

CITY OF ALLENTOWN
PENNSYLVANIA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT



MATT TUERK
MAYOR

BINA PATEL
DIRECTOR OF FINANCE

ERIKA STROHLER
TREASURY & ACCOUNTING MANAGER

Michael Sinclair – Accountant
Sheri Young – Accountant

Melody Sajeski – Accountant
Xuemei Lu – Accountant

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

**CITY OF ALLENTOWN, PENNSYLVANIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**



MAYOR

Matt Tuerk

CITY COUNCIL

Daryl Hendricks, President
Cynthia Y. Mota, Vice President
Candida Affa
Ce Ce Gerlach
Santo Napoli
Natalie Santos
Ed Zucal

CITY CONTROLLER

Jeff Glazier

CITY SOLICITOR

Jack Gross

Bina Patel, Director of Finance
Erika Strohler, Treasury and Accounting Manager

Maher Duessel, Certified Public Accountants

**This Report was prepared by
The Department of Finance
Erika Strohler, Treasury and Accounting Manager**

PERTINENT FACTS ABOUT THE CITY OF ALLENTOWN

GENERAL

The City of Allentown is the county seat of Lehigh County and, with 125,845 residents, according to the U. S. Census Bureau 2020 estimate, ranks as Pennsylvania's third largest fastest growing major city. The Allentown-Bethlehem Metropolitan Statistical Area, comprised of Carbon, Lehigh and Northampton counties is the third largest urbanized area in the Commonwealth, with population estimated at 821,623. The City is strategically located within a 300-mile radius of the larger metropolitan areas on the eastern seaboard of the United States.

CITY GOVERNMENT

On April 23, 1996, the voters of the City of Allentown adopted a Home Rule Charter pursuant to the Home Rule Charter and Optional Plans Law, Act of April 13, 1972, P.L. 184, as amended, 53 P.S. Sections 2901 et seq. The City's Home Rule Charter took effect on the first Monday of January 1997. An elected Mayor with a four-year term serves as the chief executive of the City. A seven-member part-time City Council elected at large for four-year staggered terms, forms the legislative branch of the City government. The other elected City official is the City Controller who serves a four-year term. The City Council holds regular public meetings, at least twice a month, usually the first and third Wednesday of each month, in order to enact legislation in the form of ordinances and resolutions.

INDUSTRIES/LABOR FORCE

The Allentown area remains an attractive location for new and existing businesses. Several major corporations, including, ADP, Air Products and Chemicals, Inc., PPL and Mack Trucks have selected Lehigh County as their headquarters or as the location of significant operations. Other major industries include health care services, apparel, electrical and electronic equipment, and fabricated metal products. Investments have remained strong in Allentown and the Lehigh Valley area relative to the state and northeast as a whole.

TRANSPORTATION

Interstate 78, U.S. Routes 22, 222 and 309 and several state highways radiate from the City and the Lehigh Valley and provide access to the major markets and ports of the East. The Northeast Extension of the Pennsylvania Turnpike is located approximately three miles west of the City. Railroads serving the Lehigh Valley area include the Consolidated Rail Corporation and the Canadian Pacific Railroad. Allentown is a regional center for commercial freight rail traffic, currently from Norfolk Southern Railway and R.J. Corman Railroad Group.

AMENITIES

The City of Allentown is home to a variety of cultural, recreational, and educational facilities including two colleges, a AAA minor league baseball stadium, multiple museums, theater companies, orchestras, and bands. The 10,000 seat PPL Arena serves as home to the Lehigh Valley Phantoms of the American Hockey League. It is also a popular concert venue. The City maintains 2,000 acres of park land, well above the national average.

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CITY OF ALLENTOWN

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YEAR ENDED DECEMBER 31, 2022

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INTRODUCTORY SECTION

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Bina Patel
Director of Finance
435 Hamilton St, Room 227
Allentown PA 18101-1699
610-437-7500X2221
Bina.Patel@allentownpa.gov
www.AllentownPA.gov

October 11, 2023

Honorable Mayor, Members of City Council,
and citizens of Allentown, Pennsylvania

Herewith, the Finance Department submits the City of Allentown's Annual Comprehensive Financial Report (ACFR) for the year ending December 31, 2022. In that it is the City's responsibility to ensure accuracy of the data, the disclosures, and fairness of the overall financial picture presented here, the data presented is accurate in all material respects. The report is presented in a manner befitting the actual financial position of the City, its operations, and the net position of its funds. The report is the clearest and most accurate resource for any elected or appointed official, employee, creditor, and any other party interested in the fiscal situation of the City.

The Annual Comprehensive Financial Report is presented in four sections: Introductory, Financial, Statistical, and Appendix. The introductory section includes this transmittal letter and the government's organizational chart listing principal officials. The financial section includes the management's discussion and analysis, basic financial statements, combined and individual fund financial statements and schedules, and component units' (the Allentown Parking Authority and the Allentown Redevelopment Authority) financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City provides a full range of municipal services including public safety, sanitation, the construction and maintenance of streets, traffic signals, storm sewers and other infrastructure. The City is well known for its first-rate parks and recreation, municipal swimming pools and a golf course. The City offers a host of community and economic development programs, including special events planning, like Lights in the Parkway and Blues Brews and Barbecues, as well as business attraction and retention, planning, zoning, inspections, and the preservation of historic architecture. The City is also unique among similar cities of the third class in Pennsylvania, in that it staffs its own full-service health bureau, which offers a myriad of public health services to the community.

This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Government Accounting Standards Board (GASB). The financial statements of the reporting entity include those of the City of Allentown, Pennsylvania (City) (the primary government) and its Component Units. The Component Units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The Component Units, in accordance with GAAP, have been included in the financial

reporting entity as discretely presented Component Units.

FINANCIAL INFORMATION

Internal Controls: Management of the City is responsible for establishing and maintaining an internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. This report includes a Management Discussion and Analysis (MD&A) section that provides an analysis of the City's financial condition for 2022.

Budgetary Controls: The City also maintains budgetary controls intended to ensure compliance with legal provisions embodied in the annual appropriated budget as approved by City Council. Activities of the General Fund, certain Special Revenue Funds, and the Debt Service Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The City Charter requires the City's legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) to be established at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance up to \$5,000 between accounts within a fund, thereby lowering the practical level of budgetary control to the account level. Transfers exceeding \$5,000 must be approved by City Council.

Encumbrance Accounting: The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Estimated purchase amounts are encumbered prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of approved appropriation balances are not released unless sufficient unencumbered funds are available for transfer in accordance with the City's Administrative Code or, in the absence of such available funds, until a supplemental appropriation is approved by City Council from the respective unappropriated fund balance.

OTHER INFORMATION

The City's Administrative Code requires that an annual audit of the books of accounts, financial records, and transactions of the City be performed by independent certified public accountants. The accounting firm of Maher Duessel was selected by City Council to perform the annual audit for fiscal years 2022 through 2024. In addition, various bond indentures also require such an audit. The City has complied with this requirement, and the auditor's opinion has been included in this report.

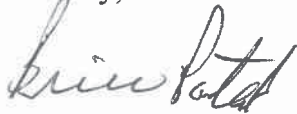
In 2022, the City continued to amass free cash flow in the General Fund and the Golf Fund. The receipt of the second tranche of ARPA funds dominated the discourse on the City's capital improvement plans and its community and economic development plans. The City's real estate sales continue to flourish in 2022, as evidenced in the 42% increase of Deed Transfer Tax collections as opposed to expectations.

As of December 31, 2022, the City's bond rating with Moody's Investors Services was A3, with a stable outlook. The City received a revised rating outlook from A (negative) to A (stable) on its General Obligation bonds from S&P Global Ratings. The outlook revision reflected the S&P's view that the City "has attained structural balance, despite pressure from the pandemic, as well as our view that stronger reserves will provide the City with sufficient cushion as the economy enters a potential recession in 2023."

Acknowledgments: The City is more than admirably served by the professionals in the Finance Department, who perform such services as budgeting, administration, accounting, reporting, payroll, accounts payable, fixed assets, procurement, contract management, risk, safety, workman's comp, property taxes, solid waste and stormwater utility fee collection, accounts receivable, business regulation and taxation, cashiering, delinquent collections, property levies, municipal liens, bankruptcy processing, capital planning, mail, print shop, inventory control, and others not mentioned.

