



**CITY OF LEBANON
LEBANON, PENNSYLVANIA**

AUDIT REPORT

DECEMBER 31, 2022

CITY OF LEBANON

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statements of Net Position	13
- Statement of Activities	14
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	15
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	16
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	18
- Budgetary Comparison Statement - General Fund	19
- Statements of Net Position - Proprietary Fund	20
- Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	21
- Statements of Cash Flows - Proprietary Fund	22
- Statements of Net Position - Fiduciary Funds	23
- Statements of Changes in Net Position - Fiduciary Funds	24
NOTES TO FINANCIAL STATEMENTS	25

CITY OF LEBANON
TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability, Related Ratios, and Investment Returns - Non-Uniformed Pension Plan	71
Schedule of Changes in Net Pension Liability, Related Ratios, and Investment Returns - Paid Firemen's Pension Plan	72
Schedule of Changes in Net Pension Liability, Related Ratios, and Investment Returns - Police Pension Plan	73
Schedule of Employer Contributions - Non-Uniformed Pension Plan and Notes to Schedule	74
Schedule of Employer Contributions - Paid Firemen's Pension Plan and Notes to Schedule	75
Schedule of Employer Contributions - Police Pension Plan and Notes to Schedule	76
Schedule of the City's Net OPEB Liability and Related Ratios	77
Schedule of City OPEB Contributions	78
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position - Fiduciary Funds	79
Combining Statement of Changes in Net Position - Fiduciary Funds	80
SINGLE AUDIT	
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 <i>Government Auditing Standards</i>	81
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	83
Schedule of Expenditures of Federal Awards	86
Notes to Schedule of Expenditures of Federal Awards	87
Schedule of Findings and Recommendations	88



INDEPENDENT AUDITOR'S REPORT

October 31, 2023

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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 Opinions

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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

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

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.

Report of Summarized Comparative Information

We have previously audited the City of Lebanon's 2021 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 October 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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 12 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 71 through 78 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.

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

To the Honorable Mayor and City Council
City of Lebanon

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 31, 2023, on our consideration of the City of Lebanon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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, 2022**

This section of the City of Lebanon's annual financial report presents a narrative overview and analysis of the City's performance for the year ended December 31, 2022. 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, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following four parts:

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

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 post-employment 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.

**CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
DECEMBER 31, 2022**

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 and amortization are 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 and amortize capital assets and allocate the depreciation and amortization to the proper program/activities
- Calculate revenue and expenses using the economic resources 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 amortization 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.”

**CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
DECEMBER 31, 2022**

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 agent 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, 2022 the City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$3,865,249. Key components of this change are summarized in Table A-1.

Table A-1 Condensed Statement of Net Position

	Governmental Activities		% Change
	2022	2021	
Assets:			
Current and Other Assets	\$ 42,755,955	\$ 34,413,695	24.24%
Capital Assets	55,191,477	52,814,583	4.50%
Total Assets	97,947,432	87,228,278	12.29%
Deferred Outflows of Resources	22,860,110	25,642,555	-10.85%

**CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
DECEMBER 31, 2022**

Table A-1 Condensed Statement of Net Position

(cont'd)	Governmental Activities		% Change
	2022	2021	
Liabilities:			
Long-term Liabilities	80,122,305	82,391,953	-2.75%
Other Liabilities	18,741,627	13,715,592	36.64%
Total Liabilities	98,863,932	96,107,545	2.87%
Deferred Inflows of Resources	18,078,361	10,115,152	78.73%
Net Position:			
Net Investment in Capital Assets	52,934,376	50,495,913	4.83%
Restricted	10,830,768	8,602,907	25.90%
Unrestricted (Deficit)	(59,899,895)	(52,450,684)	14.20%
Total Net Position	\$ 3,865,249	\$ 6,648,136	-41.86%

The following statement of activities represents changes in net position for the year ended December 31, 2022. It shows revenues by source and expenses by function for governmental activities.

Table A-2 Change in Net Position

	Governmental Activities		% Change
	2022	2021	
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,605,469	\$ 1,603,215	0.14%
Operating Grants and Contributions	2,376,661	2,715,919	-12.49%
Capital Grants and Contributions	3,528,324	2,512,268	40.44%
General Revenues:			
Real Estate Taxes - General Levy	3,975,978	3,833,107	3.73%
Real Estate Transfer Taxes	500,166	464,293	7.73%
Earned Income Tax	7,049,009	6,080,969	15.92%
Local Services Tax	378,896	376,685	0.59%
Franchise Fees	278,624	291,852	-4.53%
Fines and Forfeitures	578,879	702,635	-17.61%
Mechanical Device Tax	14,290	13,693	4.36%
Intergovernmental Revenues - not program restricted	165,150	185,172	-10.81%
Interest, Investment Earnings, and Royalties	340,718	266,973	27.62%
Contributions	46,473	50,237	-7.49%
Miscellaneous	143,585	91,764	56.47%
Total Revenues	20,982,222	19,188,782	9.35%
Expenses:			

**CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
DECEMBER 31, 2022**

Table A-2 Change in Net Position

(cont'd)	Governmental Activities		% Change
	2022	2021	
Expenses:			
General Government	799,691	1,582,894	-49.48%
Public Safety	19,718,639	18,718,202	5.34%
Public Works	2,090,628	2,629,862	-20.50%
Culture and Recreation	677,397	517,643	30.86%
Economic Development	427,871	776,052	-44.87%
Debt Service	50,883	13,646	272.88%
Total Expenses	<u>23,765,109</u>	<u>24,238,299</u>	<u>-1.96%</u>
Change in Net Position	(2,782,887)	(5,049,517)	-44.89%
Net Position - Beginning of Year	<u>6,648,136</u>	<u>11,697,653</u>	<u>-43.17%</u>
Net Position - End of Year	<u>\$ 3,865,249</u>	<u>\$ 6,648,136</u>	<u>-41.86%</u>

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, 2022.

Net Cost of Governmental Activities

Program:	Total Cost of Services	Charges for Services	Operating Grants and Contributions	Capital Grants	Net Cost of Services
General Government	\$ 799,691	\$ (86,407)	\$ (31,783)	\$ (502,383)	\$ 179,118
Public Safety	19,718,639	(503,755)	(807,444)	(440,493)	17,966,947
Public Works	2,090,628	(1,004,032)	(775,046)	(2,333,480)	(2,021,930)
Culture and Recreation	677,397	(11,275)	-	(18,780)	647,342
Economic Development	427,871	-	(762,388)	(233,188)	(567,705)
Debt Service	50,883	-	-	-	50,883
Total Expenses	<u>\$ 23,765,109</u>	<u>\$ (1,605,469)</u>	<u>\$ (2,376,661)</u>	<u>\$ (3,528,324)</u>	<u>\$ 16,254,655</u>

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.

**CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
DECEMBER 31, 2022**

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, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>	<u>Changes from 2021 to 2022</u>
Revenues:			
Taxes	\$ 11,906,185	\$ 10,887,555	\$ 1,018,630
Licenses and Permits	621,140	636,021	(14,881)
Fines and Forfeitures	578,879	702,635	(123,756)
Interest and Rents	340,718	266,973	73,745
Intergovernmental	6,070,135	5,413,359	656,776
Charges for Services	1,262,953	1,259,046	3,907
Contributions	46,473	50,237	(3,764)
Miscellaneous	130,386	91,764	38,622
Transfers In	280,518	272,007	8,511
Proceeds from Sale of Assets	13,199	-	13,199
Proceeds from Tax Anticipation Notes	-	50,000	(50,000)
Proceeds from Bond Issuance	-	2,330,000	(2,330,000)
Total Revenues	<u>\$ 21,250,586</u>	<u>\$ 21,959,597</u>	<u>\$ (709,011)</u>

Governmental Fund Expenditures

Governmental fund expenditures and other financing uses at December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>	<u>Changes from 2021 to 2022</u>
Expenditures:			
General Government	\$ 1,756,939	\$ 5,896,953	\$ (4,140,014)
Public Safety	11,177,221	11,073,322	103,899
Public Works	4,471,509	4,633,663	(162,154)
Culture and Recreation	548,406	532,984	15,422
Economic Development	427,871	776,052	(348,181)
Miscellaneous	319,939	552,473	(232,534)
Debt Service	112,551	90,813	21,738
Bond discount	-	19,029	(19,029)
Transfers Out	280,518	272,007	8,511
Total Expenditures	<u>\$ 19,094,954</u>	<u>\$ 23,847,296</u>	<u>\$ (4,752,342)</u>

**CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
DECEMBER 31, 2022**

GENERAL FUND BUDGET INFORMATION

The City's budget is prepared on the cash basis of accounting. The general fund is the City's operating fund. The City may amend its revenue and expenditure estimates periodically due to changing conditions.

