DP 116587-01-01	09/30/19-09/29/20	20,460	7,885	7,885	-	-	-	-
Better Together: Enhancing Hispanic Health	I	93.738	6 NU 58DP 116587-01-01	09/30/20-09/29/21	22,150	198,852	-	49,333	49,333	(149,519)	-
Total CFDA #93.738						206,737	7,885	49,333	49,333	(149,519)	-
Passed through the Pennsylvania Department of Treaasury											
Coronavirus State and Local Fiscal Recovery Funds	I	21.027	N/A	03/03/21-12/31/26	16,672,456	8,336,228	-	658,478	658,478	(7,677,750)	
Total U.S. Department of Health and Human Services						8,542,965	7,885	707,811	707,811	(7,827,269)	-
TOTAL EXPENDITURES OF FEDERAL AWARDS						$ 11,724,976	$ 226,644	$ 3,695,493	$ 3,695,493	$ (7,802,839)	$ -

Source Codes:

I - Indirect Funding
D - Direct Funding

CITY OF LEBANON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

The City uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE C INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended December 31, 2021, there were no indirect costs included in the schedule of expenditures of federal awards.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CITY OF LEBANON

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified?	______ Yes	X None reported
• Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified?	______ Yes	X None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance under the Uniform Guidance?	______ Yes	X No

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee?	______ Yes	X No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.