We would also like to thank the Mayor, City Council, and the City Controller for their continued support in planning and conducting the financial operations of the City in a responsible, progressive, and professional manor.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bina Patel".

Bina Patel
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Allentown
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

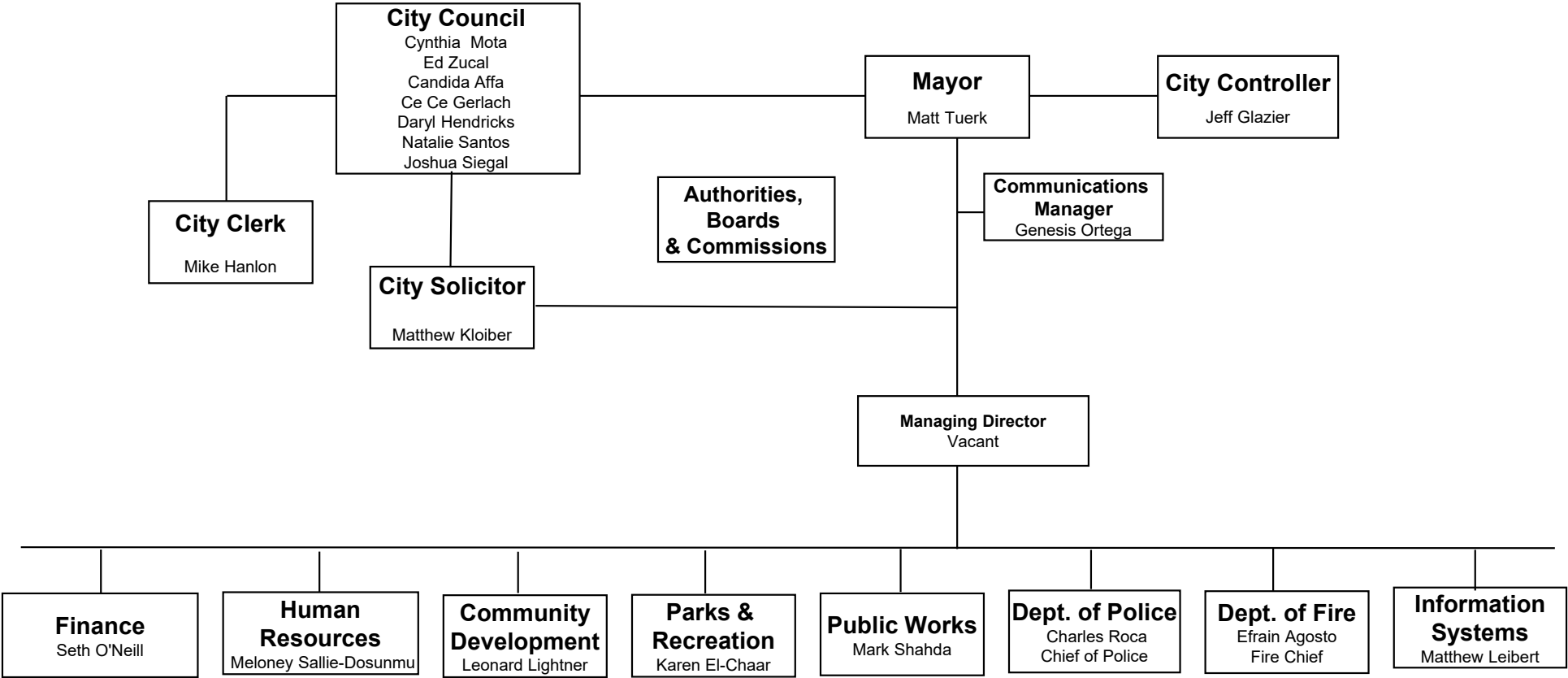
December 31, 2021

Christopher P. Morill

Executive Director/CEO

City of Allentown

2022 Organizational Chart



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FINANCIAL SECTION

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Independent Auditor's Report

**The Honorable Matt Tuerk, Mayor and Honorable Members of City Council
City of Allentown, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

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

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

We did not audit the financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority. Those statements were audited by other auditors whose reports has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority are based solely on the report of the other auditors.

Basis for 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 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.

The financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases," which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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'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's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare

the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information listed in the table of contents. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 on our consideration of the City'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 the City's 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's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
October 11, 2023

**CITY OF ALLENTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

This Management Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City of Allentown (City) for the year ended December 31, 2022. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to financial statements to obtain a thorough understanding of the City's financial condition on December 31, 2022. Additional information is provided in the Transmittal Letter preceding this MD&A which can be found on pages i of this report. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

On June 6, 2022 the City received the second tranche of the Coronavirus Local Fiscal Recovery Fund (SLFRF) in the amount of \$28,566,302 from the President Biden's signing into law the American Rescue Plan Act of 2021 (ARPA) on March 11, 2021, which among other things, enacted Section 9901.603, or the Coronavirus Local Fiscal Recovery Fund ("SLFRF"). This provision specifically allocated \$45,570,000,000 to metropolitan cities, including the City of Allentown (the "City"), "to mitigate the fiscal effects stemming from [COVID-19]." Also in March 2021, the U.S. Department of the Treasury ("Treasury") estimated that the City would receive \$57,132,604 in SLFRF funds in two equal tranches (\$28,566,302), one in 2021, and one in 2022.

In 2022, City Council passed Ordinance No. 15808 funding additional \$3,000,000 from the second tranche, to fully fund the project for storm sewer rehab. City Council has agreed to fund additional \$2,100,000 for water mains, and \$4,650,000 for the water filters projects in 2023. Because the City did not have to finance these long overdue water and sewer investments, the rate payers received crucial infrastructure support without the crunch of additional debt service, which had historically driven up Allentown's water and sewer rates.

Also, in 2022 Ordinance No. 15850 allocated \$1,000,000 to non-profit organization (subrecipient) the Da Vinci Discovery Center of Science and Technology Inc. (parent dba Da Vinci Science Center). This investment in the DA Vinci STEAM Learning Center will support work-shop laboratory and training spaces for education programming during and outside school hours.

Finally, among these other investments, City Council allocated \$1,600,00 in 2021 and \$1,450,000 in 2022 respectively to provide public safety services due to the reduction in revenue experienced by the pandemic. According to the revenue replacement formula available in the Interim Final Rule, which used a 5.2% growth adjustment, the City calculated that it had the capacity to use between 60%-70% of its total SLFRF to replace revenue reduced by the pandemic.

As of December 31, 2022 total of \$23,306,216 of ARPA funds have been allocated to various projects. Ordinance 15764 allocated \$17,810,000 in 2021 of the first tranche to predominately fund capital projects, with an eye towards relieving future debt service, and pledged an additional \$5,496,216 in 2022 from the 2nd tranche to complete the partially funded projects, which should be fully funded and expended within the next two fiscal years.

The City continued to post solid budget surpluses across several funds in 2022, and to add to its cash reserves. The City was aided by better-than-expected revenue inflows. Aided by strong tax collections, charges for services, and receipt of operating and capital grants.

The City's assessed land value for property taxes at the close of 2022 was \$793,024,000 taxable at a rate of 23.5376 mills. The assessed building value was \$4,588,372,200, taxable at a rate of 4.4528 mills. The gross tax levy entering 2022 was, therefore, 7.27 mills on real property in the City. The median tax bill for single family residences was \$662.84, with a land assessment of \$10,000 and a building assessment of \$96,000. The total median taxable assessment was similar.

The resident EIT rate for 2022 was 1.975%, with 0.5% going to the Allentown School District and 1.475% retained by the City. The non-resident EIT rate was 1.28%, of which the City retains 0.28% in most instances, and transfers 1% to the employee's resident municipality.

As to General Fund expenditures, the City again demonstrated an ability to provide governmental services at a cost lower than budgeted for. While debt service and the minimum municipal obligation for our pension funds remained predictable, costs for services, rates, materials, and supplies came in well under budget. The City's General Fund revenues finalized at \$133,364,000, while General Fund expenditures were \$120,854,000 to close 2022. This surplus added about \$11.8 million to the General Fund balance.