The City's budget contained \$12,396,112 of revenues and \$15,105,872 of expenditures. Actual revenues were \$2,454,423 over budget, and actual expenditures were \$1,428,336 under budget.

The City's budget versus actual comparison of revenues and expenditures as shown on page 19.

CAPITAL ASSETS

The City's capital assets, net of accumulated depreciation and amortization, included land, building, equipment, right-to-use assets, construction in progress, and infrastructure and totaled \$55,191,477 at December 31, 2022. The following is a summary of capital assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<i>Governmental Activities:</i>		
Land	\$ 975,102	\$ 975,102
Construction in Progress	-	5,037,980
Capital Assets Not Being Depreciated/Amortized	<u>975,102</u>	<u>6,013,082</u>
Buildings and Improvements	14,534,476	8,156,024
Infrastructure	70,524,053	67,852,509
Machinery and Equipment	2,520,792	2,380,335
Automotive Equipment	3,365,381	3,383,409
Right-to-use Asset - Equipment	11,602	11,602
Capital Assets Being Depreciated/Amortized	<u>90,956,304</u>	<u>81,783,879</u>
Less: Accumulated Depreciation/Amortization	<u>(36,739,929)</u>	<u>(34,982,378)</u>
Total Capital Assets Being Depreciated/Amortized	<u>54,216,375</u>	<u>46,801,501</u>
Cost Less Accumulated Depreciation/Amortization	<u>\$ 55,191,477</u>	<u>\$ 52,814,583</u>

DEBT ADMINISTRATION

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 of Lebanon 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, 2022, the City had \$2,270,000 of debt outstanding. The following is a summary of long-term debt for the 2022 year:

**CITY OF LEBANON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
DECEMBER 31, 2022**

Issuance of GOB Series 2021	\$ 2,330,000
Less: Principal Payments	<u>(60,000)</u>
Balance Outstanding, December 31, 2022	<u>\$ 2,270,000</u>

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

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).

Sherry L. Capello
Mayor

City of Lebanon – Office of the Mayor
735 Cumberland Street – 2nd Floor
Lebanon, PA 17042
(717) 639-2800

**CITY OF LEBANON
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021**

	Governmental Activities	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 28,227,961	\$ 22,832,416
Receivables:		
Accounts	1,820,513	410,878
Taxes	2,057,116	1,919,231
Grants	250,870	61,589
Inventory	49,577	11,298
Prepaid expenses	30,519	94,615
Restricted Assets:		
Cash and cash equivalents	405,907	308,849
Total Current Assets	<u>32,842,463</u>	<u>25,638,876</u>
Noncurrent Assets:		
Conditional grants	1,907	3,074
Loans receivable	3,272,207	3,392,896
Program loans	137,429	137,429
Net pension asset	6,501,949	5,241,420
Capital assets not being depreciated	975,102	6,013,082
Capital assets being depreciated, net	54,211,034	46,793,950
Right-to-use asset, net	5,341	7,551
Total Noncurrent Assets	<u>65,104,969</u>	<u>61,589,402</u>
TOTAL ASSETS	<u><u>97,947,432</u></u>	<u><u>87,228,278</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - OPEB	17,575,354	24,653,227
Deferred outflows - pension	5,284,756	989,328
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>22,860,110</u></u>	<u><u>25,642,555</u></u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 120,807,542</u></u>	<u><u>\$ 112,870,833</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 3,636,325	\$ 5,063,596
Customer deposits	361,995	255,761
Accrued expenses and withholdings	30,868	137,493
Other liabilities	14,551,645	7,973,731
Accrued health benefits	96,388	220,529
Accrued interest	2,814	2,913
Lease payable	2,226	2,203
Bonds payable	59,366	59,366
Total Current Liabilities	<u>18,741,627</u>	<u>13,715,592</u>
Noncurrent Liabilities:		
Lease payable	3,191	5,417
Bonds payable	2,192,318	2,251,684
Accrued compensated absences	41,576	40,177
Net OPEB liability	69,734,775	79,434,659
Net pension liability	8,150,445	660,016
Total Noncurrent Liabilities	<u>80,122,305</u>	<u>82,391,953</u>
TOTAL LIABILITIES	<u><u>98,863,932</u></u>	<u><u>96,107,545</u></u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - OPEB	11,834,961	1,394,298
Deferred inflows - pension	2,870,963	5,232,062
Long-term receivables - revolving loan funds	3,372,437	3,488,792
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>18,078,361</u></u>	<u><u>10,115,152</u></u>
NET POSITION		
Net investment in capital assets	52,934,376	50,495,913
Restricted for:		
ARPA	61,602	4,742
Culture and recreation	29,250	29,129
Economic development	1,048,864	953,540
Permanent	49,139	48,538
Public safety	60,860	43,775
Public works	3,079,104	2,281,763
Net pension asset	6,501,949	5,241,420
Unrestricted (Deficit)	(59,899,895)	(52,450,684)
TOTAL NET POSITION	<u><u>3,865,249</u></u>	<u><u>6,648,136</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 120,807,542</u></u>	<u><u>\$ 112,870,833</u></u>

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

CITY OF LEBANON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2022	2021
GOVERNMENTAL ACTIVITIES:						
General governmental	\$ 799,691	\$ 86,407	\$ 31,783	\$ 502,383	\$ (179,118)	\$ (917,010)
Public safety	19,718,639	503,755	807,444	440,493	(17,966,947)	(17,431,427)
Public works	2,090,628	1,004,032	775,046	2,333,480	2,021,930	1,138,116
Culture and recreation	677,397	11,275	-	18,780	(647,342)	(469,078)
Economic development	427,871	-	762,388	233,188	567,705	286,148
Interest on long-term debt	50,883	-	-	-	(50,883)	(13,646)
TOTAL GOVERNMENTAL ACTIVITIES	<u>23,765,109</u>	<u>1,605,469</u>	<u>2,376,661</u>	<u>3,528,324</u>	<u>(16,254,655)</u>	<u>(17,406,897)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 23,765,109</u>	<u>\$ 1,605,469</u>	<u>\$ 2,376,661</u>	<u>\$ 3,528,324</u>	<u>(16,254,655)</u>	<u>(17,406,897)</u>
		GENERAL REVENUES:				
			Property taxes levied for general purposes	3,975,978	3,833,107	
			Real estate transfer taxes	500,166	464,293	
			Earned income taxes	7,049,009	6,080,969	
			Local services taxes	378,896	376,685	
			Mechanical device taxes	14,290	13,693	
			Franchise fees	278,624	291,852	
			Fines and forfeitures	578,879	702,635	
			Interest and rents	340,718	266,973	
			Intergovernmental revenues - not restricted	165,150	185,172	
			Contributions	46,473	50,237	
			Miscellaneous	143,585	91,764	
			TOTAL GENERAL REVENUES	<u>13,471,768</u>	<u>12,357,380</u>	
			CHANGE IN NET POSITION	(2,782,887)	(5,049,517)	
			NET POSITION, BEGINNING OF YEAR	6,648,136	11,697,653	
			NET POSITION, END OF YEAR	<u>\$ 3,865,249</u>	<u>\$ 6,648,136</u>	

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

CITY OF LEBANON
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(With Summarized Comparative Data for December 31, 2021)

	General	Community Development Block Grant	HOME	Capital Reserve	State Housing and Redevelopment Assistance	American Rescue	Non-major	Total	
								2022	2021
ASSETS									
Cash and cash equivalents	\$ 6,636,907	\$ 300,157	\$ 269,416	\$ 1,384,965	\$ 68,130	\$ 14,928,361	\$ 4,014,169	\$ 27,602,105	\$ 22,086,608
Receivables:									
Accounts	1,800,985	175	86	16,478	-	-	2,229	1,819,953	707,257
Taxes	2,057,116	-	-	-	-	-	-	2,057,116	1,919,231
Grants	11,770	15,403	-	223,697	-	-	-	250,870	61,589
Conditional grants	-	-	-	-	-	-	1,907	1,907	3,074
Loans	-	1,126,836	1,565,926	-	579,445	-	-	3,272,207	3,392,896
Program loans	-	37,182	10,247	-	-	-	90,000	137,429	137,429
Inventory	49,577	-	-	-	-	-	-	49,577	11,298
Due from other funds	27,981	4,449	579	184,518	-	-	-	217,527	(129,175)
Prepaid expenditures	30,519	-	-	-	-	-	-	30,519	94,615
Restricted Assets:									
Cash and cash equivalents	356,768	-	-	-	-	-	49,139	405,907	308,849
TOTAL ASSETS	10,971,623	1,484,202	1,846,254	1,809,658	647,575	14,928,361	4,157,444	35,845,117	28,593,671
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Accounts payable	611,440	142,856	29,000	2,235,142	-	551,821	66,066	3,636,325	5,063,596
Customer deposits	360,010	985	-	-	-	-	1,000	361,995	255,761
Accrued expenses and withholdings	23,590	6,712	-	-	-	-	566	30,868	137,493
Unearned revenue - other	500	-	-	16,478	-	14,314,938	219,169	14,551,085	7,973,381
Due to other funds	188,060	12,391	1,244	-	-	-	15,832	217,527	167,554
TOTAL LIABILITIES	1,183,600	162,944	30,244	2,251,620	-	14,866,759	302,633	18,797,800	13,597,785
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue:									
Property taxes	251,741	-	-	-	-	-	-	251,741	277,913
Other taxes	194,353	-	-	-	-	-	-	194,353	156,027
Receivables	-	1,127,424	1,565,926	-	583,199	-	95,888	3,372,437	3,488,792
TOTAL DEFERRED INFLOWS OF RESOURCES	446,094	1,127,424	1,565,926	-	583,199	-	95,888	3,818,531	3,922,732
FUND BALANCES (DEFICIT)									
Nonspendable	80,096	-	-	-	-	-	-	80,096	105,913
Restricted	-	193,834	250,084	-	64,376	61,602	3,758,923	4,328,819	2,341,841
Assigned	2,936,417	-	-	-	-	-	-	2,936,417	3,659,746
Unassigned (deficit)	6,325,416	-	-	(441,962)	-	-	-	5,883,454	4,965,654
TOTAL FUND BALANCES (DEFICIT)	\$ 9,341,929	\$ 193,834	\$ 250,084	\$ (441,962)	\$ 64,376	\$ 61,602	\$ 3,758,923	\$ 13,228,786	\$ 11,073,154

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, 2022**

TOTAL GOVERNMENTAL FUND BALANCES \$ 13,228,786

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. 6,501,949

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 55,191,477

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. 529,468

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. 446,094

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	\$ (2,814)	
Lease payable	(5,417)	
Bonds payable	(2,251,684)	
Compensated absences	(41,576)	
Net OPEB liability	(69,734,775)	
Net pension liability	<u>(8,150,445)</u>	(80,186,711)

Deferred inflows and outflows related to the City's net pension liability (asset) 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	17,575,354	
Deferred outflows - pension	5,284,756	
Deferred inflows - OPEB	(11,834,961)	
Deferred inflows - pension	<u>(2,870,963)</u>	<u>8,154,186</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 3,865,249**

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, 2022
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	General	Community Development Block Grant	HOME	Capital Reserve	State Housing and Redevelopment Assistance	American Rescue	Non-major	Total	
								2022	2021
REVENUES									
Taxes	\$ 11,906,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,906,185	\$ 10,887,555
Licenses and permits	621,140	-	-	-	-	-	-	621,140	636,021
Fines and forfeitures	578,879	-	-	-	-	-	-	578,879	702,635
Interest and rents	68,510	43,138	110,928	17,142	832	56,860	43,308	340,718	266,973
Intergovernmental	1,004,560	742,388	-	1,758,822	-	1,769,502	794,863	6,070,135	5,413,359
Charges for services	582,914	-	-	-	-	-	680,039	1,262,953	1,259,046
Contributions	3,209	-	-	43,264	-	-	-	46,473	50,237
Miscellaneous income	85,138	-	-	-	-	-	45,248	130,386	91,764
TOTAL REVENUES	14,850,535	785,526	110,928	1,819,228	832	1,826,362	1,563,458	20,956,869	19,307,590
EXPENDITURES									
Current:									
General government	1,254,556	-	-	-	-	502,383	-	1,756,939	5,896,953
Public safety	10,342,509	271,440	-	94,481	-	440,493	28,298	11,177,221	11,073,322
Public works	1,153,351	281,977	-	1,768,366	-	574,658	693,157	4,471,509	4,633,663
Culture and recreation	479,257	-	-	50,369	-	18,780	-	548,406	532,984
Economic development	15,283	126,641	32,528	-	-	233,188	20,231	427,871	776,052
Miscellaneous	319,939	-	-	-	-	-	-	319,939	552,473
Debt service:									
Principal	62,203	-	-	-	-	-	-	62,203	80,000
Interest	50,348	-	-	-	-	-	-	50,348	10,813
TOTAL EXPENDITURES	13,677,446	680,058	32,528	1,913,216	-	1,769,502	741,686	18,814,436	23,556,260
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,173,089	105,468	78,400	(93,988)	832	56,860	821,772	2,142,433	(4,248,670)
OTHER FINANCING (USES) SOURCES									
Proceeds from sale of capital assets	13,199	-	-	-	-	-	-	13,199	-
Proceeds from tax anticipation notes	-	-	-	-	-	-	-	-	50,000
Proceeds from bond issuance	-	-	-	-	-	-	-	-	2,330,000
Bond discount	-	-	-	-	-	-	-	-	(19,029)
Transfers in	96,000	-	-	184,518	-	-	-	280,518	272,007
Transfers out	(184,518)	(96,000)	-	-	-	-	-	(280,518)	(272,007)
TOTAL OTHER FINANCING (USES) SOURCES	(75,319)	(96,000)	-	184,518	-	-	-	13,199	2,360,971
NET CHANGE IN FUND BALANCES	1,097,770	9,468	78,400	90,530	832	56,860	821,772	2,155,632	(1,887,699)
FUND BALANCES, BEGINNING OF YEAR	8,244,159	184,366	171,684	(532,492)	63,544	4,742	2,937,151	11,073,154	12,960,853
FUND BALANCES, END OF YEAR	\$ 9,341,929	\$ 193,834	\$ 250,084	\$ (441,962)	\$ 64,376	\$ 61,602	\$ 3,758,923	\$ 13,228,786	\$ 11,073,154

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, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,155,632

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/amortization expense. This is the amount by which capital outlays (\$4,337,404) exceeded depreciation/amortization expense (\$1,936,232). 2,401,172

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. (24,278)

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 increased by this amount this year. 12,154

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	\$ 60,000	
Debt repayments - lease payable	2,203	62,203

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 includes the amortization of the bond discount. (634)

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. 4,189

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	99	
Compensated absences	(1,399)	
OPEB expense	(7,818,652)	
Pension expense	426,627	(7,393,325)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (2,782,887)

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, 2022

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes	\$ 9,668,498	\$ 11,906,185	\$ 2,237,687
Licenses and permits	610,125	621,140	11,015
Fines and forfeitures	603,500	578,879	(24,621)
Interest and rents	145,883	68,510	(77,373)
Intergovernmental	918,182	1,004,560	86,378
Charges for services	441,409	582,914	141,505
Contributions	-	3,209	3,209
Miscellaneous income	8,515	85,138	76,623
TOTAL REVENUE	12,396,112	14,850,535	2,454,423
EXPENDITURES			
Current:			
General government	1,306,421	1,254,556	51,865
Public safety	10,970,390	10,342,509	627,881
Public works	1,565,309	1,153,351	411,958
Culture and recreation	685,504	479,257	206,247
Economic development	-	15,283	(15,283)
Miscellaneous	468,656	319,939	148,717
Debt service:			
Principal	60,000	62,203	(2,203)
Interest	49,502	50,348	(846)
TOTAL EXPENDITURES	15,105,782	13,677,446	1,428,336
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,709,670)	1,173,089	3,882,759
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	1,000	13,199	12,199
Transfers in	235,716	96,000	(139,716)
Transfers out	(184,518)	(184,518)	-
TOTAL OTHER FINANCING SOURCES	52,198	(75,319)	(127,517)
NET CHANGE IN FUND BALANCE	(2,657,472)	1,097,770	3,755,242
FUND BALANCE, BEGINNING OF YEAR	8,244,159	8,244,159	-
FUND BALANCE, END OF YEAR	\$ 5,586,687	\$ 9,341,929	\$ 3,755,242