The City's proprietary funds performed well during 2022. The Golf Fund in particular, aided by a short-term interest-free loan from the General Fund in 2021 of \$375,000 repayable in equal installments over three fiscal years, experienced record sales over expenditures in 2022. The purpose of the loan was to fund a capital improvement feasibility study, as well as some improvements to the driving range, cartways, and other areas. The fund had an operating surplus.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

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

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand City 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 is provided on the City's pension and other postemployment benefit plans and budget-to-actual figures for the General Fund. In addition to these required elements, an optional supplementary section is included with other statements that provide particulars about nonmajor funds.

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

- *Government-wide financial statements*, the first two statements, provide a broad overview of the City’s overall financial status, as well as the financial status of the City’s component units, in a manner similar to private-sector business.
- *Fund financial statements*, the remaining statements, focus on individual parts of City government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental fund statements* show how general government services, such as public safety, were financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the City operates like a business, such as the Solid Waste Fund.
 - *Fiduciary fund statements* reflect activities involving resources that are held by the City as a trustee or agent for the benefit of others, including the City’s retirement plans. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the City’s programs.

Table A-1 shows how the various parts of this annual report are arranged and relate to one another.

Table A-1: Annual comprehensive financial report arrangement and relationship flowchart

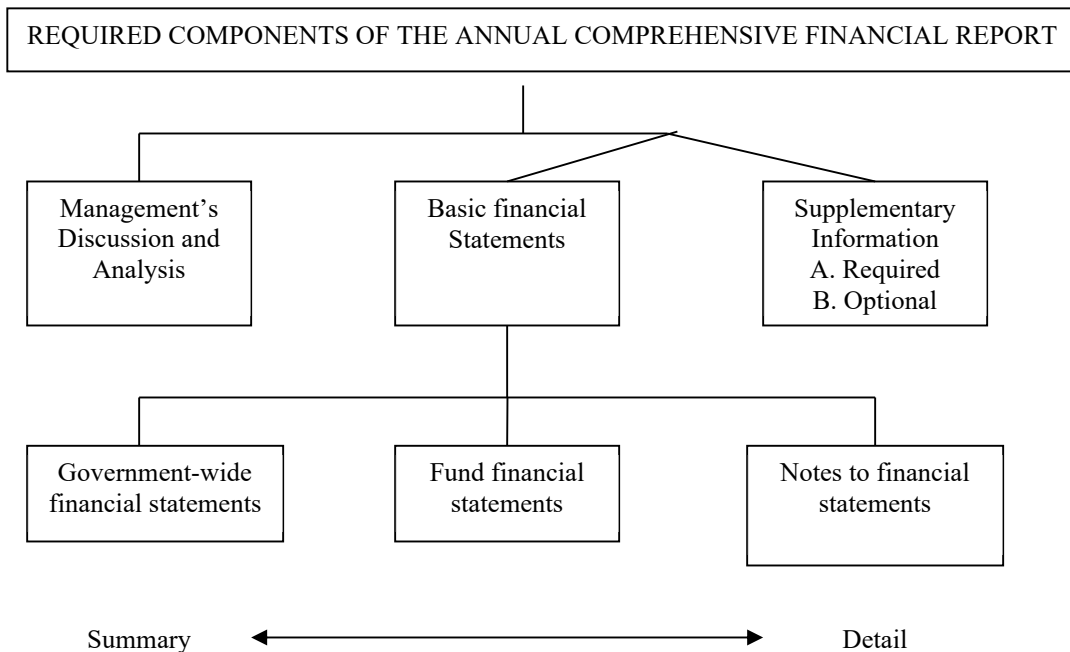


Table A-2 summarizes the major features of the City’s financial statements, including the area of the City’s activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide statements	Fund financial statements		
		Governmental	Business-Type	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the City, such as public safety and public works	The business-type activities of the City, such as the Solid Waste Fund	Instances in which the City administers resources on behalf of others, such as the employee pension plans
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide financial statements

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

- 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 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 related to a particular program), it shows to what extent each program has had to rely on local taxes for funding.

All changes to the net position are recorded using the accrual method of accounting, which requires that revenues be recorded when they are earned and expenses be recorded 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 are one indicator of 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.

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the City can exercise influence and/or be obligated to provide financial support. The City has two discretely presented component units: the Allentown Parking Authority and the Redevelopment Authority of the City of Allentown.

There are two categories of activities for the primary government.

- *Governmental activities* include the City's basic services such as general government, public safety, community development, public works, health and sanitation, and parks and recreation. Property taxes and operating grants and revenues finance most of these activities.
- *Business-type activities* such as the solid waste fund and the municipal golf course fund charge a fee to customers to help cover the cost of services.

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

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

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper program/activities.
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position includes items 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 is net position that does not meet any of the above criteria.

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 accounting devices, i.e., a group 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. Governmental fund financial statements are reported using current financial resources measurement focus and modified accrual accounting established by the Governmental Accounting Standards Board for governments.

The City has three kinds of funds:

- *Governmental funds* include most of the City's basic services and focus on: (1) the flow in and out of cash and other financial assets that can be readily converted to cash, and (2) the balances left at year-end that are available for spending. The governmental funds that the City maintains (General, Liquid Fuels, Community Development Block Grant, Revolving Loan, Debt Service, Capital Projects, Trexler, Lease A.O., Stormwater, ARPA) are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in reconciliations that follow the governmental fund financial statements.

The City adopts an annual budget for the General, Liquid Fuels, Debt Service, Community Development Block Grant, Trexler, Capital Projects, Lease A.O., Stormwater, Rental Unit, Housing, ARPA, Hamilton Street Dam Maintenance and Grants funds, as required by Pennsylvania law. Budgetary comparisons for the general fund are presented as required supplementary information. Budgetary comparisons for the Capital Projects, Liquid Fuels, Community Development Block Grant, Trexler, Debt Service, Lease A.O., Stormwater and Grants funds are presented as supplementary information.

- *Proprietary funds* report business-type programs and activities that charge fees designed to cover the cost of providing services (Golf Fund, Solid Waste Fund). They report using the full accrual basis of accounting.
- *Fiduciary funds* are funds for which the City is the trustee or fiduciary. These include the Officers and Employees Pension Fund, the Police Pension Fund, the Firemen Pension Fund, and certain agency funds or clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The City is responsible to ensure that the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The City's total assets were \$461,364,829 on December 31, 2022. Of this amount, \$264,594,830 was capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 136,493,195	\$ 109,161,515	\$ 6,802,447	\$ 7,718,656	\$ 143,295,642	\$ 116,880,171
Capital assets, net	259,531,323	241,529,385	5,063,507	4,881,689	264,594,830	246,411,074
Other non-current assets	51,024,813	33,502,940	2,449,544	674,630	53,474,357	34,177,570
Total Assets	447,049,331	384,193,840	14,315,498	13,274,975	461,364,829	397,468,815
Deferred Outflows of Resources:						
Deferred outflows of resources for pensions	45,440,984	21,559,931	742,855	1,089,442	46,183,839	22,649,373
Deferred outflows of resources for OPEB	16,459,207	18,520,234	968,936	1,182,143	17,428,143	19,702,377
Deferred charge on refunding	261,015	281,092	-	-	261,015	281,092
Total Deferred Outflows of Resources	62,161,206	40,361,257	1,711,791	2,271,585	63,872,997	42,632,842
Current and other liabilities	31,227,024	25,011,089	1,523,875	1,323,965	32,750,899	26,335,054
Long-term liabilities	328,484,174	239,910,069	6,272,697	6,768,403	334,756,871	246,678,472
Total Liabilities	359,711,198	264,921,158	7,796,572	8,092,368	367,507,770	273,013,526
Deferred Inflows of Resources:						
Utility system concession lease	201,456,547	204,199,812	-	-	201,456,547	204,199,812
Deferred inflows of resources for OPEB	4,968,367	3,629,127	292,482	231,647	5,260,849	3,860,774
Deferred inflows of resources for pensions	28,008,205	61,435,478	2,984,872	2,777,284	30,993,077	64,212,762
Deferred inflows of resources for leases	-	-	124,399	-	124,399	-
Total Deferred Inflows of Resources	234,433,119	269,264,417	3,401,753	3,008,931	237,834,872	272,273,348
Net position:						
Net investment in capital assets	208,494,648	194,860,192	4,790,708	4,587,722	213,285,356	199,447,914
Restricted	38,415,412	22,128,770	2,356,451	-	40,771,863	22,128,770
Unrestricted	(331,607,921)	(326,619,440)	(2,318,195)	(142,461)	(333,926,116)	(326,761,901)
Total Net Position (Deficit)	\$ (84,933,780)	\$ (109,630,478)	\$ 4,828,964	\$ 4,445,261	\$ (80,104,816)	\$ (105,185,217)