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

**CITY OF LEBANON
STATEMENTS OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 625,856	\$ 745,808
Accounts receivable	560	350
TOTAL ASSETS	\$ 626,416	\$ 746,158
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued health benefits	\$ 96,388	\$ 220,529
Unearned revenue	560	350
TOTAL LIABILITIES	96,948	220,879
NET POSITION		
Unrestricted	529,468	525,279
TOTAL LIABILITIES AND NET POSITION	\$ 626,416	\$ 746,158

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Charges for services	\$ 2,684,003	\$ 2,923,547
Interest income	2,310	672
Miscellaneous income	<u>3,050</u>	<u>2,050</u>
TOTAL OPERATING REVENUES	<u>2,689,363</u>	<u>2,926,269</u>
OPERATING EXPENSES		
Employee benefits	<u>2,685,174</u>	<u>2,627,916</u>
TOTAL OPERATING EXPENSES	<u>2,685,174</u>	<u>2,627,916</u>
OPERATING INCOME (LOSS)	4,189	298,353
NET POSITION, BEGINNING OF YEAR	<u>525,279</u>	<u>226,926</u>
NET POSITION, END OF YEAR	<u><u>\$ 529,468</u></u>	<u><u>\$ 525,279</u></u>

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from users	\$ 2,684,003	\$ 2,923,547
Payments to suppliers	(2,809,315)	(2,650,081)
Miscellaneous revenue	3,050	2,050
Interest income	<u>2,310</u>	<u>672</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(119,952)</u>	<u>276,188</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(119,952)	276,188
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>745,808</u>	<u>469,620</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 625,856</u></u>	<u><u>\$ 745,808</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 4,189	\$ 298,353
Adjustment to reconcile operating (loss) income to net cash provided (used) by operating activities:		
Increase in liabilities:		
Accrued health benefits	<u>(124,141)</u>	<u>(22,165)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (119,952)</u></u>	<u><u>\$ 276,188</u></u>

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

**CITY OF LEBANON
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,816,333	\$ 2,004,818
Investments	25,970,549	32,798,975
Accounts receivable	<u>27,440</u>	<u>11,517</u>
TOTAL ASSETS	<u>\$ 29,814,322</u>	<u>\$ 34,815,310</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Escrow - DROP funds	\$ 47,494	\$ 270,437
Accounts payable	<u>1,663,906</u>	<u>249,965</u>
TOTAL LIABILITIES	<u>1,711,400</u>	<u>520,402</u>
NET POSITION		
Net position restricted for pensions	<u>28,102,922</u>	<u>34,294,908</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 29,814,322</u>	<u>\$ 34,815,310</u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Contributions:		
Employee	\$ 211,754	\$ 201,503
Employer	<u>1,204,050</u>	<u>1,480,494</u>
Total Contributions	<u>1,415,804</u>	<u>1,681,997</u>
INVESTMENT INCOME		
Interest and dividends	529,939	481,162
Net appreciation (depreciation) in fair value of investments	<u>(5,910,954)</u>	<u>3,293,680</u>
Total Investment Income (loss)	(5,381,015)	3,774,842
Less investment expenses	<u>129,393</u>	<u>133,337</u>
Net Investment Income (Loss)	<u>(5,510,408)</u>	<u>3,641,505</u>
TOTAL ADDITIONS	<u>(4,094,604)</u>	<u>5,323,502</u>
DEDUCTIONS		
Administrative costs	51,822	9,350
Refunded contributions	5,954	3,579
Retirement benefits	<u>2,039,606</u>	<u>1,872,685</u>
TOTAL DEDUCTIONS	<u>2,097,382</u>	<u>1,885,614</u>
CHANGE IN NET POSITION	(6,191,986)	3,437,888
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	<u>34,294,908</u>	<u>30,857,020</u>
End of year	<u><u>\$ 28,102,922</u></u>	<u><u>\$ 34,294,908</u></u>

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

CITY OF LEBANON

NOTES TO 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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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/amortization 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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

The proprietary fund is accounted for using the accrual basis of accounting. This fund accounts for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

The fiduciary funds account for the assets held by the City as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the City's own programs. The City accounts for these assets as trust funds. The fiduciary funds use the same measurement focus as the proprietary fund.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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.

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/amortized 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
Right-to-use asset	Lease term

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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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 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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation/amortization 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.”

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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:

- 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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

- 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.
- 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 2022, there were no revisions to the legally adopted budget.

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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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	\$28,227,961	\$ -	\$28,227,961
Governmental activities, restricted	405,907	-	405,907
Fiduciary funds	3,816,333	25,970,549	29,786,882
Totals	<u>\$32,450,201</u>	<u>\$25,970,549</u>	<u>\$58,420,750</u>

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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, 2022, the carrying amount of the City's deposits was \$32,450,201, and the bank balance was \$32,551,431. Of the bank balance, \$271,830 was covered by federal depository insurance, and \$32,279,601 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, 2022, the City had the following investments:

<u>Investment Type</u>	<u>Percentage of Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Government agency obligations	0.01%	<10 Years	\$ 3,610
Fixed income mutual funds and bonds	99.99%	N/A	<u>25,966,939</u>
Total Investments			<u>\$ 25,970,549</u>

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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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% of the fair value of the portfolio. Additionally, the policy provides that not more than 35% 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% 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% of the international equity portfolio, and no more than 35% of the portfolio is to be invested in one industry category.

The Paid Firemen's Pension Plan limits equities to 5% of the account's fair value for an individual security and 20% 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 5% 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: 2% 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 10% penalty after June 30. The City bills and collects its own property taxes. Real estate taxes levied for 2022 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2022 and expected to be collected within the first 60 days of 2022 are recognized as revenue in 2022. Net receivables estimated to be collectible subsequent to March 1, 2022 are reflected in unavailable revenue. Prior years levied are recorded using these same principles, and remaining receivables are annually reevaluated as to collectability.

The rate of real estate taxation in 2022 was 4.581 mills for general purposes on a total City assessed valuation of \$3,404,980.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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	\$ 486,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486,852
Earned income	1,478,863	-	-	-	-	-	1,478,863
Local services	91,401	-	-	-	-	-	91,401
Total Taxes	2,057,116	-	-	-	-	-	2,057,116
Accounts	1,800,985	175	86	16,478	-	2,229	1,819,953
Grants	11,770	15,403	-	223,697	-	-	250,870
Conditional grants	-	-	-	-	-	1,907	1,907
Loans	-	1,126,836	1,565,926	-	579,445	-	3,272,207
Program loans	-	37,182	10,247	-	-	90,000	137,429
Total Receivables	<u>\$3,869,871</u>	<u>\$ 1,179,596</u>	<u>\$1,576,259</u>	<u>\$ 240,175</u>	<u>\$ 579,445</u>	<u>\$ 94,136</u>	<u>\$7,539,482</u>

The 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, 2022, \$189,341 is recorded as a receivable and unavailable revenue.

NOTE 5 LOAN PROGRAMS

Conditional grants, deferred loans, and program loans totaling \$1,907, \$3,272,207, and \$137,429, respectively, have been recorded as receivables at December 31, 2022. Unearned revenues totaling \$39,106 and unavailable receivables totaling \$3,372,437 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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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, 2022, loans outstanding from the rehabilitation project totaled \$37,182. The loan agreements require repayment of principal and interest, ranging from 3% to 5%, 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% 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, 2022 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, 2022 for these loans totaled \$1,126,836, and the deferred balance, including finance charges and penalties, was \$1,126,836.

Home Grant and Homebuyer Program

The Home Grant Program also disburses funds in the form of loans. The principal balances outstanding at December 31, 2022 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, 2022 for these loans totaled \$1,565,926 in the HOME Fund. Deferred inflows of resources, including finance charges and penalties, were \$1,565,926.

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 3% to 5%, over terms of one to fifteen years. There were no principal balances outstanding at December 31, 2022 in the Enterprise Zone (non-major) Fund.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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, 2022 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 \$90,000.

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 2% to 3% over a 30-year term. The principal balances outstanding at December 31, 2022 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, 2022 for the deferred loan was \$0 in the Elm Street (non-major) Fund.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 27,981	\$ 188,060
Community Development Block Grant Fund	4,449	12,391
HOME Fund	579	1,244
Capital Reserve	184,518	-
Non-major Funds	-	15,832
Totals	<u>\$ 217,527</u>	<u>\$ 217,527</u>

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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

The City made the following interfund operating transfers during the year ended December 31, 2022. The transfers were made to make debt payments and reimburse the General Fund for indirect costs.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 96,000	\$ 184,518
Community Development Block Grant Fund	-	96,000
Capital Reserve Fund	<u>184,518</u>	<u>-</u>
Totals	<u>\$ 280,518</u>	<u>\$ 280,518</u>

NOTE 7 CAPITAL ASSETS

The capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 975,102	\$ -	\$ -	\$ 975,102
Construction-in-progress	<u>5,037,980</u>	<u>1,218,829</u>	<u>6,256,809</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>6,013,082</u>	<u>1,218,829</u>	<u>6,256,809</u>	<u>975,102</u>
Capital assets being depreciated/ amortized:				
Buildings and improvements	8,156,024	6,378,452	-	14,534,476
Infrastructure	67,852,509	2,671,544	-	70,524,053
Machinery and equipment	2,380,335	270,648	130,191	2,520,792
Automotive equipment	3,383,409	54,740	72,768	3,365,381
Right-to-use asset - equipment	<u>11,602</u>	<u>-</u>	<u>-</u>	<u>11,602</u>
Total Capital Assets Being Depreciated	<u>81,783,879</u>	<u>9,375,384</u>	<u>202,959</u>	<u>90,956,304</u>
Less accumulated depreciation	(34,978,327)	(1,934,022)	(178,681)	(36,733,668)
Less accumulated amortization	<u>(4,051)</u>	<u>(2,210)</u>	<u>-</u>	<u>(6,261)</u>
	<u>(34,982,378)</u>	<u>(1,936,232)</u>	<u>(178,681)</u>	<u>(36,739,929)</u>
Total Capital Assets Being Depreciated, Net	<u>46,801,501</u>	<u>7,439,152</u>	<u>24,278</u>	<u>54,216,375</u>
Governmental Activities, Net	<u>\$ 52,814,583</u>	<u>\$ 8,657,981</u>	<u>\$ 6,281,087</u>	<u>\$ 55,191,477</u>

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 7 CAPITAL ASSETS (cont'd)

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

Governmental Activities:	
General government	\$ 1,464,443
Public safety	119,765
Public works	232,597
Culture and recreation	<u>119,427</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 1,936,232</u>

NOTE 8 LONG-TERM LIABILITIES

General Obligation Bonds

In October 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 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% to 2.45% 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
<i>Governmental Activities:</i>					
General obligation bonds	\$ 2,330,000	\$ -	\$ (60,000)	\$ 2,270,000	\$ 60,000
Bond discount	(18,950)	-	634	(18,316)	(634)
General obligation bonds, net	<u>2,311,050</u>	-	(59,366)	2,251,684	59,366
Lease payable	7,620	-	(2,203)	5,417	2,226
Compensated absences	40,177	1,399	-	41,576	-
Net pension liability	660,016	7,490,429	-	8,150,445	-
Net OPEB liability	<u>79,434,659</u>	-	(9,699,884)	<u>69,734,775</u>	-
Total Long-term Obligations	<u>\$82,453,522</u>	<u>\$7,491,828</u>	<u>\$(9,761,453)</u>	<u>\$80,183,897</u>	<u>\$ 61,592</u>

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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM LIABILITIES (cont'd)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2023	\$ 60,000	\$ 22,700	\$ 82,700
2024	60,000	22,161	82,161
2025	60,000	21,500	81,500
2026	65,000	20,900	85,900
2027	65,000	30,375	95,375
2028 - 2031	260,000	163,899	423,899
2032 - 2036	285,000	162,220	447,220
2037 - 2041	390,000	138,464	528,464
2042 - 2046	530,000	108,543	638,543
2047 - 2051	495,000	48,543	543,543
Totals	<u>\$ 2,270,000</u>	<u>\$ 739,305</u>	<u>\$ 3,009,305</u>

The City leases copiers under a lease arrangement with an expiration date in May 2025. At December 31, 2022, the minimum future rental payments under the noncancelable leasing arrangement for the remaining period and in the aggregate are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2023	\$ 2,226	\$ 44	\$ 2,270
2024	2,248	22	2,270
2025	943	3	946
Totals	<u>\$ 5,417</u>	<u>\$ 69</u>	<u>\$ 5,486</u>

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

NOTE 9 FUND BALANCE

As of December 31, 2022, 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	\$ 30,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,519
Inventory	49,577	-	-	-	-	-	-	49,577

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 9 FUND BALANCE (cont'd)

	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
(cont'd)								
Total Nonspendable	80,096	-	-	-	-	-	-	80,096
Restricted:								
Public safety	-	-	-	-	-	61,602	60,860	122,462
Public works	-	-	-	-	-	-	3,108,354	3,108,354
Economic development	-	193,834	250,084	-	64,376	-	540,570	1,048,864
Permanent	-	-	-	-	-	-	49,139	49,139
Total Restricted	-	193,834	250,084	-	64,376	-	3,758,923	4,328,819
Assigned:								
2022 budget	2,740,370	-	-	-	-	-	-	2,740,370
Redevelopment	196,047	-	-	-	-	-	-	196,047
Total Assigned	2,936,417	-	-	-	-	-	-	2,936,417
Unassigned (deficit)	6,325,416	-	-	(441,962)	-	-	-	5,883,454
Total Fund Balance	<u>\$9,341,929</u>	<u>\$ 193,834</u>	<u>\$ 250,084</u>	<u>\$ (441,962)</u>	<u>\$ 64,376</u>	<u>\$ 61,602</u>	<u>\$3,758,923</u>	<u>\$13,228,786</u>

NOTE 10 NET INVESTMENT IN CAPITAL ASSETS

A schedule of net investment in capital assets as of December 31, 2022 is as follows:

Governmental Activities:

Total capital assets, net	\$ 55,191,477
Less: bonds payable, net	(2,251,684)
Less: lease liability	<u>(5,417)</u>

Total Net Investment in Capital Assets \$ 52,934,376

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SELF-INSURED HEALTH BENEFITS (cont'd)

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, 2022, 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, 2022 and 2021, and the ending health benefits self-insurance liability at December 31, 2022 and 2021, recorded in the City's Internal Service Fund.

<u>Year Ended December 31,</u>	<u>Beginning Liability</u>	<u>Prior Year Incurred but Not Accrued</u>	<u>Incurred Claims</u>	<u>Payments</u>	<u>Ending Liability</u>
2023	\$ 220,529	\$ -	\$2,685,174	\$2,809,365	\$ 96,338
2022	\$ 242,695	\$ -	\$2,627,916	\$2,650,082	\$ 220,529

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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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, 2021 consisted of the following:

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

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% 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% 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.

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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 5% of their compensation to fund the annuity.

For the year ended December 31, 2022, the active employee contribution rate was 5.0%, and the City's contribution rate was 0.0%.

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, 2020	\$ 10,015,562	\$ 15,243,166	\$ (5,227,604)
Service cost	137,784	-	137,784
Interest cost	515,570	-	515,570
Contributions – PMRS assessment	-	100	100
Contributions – members	-	60,985	60,985
Net investment income	-	694,360	694,360
Market value investment income	-	1,213,401	1,213,401
Administrative expenses	-	(41,147)	(41,147)
Benefit payments	(674,567)	(674,567)	-
Net changes	(21,213)	1,253,132	(1,274,345)
Balances at December 31, 2021	\$ 9,994,349	\$ 16,496,298	\$ (6,501,949)

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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, the City recognized pension credit of \$889,964 under this plan. At December 31, 2022, the City reported deferred outflows and inflows of resources related to the Police Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,082,548
	<u>\$ -</u>	<u>\$ 2,082,548</u>

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

Year Ended December 31,

2023	\$ (589,403)
2024	(800,447)
2025	(449,617)
2026	<u>(242,681)</u>
	<u>\$ (2,082,548)</u>

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: 2.20%
- Salary increases: age-related scale with merit and inflation component
- Investment rate of return: 5.25% compounded annually, net of expenses
- Post-retirement cost of living increase: 2.20%, 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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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 January 1, 2021 valuation were based on the PMRS Experience Study for the period covering January 1, 2014 through December 31, 2018 issued by the actuary in September 2020, covering the defined benefit plan participants and all retirees, as well as subsequent assumption changes approved by the Board. The assumption changes from the Experience Study were first used for the December 31, 2020 measurement date. Effective with the December 31, 2016 measurement date, the Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.