City of Allentown, Pennsylvania
Management's Discussion and Analysis

The following statement of activities represents changes in net position for the years ended December 31, 2022 and 2021. It shows revenues by source and expenses by function for governmental activities, business-type activities, and the government as a whole:

Table A-4: Condensed Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 27,583,022	\$ 26,756,580	\$ 17,208,005	\$ 17,274,606	\$ 44,791,027	\$ 44,031,186
Operating grants and contributions	17,063,362	20,184,724	225,267	876,831	17,288,629	21,061,555
Capital grants	10,635,432	2,995,743	-	-	10,635,432	2,995,743
General revenues:						
Taxes	95,801,585	89,877,674	-	-	95,801,585	89,877,674
Investment earnings	727,017	89,940	43,680	7,732	770,697	97,672
Gain on sale of asset	152,533	21,349	30,192	13,968	182,725	35,317
Unrestricted grants/contributions	11,834,312	11,460,534	-	-	11,834,312	11,460,534
Total revenues	163,797,263	151,386,544	17,507,144	18,173,137	181,304,407	169,559,681
Expenses:						
General government	7,941,408	6,611,752	-	-	7,941,408	6,611,752
Public safety	76,935,181	59,873,132	-	-	76,935,181	59,873,132
Community development	11,976,945	12,848,615	-	-	11,976,945	12,848,615
Public works	25,762,632	25,355,126	-	-	25,762,632	25,355,126
Health and sanitation	5,041,372	5,252,669	-	-	5,041,372	5,252,669
Parks and recreation	7,565,946	7,301,167	-	-	7,565,946	7,301,167
Water and sewer	-	-	-	-	-	-
Interest on long-term debt	5,341,686	4,778,424	-	-	5,341,686	4,778,424
Municipal golf course	-	-	1,151,143	1,350,574	1,151,143	1,350,574
Solid waste fund	-	-	14,507,693	14,671,002	14,507,693	14,671,002
Total expenses	140,565,170	122,020,885	15,658,836	16,021,576	156,224,006	138,042,461
Change in net position before transfers	23,232,093	29,365,659	1,848,308	2,151,561	25,080,401	31,517,220
Transfers	1,464,605	1,423,713	(1,464,605)	(1,423,713)	-	-
Change in net position	24,696,698	30,789,372	383,703	727,848	25,080,401	31,517,220
Net position (deficit) beginning	(109,630,478)	(140,419,850)	4,445,261	3,717,413	(105,185,217)	(136,702,437)
Net position (deficit) ending	\$ (84,933,780)	\$ (109,630,478)	\$ 4,828,964	\$ 4,445,261	\$ (80,104,816)	\$ (105,185,217)

Total government-wide revenues in 2022 were \$181.3 million, increase of 7.1 percent from 2021. The primary source of revenue was from taxes of \$95.8 million, representing 52.8 percent of the total. Charges for services at \$44.8 million made up the second largest source of revenue at 24.7 percent, followed by operating grants and contributions of \$17.3 million, or 9.5 percent.

Total expenses for all programs in 2022 were \$156.2 million, increase of 13 percent from 2021. The expenses cover a range of services, with the largest being public safety at \$76.9 million or 49.2 percent. The next largest program areas were public works at \$25.8 million or 16.5 percent, the solid waste fund at \$14.5 million or 9.3 percent and community development at \$12 million or 7.7 percent.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Net cost of services

Net cost of services indicates the amount of support required from taxes and other general revenues for programs of the government. Table A-5 depicts the net program expenses for the years ended December 31, 2022 and 2021.

Table A-5: Net cost of governmental and business-type activities

	Total cost of services		Net cost of services	
	2022	2021	2022	2021
Program:				
General government	\$ 7,941,408	\$ 6,611,752	\$ (1,840,434)	\$ 2,362,184
Public safety	76,935,181	59,873,132	(73,238,632)	(56,800,844)
Community development	11,976,945	12,848,615	460,312	(701,402)
Public works	25,762,632	25,355,126	(7,690,589)	(15,265,008)
Health and sanitation	5,041,372	5,252,669	(1,598,292)	(1,041,608)
Parks and recreation	7,565,946	7,301,167	(1,454,061)	(1,217,864)
Water and sewer	-	-	5,420,028	5,359,128
Interest on long-term debt	5,341,686	4,778,424	(5,341,686)	(4,778,424)
Municipal golf course	1,151,143	1,350,574	806,300	901,033
Solid waste fund	14,507,693	14,671,002	968,136	1,228,828
Total expenses	\$ <u>156,224,006</u>	\$ <u>138,042,461</u>	\$ <u>(83,508,918)</u>	\$ <u>(69,953,977)</u>

The City relied on real estate tax, Act 511 taxes such as earned income tax and business privilege tax, and other general revenues to fund 53.5 percent of its governmental and business-type activities in 2022. These revenues covered 29.9 percent of public works spending with the remainder coming from grants and fees for specific services. These revenues also covered 95.2 percent of public safety spending with the remainder coming from grants, fines, and court costs. The solid waste fund and golf fund were fully funded through grants and charges for services.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Capital assets

The City's investment in capital assets at December 31, 2022, net of accumulated depreciation, was \$264.6 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Detailed information about the City's capital assets can be found in Note 6, Notes to Financial Statements. Table A-6 is a summary of capital assets at December 31, 2022 and 2021.

Table A-6: Capital assets, net at December 31, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 9,809,945	\$ 9,809,945	\$ 1,134,759	\$ 1,134,759	\$ 10,944,704	\$ 10,944,704
Assets under concession lease - LCA	92,651,611	90,395,732	-	-	92,651,611	90,395,732
Assets under concession lease - COA	10,138,456	7,598,974	-	-	10,138,456	7,598,974
Right-to-use leased asset	2,103,101	-	-	-	2,103,101	-
Construction in progress	3,961,442	1,085,831	-	-	3,961,442	1,085,831
Buildings	2,968,623	3,293,575	667,302	586,368	3,635,925	3,879,943
Land and building improvements	23,791,952	19,135,045	463,191	581,414	24,255,143	19,716,459
Machinery and equipment	8,769,748	9,042,523	2,016,537	1,830,670	10,786,285	10,873,193
Vehicles	9,271,323	8,172,656	755,415	721,796	10,026,738	8,894,452
Infrastructure	96,065,122	92,995,104	-	-	96,065,122	92,995,104
Distribution and collection systems	-	-	26,303	26,682	26,303	26,682
Total	\$ 259,531,323	\$ 241,529,385	\$ 5,063,507	\$ 4,881,689	\$ 264,594,830	\$ 246,411,074

Debt administration

Long-term debt:

On December 31, 2022, the City had \$109.3 million of debt outstanding, including bonds, notes, financed purchases, and leases. This was a net increase of \$3.4 million from the end of 2021 mostly due to the City implementing GASB 87 for leases. Detailed information about the City's Long-term Debt can be found in Note 11, Notes to Financial Statements. Table A-7 provides a summary of outstanding debt.

Table A-7: Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Financed purchases & leases	\$ 4,864,087	\$ 1,649,058	\$ 272,799	\$ 293,967	\$ 5,136,886	\$ 1,943,025
Bonds and notes	104,198,133	103,969,654	-	-	104,198,133	103,969,654
Total	\$ 109,062,220	\$ 105,618,712	\$ 272,799	\$ 293,967	\$ 109,335,019	\$ 105,912,679

The amount of indebtedness a city may incur is limited by Pennsylvania law to 250 percent (non-electoral) of a three-year average of the total revenue received, exclusive of governmental grants for a specific purpose. The City's debt limit, based on the Local Government Unit Debt Act was \$310.8 million, which is 250% of its borrowing base of \$124.3. The total debt outstanding was \$109.3 million, which leaves the City with \$201.5 million in debt capacity.

Bond rating

In 2022 S&P Global Rating revised its rating outlook on the City's General Obligation bonds from A (negative) to A (stable). The City is rated A3 with a stable outlook by Moody's Investors Service at December 31, 2022.

GOVERNMENTAL FUNDS

The City of Allentown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. Governmental fund accounting was not affected by the adoption of GASB No. 34. Therefore, schedules are presented to reconcile the fund statements to the government-wide statements.

The City's governmental funds include the General Fund, special revenue funds, Debt Service Fund, and Capital Projects Fund. The General Fund is the chief operating fund for the City. Special revenue funds are restricted to specific legislated uses. The Debt Service Fund is used to record the funding and payment of principal and interest on the issuance of debt in the governmental funds. The Capital Projects Fund accounts for the proceeds of bond issues to be used for capital projects. The major funds are shown on the statement of revenues, expenditures, and changes in fund balance in the financial statements.

Governmental fund revenues

Governmental fund revenues by source for the years ended December 31, 2022 and 2021 are as follows. Table A-8 also presents changes from 2021 to 2022.

Table A-8: Revenues by source, governmental funds

	2022	2021	Changes from 2021 to 2022	Percent change
Revenues:				
Taxes	\$ 94,850,708	\$ 89,893,149	\$ 4,957,559	5.5%
Licenses and permits	7,928,615	8,092,586	(163,971)	-2.0%
Charges for services	12,715,944	11,881,676	834,268	7.0%
Fines and forfeits	199,767	254,657	(54,890)	-21.6%
Investment earnings	702,507	78,549	623,958	794.4%
Intergovernmental revenues	38,482,600	34,619,828	3,862,772	11.2%
Other	3,328,026	3,360,682	(32,656)	-1.0%
Total revenues	\$ 158,208,167	\$ 148,181,127	\$ 10,027,040	6.8%

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Governmental fund revenues totaled \$158.2 million for the year ended December 31, 2022. This is an increase of \$10 million from 2021, primarily due to an increase in inter-governmental revenues, charges for services, and taxes.

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2022 and 2021 are as follows. Table A-9 also presents changes from 2021 to 2022.

Table A-9: Expenditures by function, governmental funds

	2022	2021	Changes from 2021 to 2022	Percent change
Expenditures:				
General government	\$ 14,156,470	\$ 12,635,923	\$ 1,520,547	12.0%
Public safety	69,666,976	66,930,799	2,736,177	4.1%
Community development	18,862,274	12,753,124	6,109,150	47.9%
Public works	20,320,319	26,928,971	(6,608,652)	-24.5%
Health and sanitation	4,803,291	5,087,754	(284,463)	-5.6%
Parks and recreation	6,620,178	6,489,456	130,722	2.0%
Debt service:				
Principal	7,702,609	6,152,305	1,550,304	25.2%
Interest	2,547,394	3,927,860	(1,380,466)	-35.1%
Capital outlay	23,025,687	2,919,993	20,105,694	688.6%
Total expenditures	<u>\$ 167,705,198</u>	<u>\$ 143,826,185</u>	<u>\$ 23,879,013</u>	<u>16.6%</u>

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, the Debt Service Fund, Community Development Block Grant Fund and the American Rescue Plan Fund which are all considered major funds. Nonmajor funds which are presented separately in the combining balance sheet - other nonmajor governmental funds and in the combining statement of revenues, expenditures, and changes in fund balance – other nonmajor governmental funds.

Governmental fund expenditures totaled \$167.7 million for the year ended December 31, 2022, an increase of 16.6 percent from 2021, primarily due to increased activity in capital projects.

Governmental fund balances and net position of enterprise funds

Table A-10 reflects ending fund balances for governmental funds and the net position for the enterprise funds at December 31, 2022 and 2021

Table A-10: Ending fund balances, governmental funds, and net position, enterprise funds

	2022		2021	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	\$ 45,313,068	\$ -	\$ 35,341,258	\$ -
Liquid Fuels Fund	2,702,886	-	2,653,859	-
Community Development				
Block Grant	4,060,011	-	3,899,875	-
Trexler	1,000,429	-	1,648,097	-
Capital Projects	5,569,401	-	14,852,662	-
American Rescue Plan	160,710	-	17,414	-
Grants	-	-	-	-
Revolving Loan	1,343,635	-	1,339,053	-
Debt Service Fund	-	-	-	-
Stormwater Fund	4,404,205	-	3,584,635	-
Lease A.O. Fund	2,010,383	-	3,434,115	-
Municipal Golf Course	-	2,117,967	-	1,480,572
Solid Waste Fund	-	2,710,997	-	2,964,689
Total	\$ 66,564,728	\$ 4,828,964	\$ 66,770,968	\$ 4,445,261

The City's governmental funds reported a combined fund balance of \$66.6 million on December 31, 2022, only down \$.2 million from the previous year. The General Fund balance increased by \$10 million. Capital Projects Fund and Lease AO Fund balances decreased by \$9.3 million and \$1.4 million, respectively, due to increased construction post-pandemic. The Stormwater fund balance increased by \$0.8 million. \$4.1million is restricted for Community Development Block Grant projects, \$5.6 million is restricted for capital acquisitions, \$2.7 million is restricted for the Liquid Fuels Fund, \$1.3 million is restricted for the Revolving Loan Fund, \$2.0 million is restricted for the Lease A.O. Fund and \$1.0 million is restricted for the Trexler fund.

Budgetary considerations

The Allentown City Council may revise the budget through transfers or ordinance. There are two kinds of revisions:

- Allocations made to specific line items from other line items (internal transfers) or from contingency funds established in the budget.
- New revenues are budgeted when received, and the anticipated related expenditure is budgeted at the same time.

Because the City's fiscal year differs from those of the Commonwealth and the federal government, it is difficult to know what grants will be forthcoming in the City's fiscal year. Also, the City budgets based on an estimated current year outcome and beginning cash balance. Care is taken in the budgeting process to eliminate budgeted expenditures in the current year that will not be spent. This allows the Finance Department to better forecast the City's position going into the subsequent year.

Economic Condition and Outlook

LOCATION & DEMOGRAPHIC ADVANTAGES

Allentown is the largest city in the four-county Allentown-Bethlehem-Easton Metropolitan Statistical Area and serves as the seat of Lehigh County. Allentown is home to 125,944 residents, per recent United States Census estimates, thus making it the third-largest city in Pennsylvania. Allentown recorded one of the fastest rates of growth of any municipality in the Commonwealth between the 2010 and 2020 Censuses and the City's rapidly growing Hispanic population now comprises 50.6% of total City population, according to the Census's 2016 American Community Survey.

Allentown is strategically located within a 300-mile radius of the largest metropolitan areas on the eastern seaboard of the United States, enabling the greater Lehigh Valley to become a major regional logistics and distribution center for several large corporations. Excellent transportation systems and close proximity to both New York and Philadelphia make Allentown attractive to businesses and families desiring to live in a community that offers clean air, good water, diverse neighborhoods and more than 2,000 acres of the best municipal parks and recreation systems in the country.

ECONOMIC DEVELOPMENT ACHIEVEMENTS

Allentown has long served as the economic engine for the Lehigh Valley. Augmented by sharply growing corporate activity in several new office buildings in the Center City area, Allentown is home to the corporate headquarters of utility firms PPL (a Fortune 500 company) and Talen Energy. The City's large employment concentration includes the Allentown School District, the government of Lehigh County, Muhlenberg College, Cedar Crest College, and a branch campus of Lehigh Carbon Community College. Major regional health care institutions also employ thousands of people within Allentown. Lehigh Valley Health Network and St. Luke's University Health Network each maintain various acute-care facilities across the City. Finally, banking, and financial service industries, including ADP, continue to have a strong presence as well as other business service firms.

Allentown also hosts the one-of-a-kind Neighborhood Improvement Zone, which has fostered what 18 years ago would have been an unimaginable amount of capital investment in downtown. Centered around the PPL Center Sports arena, developers continue to add to office space, such as City Center 2, 3, 5 and Tower Six, and considerable residential units to the neighborhood. Allentown expects Waterfront Development to ensue, in earnest, in 2022 and 2023, which will create positive long-term impacts on our real estate tax base.