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 3% 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%.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

The target allocation is in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%
	<u>100.0%</u>	

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

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, 2021, the regular interest rate was 5.25%.

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 rate on the basis of expected stable and consistent earnings on investments to be applied to

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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% for the January 1, 2021 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%, as well as what the plan's net pension liability would be if it were calculated

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Plan's net pension liability (asset)	\$ (5,513,476)	\$ (6,501,949)	\$ (7,351,310)

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, 2022 consisted of the following:

Active employees	22
Retirees and beneficiaries currently receiving benefits	23
Inactive members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>45</u>

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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% after completion of 12 years of service.

Normal Forms of Benefits: Life

Normal Benefits: Equal to 50% 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% or to his children under age 18 in an amount equal to 50% 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% 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% 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% of the initial benefit. No adjustment shall result in a monthly benefit in excess of 50% of the monthly salary being paid to a paid firefighter of the highest pay grade.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

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 5% 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, 2021	\$ 9,130,411	\$ 9,144,227	\$ (13,816)
Service cost	205,447	-	205,447
Interest cost	729,980	-	729,980
Contributions – employer	-	271,449	271,449
Contributions – members	-	73,996	73,996
Net investment income	-	(1,442,104)	(1,442,104)
Administrative expenses	-	(6,700)	(6,700)
Benefit payments	(497,213)	(497,213)	-
Net changes	435,214	(1,600,572)	2,035,786
Balances at December 31, 2022	<u>\$ 9,565,625</u>	<u>\$ 7,543,655</u>	<u>\$ 2,021,970</u>

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, the City recognized pension expense of \$439,992 under this plan. At December 31, 2022, the City reported deferred outflows and inflows of resources related to the Police Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$1,353,596	\$ -
Changes of assumptions	108,075	-
Net difference between expected and actual experience	<u>-</u>	<u>278,615</u>
	<u>\$1,461,671</u>	<u>\$ 278,615</u>

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

Year Ended December 31,

2023	\$ 137,760
2024	272,842
2025	353,321
2026	<u>419,133</u>
	<u>\$ 1,183,056</u>

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2022, 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, 2022, using the following actuarial assumptions applied to all periods included in the measurement:

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

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

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

The actuarial assumptions used in the January 1, 2022 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, 2022 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity (large cap)	33.0%	5.37%
Domestic equity (mid cap)	4.0%	6.53%
Domestic equity (small cap)	2.0%	6.53%
International equity	16.0%	6.22%
Fixed income	37.0%	1.36%
Real estate	8.0%	4.87%
Cash	0.0%	-0.45%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8%. 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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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 8%, 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 (7%) or one percentage point higher (9%) than the current rate.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
Plan's net pension liability (asset)	\$ 3,091,601	\$ 2,021,970	\$ 1,120,056

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the plan was -16.07%. 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% nor more than 4.5%. 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, 2022, no plan members were participating in the DROP and are considered retired for pension purposes. The DROP account balances as of December 31, 2022 are \$0.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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, 2022 consisted of the following:

Active employees	33
Retirees and beneficiaries currently receiving benefits	48
Inactive members entitled to but not yet receiving benefits	<u>2</u>
Total	<u>83</u>

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POLICE PENSION PLAN (cont'd)

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

Normal Forms of Benefits: Life

Normal Benefits: Equal to 50% 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% or to his children under age 18 in an amount equal to 50% 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% 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% 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% of the initial pension. No adjustment shall result in monthly pension in excess of 50% 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 5% 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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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, 2021	\$ 26,040,436	\$ 25,380,420	\$ 660,016
Service cost	432,215	-	432,215
Interest cost	2,034,245	-	2,034,245
Changes for experience	-	-	-
Changes for assumptions	-	-	-
Contributions – employer	-	932,601	932,601
Contributions – members	-	132,064	132,064
Net investment income	-	(4,061,531)	(4,061,531)
Administrative expenses	-	(5,133)	(5,133)
Benefit payments	(1,771,245)	(1,771,245)	-
Net changes	<u>695,215</u>	<u>(4,773,244)</u>	<u>5,468,459</u>
Balances at December 31, 2022	<u>\$ 26,735,651</u>	<u>\$ 20,607,176</u>	<u>\$ 6,128,475</u>

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, the City recognized pension credit of \$72,994 under this plan. At December 31, 2022, 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	\$ 3,726,723	\$ -
Changes of assumptions	96,362	-
Net difference between expected and actual experience	-	509,800
	<u>\$ 3,823,085</u>	<u>\$ 509,800</u>

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POLICE PENSION PLAN (cont'd)

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

Year Ended December 31,

2023	\$ 400,721
2024	822,699
2025	877,165
2026	<u>1,212,700</u>
	<u>\$ 3,313,285</u>

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2022, 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: 3.00%
- Salary increases: 5.00%, including inflation
- Investment rate of return: 8.00%, including inflation
- Post-retirement cost of living increase: 3.00%, 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, 2022 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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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, 2022 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 8%. 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 8%, 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 (7%) or one percentage point higher (9%) than the current rate.

	<u>1% Decrease 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase 9%</u>
Plan's net pension liability (asset)	\$ 9,136,111	\$ 6,128,475	\$ 3,610,170

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POLICE PENSION PLAN (cont'd)

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the plan was 8.00%. 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 0% nor more than 4.5%. The DROP account shall be distributed in a lump sum at retirement.

As of December 31, 2022, one plan member was participating in the DROP and is considered retired for pension purposes. The DROP account balance as of December 31, 2022 was \$47,488.

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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

The City's net OPEB liability was measured as of January 1, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined based on an actuarial valuation date or rolled forward from an actuarial valuation date.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.25% based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2022.

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 5%.

Withdrawal

The table below shows rates of withdrawal at selected ages.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
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.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

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.

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:

<u>Age</u>	<u>Males</u>	<u>Females</u>
45 - 49	\$ 10,430	\$ 15,063
50 - 54	13,813	17,024
55 - 59	16,824	17,813
60 - 64	21,954	20,463
65+	10,774	10,774

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 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 and 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% 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, 2022.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 2.25%, 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 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total OPEB liability	\$ 84,589,119	\$ 69,734,775	\$ 58,354,583
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 84,589,119</u>	<u>\$ 69,734,775</u>	<u>\$ 58,354,583</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate of 6.0%, 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	\$ 57,275,200	\$ 69,734,775	\$ 86,258,096
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 57,275,200</u>	<u>\$ 69,734,775</u>	<u>\$ 86,258,096</u>

Changes in Total OPEB Liability

Total OPEB liability as of January 1, 2021	\$ 79,434,659
Service cost	3,457,140
Interest on OPEB obligation	1,585,414
Difference between expected and actual experience	(4,547,896)
Changes of assumptions	(8,817,480)
Benefit payments	<u>(1,377,062)</u>
Total OPEB liability as of January 1, 2022	<u>\$ 69,734,775</u>

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

The amount of OPEB expense recognized by the City was \$9,251,452 for the year ended December 31, 2022. At December 31, 2022, the City reported deferred outflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 14,489,775	\$ 8,045,048
Differences between expected and actual experience	1,652,779	3,789,913
Contributions subsequent to the date of measurement	<u>1,432,800</u>	<u>-</u>
Total	<u>\$ 17,575,354</u>	<u>\$ 11,834,961</u>

An amount of \$1,432,800 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, 2023.

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

<u>Year Ending December 31,</u>	
2023	\$ 3,375,183
2024	4,072,330
2025	1,315,204
2026	(2,227,563)
2027	<u>(2,227,561)</u>
	<u>\$ 4,307,593</u>

Change in Assumptions

The discount rate changed from 1.93% to 2.25%. The trend and mortality assumptions were updated.

CITY OF LEBANON

NOTES TO FINANCIAL STATEMENTS

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.

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.