Manufacturing employment in the Allentown-Bethlehem-Easton Metropolitan Statistical Area in the apparel, food, electrical/electronic equipment, industrial machinery and printing and publishing

areas are strong components of the overall employment picture. In the greater Lehigh Valley region, Air Products, B. Braun, Lutron, Amazon.com, Lehigh Portland Cement, Nestle, Olympus, Dun & Bradstreet, FedEx, Uline and LSI are just a few of the companies that have selected the area as either a headquarters or the location of major regional facilities.

SUMMARY

The City closed 2022 in a strong financial position. There were no increased rates for property taxes, nor in any of our governmental funds to get there. Expenditures were contained in 2022, with no need to balance expenditures on the back of cash reserves. Starting 2022 with an unprecedented amount of cash reserved in its General Fund. The City with stable fiscal year revised its rating outlook from A (negative) to A (stable) on its General Obligation bonds from S&P Global Ratings.

The City has no plans to incur any additional indebtedness in 2023 and expects that its revenues will be sufficient to cover its expenditures without any draw-down on cash.

City Administration, working with Council and the City Controller, will lead the way to ensure that the successes of 2021 and 2022 will be preserved and capitalized in the years to come.

Finally, the administration and the mayor would like to extend its appreciation to our accounting staff, Michael Sinclair, Melody Sajeski, Sheri Young, and Xuemei Lu for their excellent work on these financial statements, as well as Erika Stroehler, Treasury and Accounting Manager.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information and complete financial statements for the discretely presented component units should be addressed to the Director of Finance, City of Allentown, 435 Hamilton Street, Allentown, Pennsylvania 18101.

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CITY OF ALLENTOWN
STATEMENT OF NET POSITION

DECEMBER 31, 2022

<u>Assets</u>	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current assets:				
Cash and cash equivalents	\$ 119,105,989	\$ 4,475,557	\$ 123,581,546	\$ 3,678,781
Cash - restricted	700,344	-	700,344	56,588
Investments	-	-	-	2,228,843
Receivables (net of allowance for uncollectible):				
Taxes	10,029,677	-	10,029,677	-
Accounts	3,031,621	1,428,028	4,459,649	343,432
Grants	3,976,227	324,438	4,300,665	-
Lease receivable	-	39,862	39,862	40,436
Notes receivables	-	-	-	-
Inventory	-	16,704	16,704	-
Prepaid expenses	-	-	-	259,697
Prepaid debt insurance	167,195	-	167,195	-
Due from other governments	-	-	-	241,580
Advances to/from other funds	(642,858)	642,858	-	-
Internal balances	125,000	(125,000)	-	-
Total current assets	<u>136,493,195</u>	<u>6,802,447</u>	<u>143,295,642</u>	<u>6,849,357</u>
Noncurrent assets:				
Capital assets, not being depreciated	106,422,998	1,134,759	107,557,757	34,901,961
Capital assets, net of depreciation	153,108,325	3,928,748	157,037,073	43,700,321
Loans and notes receivable	9,626,711	-	9,626,711	551,361
Lease receivable, net	-	93,093	93,093	3,837,542
Utility system concession lease receivable	19,626,546	-	19,626,546	-
Property held for development	-	-	-	1,075,725
Net pension asset	21,771,556	2,356,451	24,128,007	121,058
Total noncurrent assets	<u>310,556,136</u>	<u>7,513,051</u>	<u>318,069,187</u>	<u>84,187,968</u>
Total Assets	<u>447,049,331</u>	<u>14,315,498</u>	<u>461,364,829</u>	<u>91,037,325</u>
Deferred Outflows of Resources				
Deferred outflows of resources - pensions	45,440,984	742,855	46,183,839	329,259
Deferred outflows of resources - OPEB	16,459,207	968,936	17,428,143	45,906
Deferred charge of refunding	261,015	-	261,015	427,988
Total Deferred Outflows of Resources	<u>62,161,206</u>	<u>1,711,791</u>	<u>63,872,997</u>	<u>803,153</u>

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

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	7,482,649	1,194,409	8,677,058	2,763,037
Wages payable	1,096,361	51,825	1,148,186	-
Accrued interest payable	532,627	-	532,627	-
Claims liability	439,280	-	439,280	-
Other liabilities	3,953,673	493	3,954,166	94,046
Due to other governments	3,137,392	-	3,137,392	-
Unearned revenue	-	-	-	297,266
Compensated absences	6,387,831	179,142	6,566,973	-
Facility contractual obligation	127,326	-	127,326	-
Financed purchases payable	761,157	98,006	859,163	31,975
Notes and bonds payable, current maturities	7,240,622	-	7,240,622	1,351,479
Lease payable	68,106	-	68,106	-
Total current liabilities	31,227,024	1,523,875	32,750,899	4,537,803
Noncurrent liabilities:				
Unearned revenue - grants	49,829,698	-	49,829,698	-
Unearned revenue	-	-	-	518,700
Other non current liabilities	-	-	-	5,000,000
Financed purchase payable	1,499,255	174,793	1,674,048	39,459
Compensated absences	35,729	15,123	50,852	-
Net pension liability	74,298,916	-	74,298,916	-
Other postemployment benefit liability	103,327,496	6,082,781	109,410,277	142,417
Notes and bonds payable, net	96,957,511	-	96,957,511	45,832,530
Lease payable	2,535,569	-	2,535,569	-
Total noncurrent liabilities	328,484,174	6,272,697	334,756,871	51,533,106
Total Liabilities	359,711,198	7,796,572	367,507,770	56,070,909
Deferred Inflows of Resources				
Utility system concession lease	201,456,547	-	201,456,547	-
Deferred inflows of resources - pensions	28,008,205	2,984,872	30,993,077	-
Deferred inflows of resources - OPEB	4,968,367	292,482	5,260,849	-
Deferred inflows of resources - leases	-	124,399	124,399	10,519,921
Total Deferred Inflows of Resources	234,433,119	3,401,753	237,834,872	10,519,921
Net Position				
Net investment in capital assets	208,494,648	4,790,708	213,285,356	26,836,415
Restricted for:				
Net pension asset	21,771,556	2,356,451	24,128,007	-
Capital projects	886,388	-	886,388	-
Public works	9,117,474	-	9,117,474	-
Community development	5,403,646	-	5,403,646	-
Parks and recreation	1,000,429	-	1,000,429	-
Unrestricted	(331,607,921)	(2,318,195)	(333,926,116)	(1,586,767)
Total Net Position	\$ (84,933,780)	\$ 4,828,964	\$ (80,104,816)	\$ 25,249,648

(Concluded)

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

CITY OF ALLENTOWN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,941,408	\$ 5,939,936	\$ 161,038	\$ -
Public safety	76,935,181	2,124,939	1,571,610	-
Community development	11,976,945	6,135,690	6,301,567	-
Public works	25,762,632	6,900,439	4,620,299	6,551,305
Health and sanitation	5,041,372	345,623	3,097,457	-
Parks and recreation	7,565,946	716,367	1,311,391	4,084,127
Water and sewer	-	5,420,028	-	-
Interest on long-term debt	5,341,686	-	-	-
Total governmental activities	140,565,170	27,583,022	17,063,362	10,635,432
Business-type activities:				
Solid Waste Fund	14,507,693	15,116,823	197,170	-
Municipal Golf Course	1,151,143	2,091,182	28,097	-
Total business-type activities	15,658,836	17,208,005	225,267	-
Total Primary Government	\$ 156,224,006	\$ 44,791,027	\$ 17,288,629	\$ 10,635,432
Component units:				
Redevelopment Authority of the				
City of Allentown	1,049,893	898,176	-	-
Allentown Parking Authority	10,570,988	11,363,968	-	-
Total Component Units	\$ 11,620,881	\$ 12,262,144	\$ -	\$ -

General Revenues:
 Property taxes
 Act 511
 Utility realty
 Deed transfer tax
 Grants and contributions not
 restricted to specific purposes
 Rental income
 Investment earnings
 Gain on sale of assets
 Transfers - internal activities
 Total general revenues and transfers

Change in Net Position

Net Position:

Beginning of year
 End of year

Net (Expenses) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (1,840,434)	\$ -	\$ (1,840,434)	\$ -
(73,238,632)	-	(73,238,632)	-
460,312	-	460,312	-
(7,690,589)	-	(7,690,589)	-
(1,598,292)	-	(1,598,292)	-
(1,454,061)	-	(1,454,061)	-
5,420,028	-	5,420,028	-
(5,341,686)	-	(5,341,686)	-
<u>(85,283,354)</u>	<u>-</u>	<u>(85,283,354)</u>	<u>-</u>
-	806,300	806,300	-
-	968,136	968,136	-
<u>-</u>	<u>1,774,436</u>	<u>1,774,436</u>	<u>-</u>
<u>(85,283,354)</u>	<u>1,774,436</u>	<u>(83,508,918)</u>	<u>-</u>
-	-	-	(151,717)
<u>-</u>	<u>-</u>	<u>-</u>	<u>792,980</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>641,263</u>
38,784,845	-	38,784,845	-
53,674,449	-	53,674,449	-
85,743	-	85,743	-
3,256,548	-	3,256,548	-
11,834,312	-	11,834,312	-
-	43,680	43,680	241,975
727,017	30,192	757,209	141,922
152,533	-	152,533	966,510
1,464,605	(1,464,605)	-	-
<u>109,980,052</u>	<u>(1,390,733)</u>	<u>108,589,319</u>	<u>1,350,407</u>
24,696,698	383,703	25,080,401	1,991,670
<u>(109,630,478)</u>	<u>4,445,261</u>	<u>(105,185,217)</u>	<u>23,257,978</u>
<u>\$ (84,933,780)</u>	<u>\$ 4,828,964</u>	<u>\$ (80,104,816)</u>	<u>\$ 25,249,648</u>

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

CITY OF ALLENTOWN
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Captial Projects	Community Development Block Grant	American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 44,885,661	\$ 9,792,882	\$ 1,518,905	\$ 47,395,678	\$ 9,717,207	\$ 113,310,333
Restricted cash	-	-	-	-	700,344	700,344
Recievable, net:						
Taxes	10,029,677	-	-	-	-	10,029,677
Loans	98,900	-	3,025,659	-	56,082	3,180,641
Accounts	2,159,749	-	-	-	740,147	2,899,896
Grants	588,111	521,907	2,409,791	-	456,418	3,976,227
Utility system concession lease	19,626,546	-	-	-	-	19,626,546
Due from other funds	1,011,715	1,636,494	-	49,488	-	2,697,697
Total Assets	\$ 78,400,359	\$ 11,951,283	\$ 6,954,355	\$ 47,445,166	\$ 11,670,198	\$ 156,421,361
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable	\$ 2,132,241	\$ 2,336,937	\$ 1,490,975	\$ -	\$ 131,714	\$ 6,091,867
Wages payable	1,017,618	-	-	-	75,626	1,093,244
Due to other funds	-	49,488	885,395	1,636,494	1,320	2,572,697
Due to other governments	3,137,392	-	-	-	-	3,137,392
Advance from other fund	642,858	-	-	-	-	642,858
Unearned revenues - grants	104,096	3,666,000	411,640	45,647,962	-	49,829,698
Other liabilities	3,517,882	329,457	106,334	-	-	3,953,673
Total Liabilities	10,552,087	6,381,882	2,894,344	47,284,456	208,660	67,321,429
Deferred Inflows of Resources:						
Unavailable revenue - taxes	2,908,658	-	-	-	-	2,908,658
Unavailable revenue - utility system concession lease	19,626,546	-	-	-	-	19,626,546
Total Deferred Inflows of Resources	22,535,204	-	-	-	-	22,535,204
Fund Balance:						
Restricted	-	5,569,401	4,060,011	-	11,461,538	21,090,950
Assigned	2,716,763	-	-	160,710	-	2,877,473
Unassigned	42,596,305	-	-	-	-	42,596,305
Total Fund Balance	45,313,068	5,569,401	4,060,011	160,710	11,461,538	66,564,728
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 78,400,359	\$ 11,951,283	\$ 6,954,355	\$ 47,445,166	\$ 11,670,198	\$ 156,421,361

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

CITY OF ALLENTOWN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2022

Total Fund Balance - Governmental Funds \$ 66,564,728

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 259,531,323

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in governmental funds. 22,535,204

Certain loans receivable are not reported as assets in the governmental funds, but are reported on the statement of net position. 6,446,070

Prepaid debt insurance is reported as an asset and amortized on the statement of net position. 167,195

Utility system concession lease is required to be amortized over the life of the lease for the governmental activities. (201,456,547)

Certain liabilities, including general obligation debt, compensated absences, accrued interest payable, are not reported as liabilities in governmental funds, but are reported on the statement of net position. Those items consist of:

Accrued interest payable on general obligation debt	\$ (532,627)	
Facility contractual obligation	(127,326)	
Notes and bonds payable, net	(104,198,133)	
Less: deferred charge on refunding	261,015	
Financed purchases payable	(2,260,412)	
Compensated absences	(6,398,743)	
Lease payable	(2,603,675)	
Other postemployment benefits liability, net of related deferred inflows and outflows of resources	(91,836,656)	
Net pension asset/liability, net of related deferred inflows and outflows of resources	<u>(35,094,581)</u>	(242,791,138)

Assets and liabilities of the internal service fund reported in the statement of net position are used to charge the costs of insurance to individual funds and are not reported in the government funds. 4,069,385

Total Net Position - Governmental Activities \$ (84,933,780)

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

CITY OF ALLENTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2022

	General Fund	Capital Projects	Community Development Block Grant	American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 94,850,708	\$ -	\$ -	\$ -	\$ -	\$ 94,850,708
Licenses and permits	7,928,615	-	-	-	-	7,928,615
Charges for services	6,583,340	350,351	-	-	5,782,253	12,715,944
Fines and forfeits	199,767	-	-	-	-	199,767
Investment earnings	409,603	99,925	4,316	143,296	45,367	702,507
Intergovernmental revenues	15,240,965	3,469,127	5,122,901	8,072,819	6,576,788	38,482,600
Other	2,365,749	8,574	174,870	-	778,833	3,328,026
Total revenues	127,578,747	3,927,977	5,302,087	8,216,115	13,183,241	158,208,167
Expenditures:						
Current:						
General government	12,977,804	-	-	-	1,178,666	14,156,470
Public safety	69,595,462	-	-	71,514	-	69,666,976
Community development	8,125,230	-	10,737,044	-	-	18,862,274
Public works	11,931,435	960,163	-	-	7,428,721	20,320,319
Health and sanitation	4,803,291	-	-	-	-	4,803,291
Parks and recreation	5,041,960	-	-	-	1,578,218	6,620,178
Debt service:						
Principal	62,609	-	-	-	7,640,000	7,702,609
Interest	79,140	-	9,907	-	2,458,347	2,547,394
Capital outlay	2,945,471	18,961,121	-	-	1,119,095	23,025,687
Total expenditures	115,562,402	19,921,284	10,746,951	71,514	21,403,047	167,705,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,016,345	(15,993,307)	(5,444,864)	8,144,601	(8,219,806)	(9,497,031)
Other Financing Sources (Uses):						
Proceeds from issuance of debt	-	-	5,605,000	-	-	5,605,000
Proceeds from financed purchases	1,472,157	-	-	-	462,282	1,934,439
Sale of capital assets	152,533	-	-	-	-	152,533
Transfers in	5,897,847	9,284,739	-	-	9,586,831	24,769,417
Transfers out	(9,567,072)	(2,574,693)	-	(8,001,305)	(3,027,528)	(23,170,598)
Total other financing sources (uses)	(2,044,535)	6,710,046	5,605,000	(8,001,305)	7,021,585	9,290,791
Net Change in Fund Balance	9,971,810	(9,283,261)	160,136	143,296	(1,198,221)	(206,240)
Fund Balance:						
Beginning of year	35,341,258	14,852,662	3,899,875	17,414	12,659,759	66,770,968
End of year	\$ 45,313,068	\$ 5,569,401	\$ 4,060,011	\$ 160,710	\$ 11,461,538	\$ 66,564,728