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 SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 31, 2023, 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, RELATED RATIOS,
AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN**

	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY								
Service cost	\$ 137,784	\$ 119,484	\$ 118,571	\$ 119,497	\$ 117,928	\$ 107,331	\$ 115,513	\$ 120,482
Interest on total pension liability	515,570	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	(674,567)	(761,799)	(724,263)	(710,980)	(699,015)	(609,389)	(628,114)	(659,997)
Net change in total pension liability	(21,213)	(53,980)	(85,116)	478,991	(80,796)	66,452	34,052	(124,560)
Total pension liability, beginning	10,015,562	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)	<u>\$ 9,994,349</u>	<u>\$ 10,015,562</u>	<u>\$ 10,069,542</u>	<u>\$ 10,154,658</u>	<u>\$ 9,675,667</u>	<u>\$ 9,756,463</u>	<u>\$ 9,690,011</u>	<u>\$ 9,655,959</u>
FIDUCIARY NET POSITION								
Contributions - employer	\$ -	\$ -	\$ (1,720)	\$ -	\$ -	\$ -	\$ -	\$ 2,547
Contributions - PMRS assessment	100	20	1,760	20	80	20	80	-
Contributions - employee	60,985	57,432	56,993	56,499	55,749	55,009	53,326	48,710
Investment income net of investment expenses	1,907,761	1,724,209	2,443,921	(400,972)	2,044,623	1,062,703	(99,324)	680,522
Benefit payments	(674,567)	(761,799)	(724,263)	(710,980)	(699,015)	(609,389)	(628,114)	(659,997)
Administrative expenses, including refunds of member contributions	(41,147)	(31,782)	(25,534)	(30,966)	(32,218)	(35,036)	(30,187)	(27,595)
Net change in fiduciary net position	1,253,132	988,080	1,751,157	(1,086,399)	1,369,219	473,307	(704,219)	44,187
Fiduciary net position, beginning	15,243,166	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)	<u>\$ 16,496,298</u>	<u>\$ 15,243,166</u>	<u>\$ 14,255,086</u>	<u>\$ 12,503,929</u>	<u>\$ 13,590,328</u>	<u>\$ 12,221,109</u>	<u>\$ 11,747,802</u>	<u>\$ 12,452,021</u>
Net pension asset [(a) - (b)]	<u>\$ (6,501,949)</u>	<u>\$ (5,227,604)</u>	<u>\$ (4,185,544)</u>	<u>\$ (2,349,271)</u>	<u>\$ (3,914,661)</u>	<u>\$ (2,464,646)</u>	<u>\$ (2,057,791)</u>	<u>\$ (2,796,062)</u>
Plan fiduciary net position as a percentage of the total pension asset	165.06%	152.19%	141.57%	123.13%	140.46%	125.26%	121.24%	128.96%
Covered payroll	\$ 1,219,684	\$ 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	-533.08%	-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, RELATED RATIOS,
AND INVESTMENT RETURNS - PAID FIREMEN'S PENSION PLAN**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	\$ 205,447	\$ 195,664	\$ 202,392	\$ 192,754	\$ 168,968	\$ 160,922	\$ 136,558	\$ 130,055	\$ 118,290
Interest on total pension liability	726,980	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	(497,213)	(475,036)	(471,278)	(473,775)	(728,790)	(417,405)	(431,744)	(380,418)	(358,004)
Net change in total pension liability	435,214	290,978	403,342	123,969	82,883	177,938	317,197	432,424	314,411
Total pension liability, beginning	9,130,411	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)	<u>\$ 9,565,625</u>	<u>\$ 9,130,411</u>	<u>\$ 8,839,433</u>	<u>\$ 8,436,091</u>	<u>\$ 8,312,122</u>	<u>\$ 8,229,239</u>	<u>\$ 8,051,301</u>	<u>\$ 7,734,104</u>	<u>\$ 7,301,680</u>
FIDUCIARY NET POSITION									
Contributions - employer	\$ 271,449	\$ 292,072	\$ 280,903	\$ 263,490	\$ 244,929	\$ 192,543	\$ 188,936	\$ 198,677	\$ 198,453
Contributions - employee	73,996	67,690	66,593	63,880	56,656	55,730	48,031	56,219	56,959
Investment income net of investment expenses	(1,442,104)	857,247	908,461	1,191,092	(335,162)	987,018	354,208	(55,148)	330,128
Benefit payments	(497,213)	(475,036)	(471,278)	(473,775)	(728,790)	(417,405)	(431,744)	(380,418)	(358,004)
Administrative expenses, including refunds of member contributions	(6,700)	(5,000)	(3,925)	(6,125)	(5,120)	(5,000)	(5,420)	(6,200)	-
Net change in fiduciary net position	(1,600,572)	736,973	780,754	1,038,562	(767,487)	812,886	154,011	(186,870)	227,536
Fiduciary net position, beginning	9,144,227	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)	<u>\$ 7,543,655</u>	<u>\$ 9,144,227</u>	<u>\$ 8,407,254</u>	<u>\$ 7,626,500</u>	<u>\$ 6,587,938</u>	<u>\$ 7,355,425</u>	<u>\$ 6,542,539</u>	<u>\$ 6,388,528</u>	<u>\$ 6,575,398</u>
Net pension liability (asset) [(a) - (b)]	<u>\$ 2,021,970</u>	<u>\$ (13,816)</u>	<u>\$ 432,179</u>	<u>\$ 809,591</u>	<u>\$ 1,724,184</u>	<u>\$ 873,814</u>	<u>\$ 1,508,762</u>	<u>\$ 1,345,576</u>	<u>\$ 726,282</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	78.86%	100.15%	95.11%	90.40%	79.26%	89.38%	81.26%	82.60%	90.05%
Covered payroll	\$ 2,051,808	\$ 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	98.55%	-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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	\$ 432,215	\$ 411,633	\$ 420,985	\$ 400,938	\$ 380,672	\$ 362,545	\$ 383,539	\$ 365,275	\$ 401,230
Interest on total pension liability	2,034,245	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	(1,771,245)	(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	695,215	468,440	1,179,663	949,267	1,001,049	997,106	1,276,067	284,016	883,964
Total pension liability, beginning	26,040,436	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)	<u>\$ 26,735,651</u>	<u>\$ 26,040,436</u>	<u>\$ 25,571,996</u>	<u>\$ 24,392,333</u>	<u>\$ 23,443,066</u>	<u>\$ 22,442,017</u>	<u>\$ 21,444,911</u>	<u>\$ 20,168,844</u>	<u>\$ 19,884,828</u>
FIDUCIARY NET POSITION									
Contributions - employer	\$ 932,601	\$ 1,188,422	\$ 876,416	\$ 905,014	\$ 647,580	\$ 629,410	\$ 668,402	\$ 1,201,085	\$ 998,520
Contributions - employee	132,064	135,877	149,550	136,596	140,012	135,512	138,509	146,783	138,165
Investment income net of investment expenses	(4,061,531)	2,789,109	1,923,864	3,506,085	(955,605)	2,361,667	882,284	(29,616)	969,692
Benefit payments	(1,771,245)	(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	(5,133)	(8,800)	(12,700)	(622)	(4,642)	(6,718)	(5,000)	(7,021)	(8,926)
Net change in fiduciary net position	(4,773,244)	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	25,380,420	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)	<u>\$ 20,607,176</u>	<u>\$ 25,380,420</u>	<u>\$ 22,487,040</u>	<u>\$ 20,725,070</u>	<u>\$ 17,488,837</u>	<u>\$ 18,816,107</u>	<u>\$ 16,837,956</u>	<u>\$ 16,341,892</u>	<u>\$ 16,169,756</u>
Net pension liability [(a) - (b)]	<u>\$ 6,128,475</u>	<u>\$ 660,016</u>	<u>\$ 3,084,956</u>	<u>\$ 3,667,263</u>	<u>\$ 5,954,229</u>	<u>\$ 3,625,910</u>	<u>\$ 4,606,955</u>	<u>\$ 3,826,952</u>	<u>\$ 3,715,072</u>
Plan fiduciary net position as a percentage of the total pension liability	77.08%	97.47%	87.94%	84.97%	74.60%	83.84%	78.52%	81.03%	81.32%
Covered payroll	\$ 2,719,192	\$ 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	225.38%	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

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
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%
2021	-	100	(100)	1,219,684	0.01%

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 2021 is based upon the January 1, 2021 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	5.25%
Inflation	2.80%
Salary increases	Age-related scale with merit and inflation component
COLA increases	2.80% for those eligible for a COLA
Pre-retirement mortality	Males - RP-2000 Non-annuitant Male Table projected 15 years with Scale AA, Females - RP-2000 Non-annuitant Female Table projected 15 years with Scale AA, setback five years
Post-retirement mortality	Males - RP-2000 Annuitant Male Table projected 5 years with Scale AA, Females - RP-2000 Annuitant Female Table projected 10 years with Scale AA

**CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PAID FIREMEN'S PENSION PLAN

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
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%
2021	292,072	292,072	-	1,777,961	16.43%
2022	271,449	271,449	-	2,051,808	13.23%

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, 2021
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 as defined in Summary of Plan Provisions
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 the Scale AA. In 2017, the mortality assumption was changed to the RP-2000 Table projected to 2017 using Scale AA. In 2021, the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA to the PubS-2010 projected 5 years past 2021 valuation date using MP-2020.

**CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
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%
2022	932,601	932,601	-	2,719,192	34.30%

* 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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	6 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 eligibility 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.
<i>Changes in Benefit Terms:</i>	None since January 1, 2021

Added deferred retirement option plan effective July 1, 2016

**CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION**

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

	MEASUREMENT DATE				
	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018
TOTAL OPEB LIABILITY					
Service cost	\$ 3,457,140	\$ 2,180,148	\$ 1,426,704	\$ 1,560,594	\$ 1,332,803
Interest on total OPEB liability	1,585,414	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	(4,547,896)	-	4,131,949	-	-
Changes of assumptions	(8,817,480)	17,713,835	9,653,685	(3,485,748)	4,168,577
Benefit payments	(1,377,062)	(1,276,922)	(1,164,784)	(1,176,808)	(1,123,718)
NET CHANGE IN TOTAL OPEB LIABILITY	(9,699,884)	20,584,112	15,646,172	(1,655,228)	6,230,890
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	79,434,659	58,850,547	43,204,375	44,859,603	38,628,713
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 69,734,775</u>	<u>\$ 79,434,659</u>	<u>\$ 58,850,547</u>	<u>\$ 43,204,375</u>	<u>\$ 44,859,603</u>
<u>PLAN FIDUCIARY NET POSITION</u>					
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CITY'S NET OPEB LIABILITY	<u>\$ 69,734,775</u>	<u>\$ 79,434,659</u>	<u>\$ 58,850,547</u>	<u>\$ 43,204,375</u>	<u>\$ 44,859,603</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 5,468,909	\$ 5,390,973	\$ 5,390,973	\$ 5,372,369	\$ 5,372,369
City's net OPEB liability as a percentage of covered payroll	1275.11%	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%
2022	-	-	-	5,468,909	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, 2022

Methods and Assumptions Used

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	2.25%
Salary increases	5.00%
Healthcare trend rates	6.5% in 2022, 6.0% in 2023 and 5.5% in 2024 and 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075.

SUPPLEMENTARY INFORMATION

**CITY OF LEBANON
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2022**

	Paid Firemen's Pension	Police Pension	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 3,816,333	\$ 3,816,333
Investments	7,543,655	18,426,894	25,970,549
Accounts receivable	-	27,440	27,440
TOTAL ASSETS	\$ 7,543,655	\$ 22,270,667	\$ 29,814,322
 LIABILITIES AND NET POSITION			
Current Liabilities:			
Escrow - DROP funds	\$ -	\$ 47,494	\$ 47,494
Accounts payable	-	1,663,906	1,663,906
TOTAL LIABILITIES	-	1,711,400	1,711,400
 NET POSITION			
Net position restricted for pensions	7,543,655	20,559,267	28,102,922
TOTAL LIABILITIES AND NET POSITION	\$ 7,543,655	\$ 22,270,667	\$ 29,814,322

**CITY OF LEBANON
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Paid Firemen's Pension	Police Pension	Total
ADDITIONS			
Contributions:			
Employee	\$ 74,047	\$ 137,707	\$ 211,754
Employer	271,449	932,601	1,204,050
Commonwealth	-	-	-
Total Contributions	345,496	1,070,308	1,415,804
INVESTMENT INCOME			
Interest and dividends	-	529,939	529,939
Net depreciation in fair value of investments	(1,433,968)	(4,476,986)	(5,910,954)
Total Investment Income	(1,433,968)	(3,947,047)	(5,381,015)
Less investment expenses	14,836	114,557	129,393
Net Investment Income	(1,448,804)	(4,061,604)	(5,510,408)
TOTAL ADDITIONS	(1,103,308)	(2,991,296)	(4,094,604)
DEDUCTIONS			
Administrative costs	-	51,822	51,822
Retirement benefits	497,264	1,542,342	2,039,606
TOTAL DEDUCTIONS	497,264	1,600,118	2,097,382
CHANGE IN NET POSITION	(1,600,572)	(4,591,414)	(6,191,986)
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	9,144,227	25,150,681	34,294,908
End of year	<u>\$ 7,543,655</u>	<u>\$ 20,559,267</u>	<u>\$ 28,102,922</u>

SINGLE AUDIT



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 31, 2023

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, 2022, 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 31, 2023.

Report on 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) as a basis for designing 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.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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



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

October 31, 2023

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, 2022. 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, 2022.

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.

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.

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, 2022**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN NUMBER	PROJECT AWARD OR PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 01/01/2022	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 12/31/2022	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Housing and Urban Development											
Community Development Block Grants/Entitlement Grants	D	14.218	B-17-MC-42-0021	01/01/17-09/01/24	\$ 620,933	\$ 60,123	\$ -	\$ 60,123	\$ 60,123	\$ -	\$ -
Community Development Block Grants/Entitlement Grants	D	14.218	B-18-MC-42-0021	01/01/18-09/01/25	667,861	116,490	-	116,490	116,490	-	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-19-MC-42-0021	01/01/19-09/01/25	648,962	94,252	-	95,323	95,323	1,071	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-20-MC-42-0021	01/01/20-09/01/27	665,380	109,409	5,861	105,720	105,720	2,172	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-21-MC-42-0021	01/01/21-09/01/28	660,734	236,100	-	236,100	236,100	-	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-22-MC-42-0021	01/01/22-09/01/29	665,566	116,472	-	123,632	123,632	7,160	-
Community Development Block Grants/Entitlement Grants	D	14.218	B-20-MW-42-0021	07/22/20-07/22/26	391,481	-	-	5,000	5,000	5,000	-
Total ALN #14.218						732,846	5,861	742,388	742,388	15,403	-
U.S. Department of Justice:											
Bulletproof Vest Partnership Program	D	16.607	N/A	04/01/20-08/31/22	3,600	3,847	4,275	3,847	3,847	4,275	-
U.S. Department of Transportation:											
Passed through North Central Highway Safety Network											
State and Community Highway Safety - Aggressive Driving	I	20.616	N/A	10/01/20-09/30/22	15,000	609	-	609	609	-	-
Passed through Pennsylvania Department of Transportation											
Highway Planning and Construction	I	20.205	R2008005	01/01/22-09/30/22	1,967,888	14,294	14,294	-	-	-	-
Highway Planning and Construction	I	20.205	R2008006	01/26/22-12/31/26	2,130,751	1,535,125	-	1,758,822	1,758,822	223,697	-
Total ALN #20.205						1,549,419	14,294	1,758,822	1,758,822	223,697	-
Total U.S. Department of Transportation						1,550,028	14,294	1,759,431	1,759,431	223,697	-
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	09/30/20-09/29/22	221,500	23,228	(149,519)	20,000	20,000	(152,747)	-
U.S. Department of the Treasury											
Passed through the Pennsylvania Department of Treasury											
Coronavirus State and Local Fiscal Recovery Funds	I	21.027	N/A	03/03/21-12/31/26	16,813,380	8,406,690	(7,677,750)	1,769,502	1,769,502	(14,314,938)	-
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$ 10,716,639	\$ (7,802,839)	\$ 4,295,168	\$ 4,295,168	\$ (14,224,310)	\$ -

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% de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended December 31, 2022, 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 No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance under the Uniform Guidance?

Yes No

Identification of major program:

Assistance Listing Number

Name of Federal Program or Cluster

21.027

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

CITY OF LEBANON

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

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.