CITY OF ALLENTOWN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balances - Governmental Funds	\$	(206,240)
Amounts reported for governmental activities in the statement of net position 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 and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		23,025,687
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in governmental funds.		(9,500,660)
The issuance of loans receivable is a use of resources in the governmental funds, while repayment of the principal of the loan receivable provides current financial resources to the governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of loans receivable		6,446,070
Revenues related to grants, real estate and other taxes are revenue in the statement of activities. Those that do not provide current financial resources are not reported as revenues in governmental funds.		950,877
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		49,973
Activities of the internal service fund are reported as net revenue in the statement of activities.		(1,958,072)
The issuance of long-term debt (e.g. bonds, notes, leases, and financed purchases) provides current financial resources to the governmental funds, while 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. This amount is the net effect of those differences in the treatment of long-term debt:		
Proceeds from issuance of financed purchase leases		(1,934,439)
Proceeds from issuance of Department of Housing and Urban Development Section 108 loan		(5,605,000)
Principal payments on financed purchases		1,323,085
Principal of long-term debt		7,640,000
Accretion of capital appreciation bonds		(2,449,101)
Principal payments on leases payable		62,609
Governmental funds report the effect of debt issuance premiums, discounts, insurance premiums, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.		152,798
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.		(497,989)
The net pension asset/liability is recorded as an asset/liability in the government wide financial statements, but not in the fund financial statements. This amount represents the change in the net pension asset/liability, net of related deferred inflows and outflows of resources.		7,045,345
The total other postemployment liability is recorded as a liability in the government wide financial statements, but not in the fund financial statements. This amount represents the change in the total OPEB liability, net of related deferred inflows and outflows of resources.		(4,288,102)
The deferred inflow of resources from the utility system concession lease is amortized over the five of the lease in the statement of activities.		4,439,857
Change in Net Position - Governmental Activities	\$	<u>24,696,698</u>

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

CITY OF ALLENTOWN

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2022

<u>Assets</u>	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Non-Major Municipal Golf Course	Total	Internal Service Fund
Current assets:				
Cash and cash equivalents	\$ 3,647,979	\$ 827,578	\$ 4,475,557	\$ 5,795,656
Receivables:				
Accounts	1,438,040	4,368	1,442,408	131,725
Grants	324,438	-	324,438	-
Total accounts receivable	1,762,478	4,368	1,766,846	131,725
Allowance for doubtful accounts	14,380	-	14,380	-
Net accounts receivable	1,748,098	4,368	1,752,466	131,725
Lease receivable	-	39,862	39,862	-
Advance to other funds	642,858	-	642,858	-
Inventories	-	16,704	16,704	-
Total current assets	6,038,935	888,512	6,927,447	5,927,381
Noncurrent assets:				
Lease receivable	-	93,093	93,093	-
Net pension asset	2,100,315	256,136	2,356,451	-
Capital assets, not being depreciated	-	1,134,759	1,134,759	-
Capital assets, net of depreciation	2,793,947	1,134,801	3,928,748	-
Total noncurrent assets	4,894,262	2,618,789	7,513,051	-
Total Assets	10,933,197	3,507,301	14,440,498	5,927,381
Deferred Outflows of Resources				
Deferred outflows of resources - pension	662,110	80,745	742,855	-
Deferred outflows of resources - OPEB	857,746	111,190	968,936	-
Total Deferred Outflows of Resources	1,519,856	191,935	1,711,791	-

(Continued)

	Business-Type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Non-Major	Total	Activities
		Municipal Golf Course		Internal Service Fund
Liabilities				
Current liabilities:				
Accounts payable	\$ 1,127,794	\$ 66,615	\$ 1,194,409	\$ 1,390,782
Wages payable	46,884	4,941	51,825	3,117
Claims liability	-	-	-	439,280
Other liabilities	-	493	493	-
Due to other funds	-	125,000	125,000	-
Compensated absences	152,991	26,151	179,142	24,679
Financed purchase	47,995	50,011	98,006	-
Total current liabilities	1,375,664	273,211	1,648,875	1,857,858
Noncurrent liabilities:				
Financed purchase, net	49,372	125,421	174,793	-
Compensated absences	12,915	2,208	15,123	138
Other postemployment benefit liability	5,384,757	698,024	6,082,781	-
Total noncurrent liabilities	5,447,044	825,653	6,272,697	138
Total Liabilities	6,822,708	1,098,864	7,921,572	1,857,996
Deferred Inflows of Resources				
Deferred inflows of resources - pension	2,660,429	324,443	2,984,872	-
Deferred inflows of resources - OPEB	258,919	33,563	292,482	-
Deferred inflows of resources - leases	-	124,399	124,399	-
Total Deferred Inflows of Resources	2,919,348	482,405	3,401,753	-
Net Position				
Net investment in capital assets	2,696,580	2,094,128	4,790,708	-
Restricted - net pension asset	2,100,315	256,136	2,356,451	-
Unrestricted	(2,085,898)	(232,297)	(2,318,195)	4,069,385
Total Net Position	\$ 2,710,997	\$ 2,117,967	\$ 4,828,964	\$ 4,069,385

(Concluded)

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

CITY OF ALLENTOWN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Non-Major Municipal Golf Course	Total	Internal Service Fund
Operating Revenues:				
<hr/>				
Charges for services:				
Refuse collections	\$ 14,114,914	\$ -	\$14,114,914	\$ -
Recycling	495,931	-	495,931	-
Miscellaneous	505,978	2,091,182	2,597,160	26,013,724
	<u>15,116,823</u>	<u>2,091,182</u>	<u>17,208,005</u>	<u>26,013,724</u>
Operating Expenses:				
<hr/>				
Personnel services	3,245,373	294,691	3,540,064	-
Utility services	12,873	20,252	33,125	-
Contracted services	10,424,190	197,313	10,621,503	-
Materials and supplies	333,715	338,503	672,218	-
Claims and benefits	-	-	-	27,883,411
Depreciation expense	367,272	206,141	573,413	-
Miscellaneous	124,270	94,243	218,513	-
	<u>14,507,693</u>	<u>1,151,143</u>	<u>15,658,836</u>	<u>27,883,411</u>
Operating Income (Loss)	<u>609,130</u>	<u>940,039</u>	<u>1,549,169</u>	<u>(1,869,687)</u>
Non-Operating Revenues (Expenses):				
<hr/>				
Lease principal revenue	-	38,560	38,560	-
Lease interest revenue	-	5,120	5,120	-
Grants	197,170	28,097	225,267	21,319
Investment income	26,566	3,626	30,192	24,510
	<u>223,736</u>	<u>75,403</u>	<u>299,139</u>	<u>45,829</u>
Change in net position before transfers	832,866	1,015,442	1,848,308	(1,823,858)
Transfers in	30,293	-	30,293	-
Transfers out	(1,116,851)	(378,047)	(1,494,898)	(134,214)
Change in Net Position	<u>(253,692)</u>	<u>637,395</u>	<u>383,703</u>	<u>(1,958,072)</u>
Net Position:				
<hr/>				
Beginning of year	2,964,689	1,480,572	4,445,261	6,027,457
End of year	<u>\$ 2,710,997</u>	<u>\$ 2,117,967</u>	<u>\$ 4,828,964</u>	<u>\$ 4,069,385</u>

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

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CITY OF ALLENTOWN
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Non-Major Municipal Golf Course	Total	Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 15,434,857	\$ 2,091,314	\$ 17,526,171	\$ 26,101,973
Payments to suppliers for services	(10,773,251)	(607,898)	(11,381,149)	(27,777,981)
Payments to employees	(4,097,597)	(729,210)	(4,826,807)	-
Net cash provided by (used in) operating activities	<u>564,009</u>	<u>754,206</u>	<u>1,318,215</u>	<u>(1,676,008)</u>
Cash Flows From Non-Capital Financing Activities:				
Operating grants received	197,170	24,197	221,367	21,319
Net transfers in (out)	(1,086,558)	(378,047)	(1,464,605)	(134,214)
Net cash provided by (used in) non-capital financing activities	<u>(889,388)</u>	<u>(353,850)</u>	<u>(1,243,238)</u>	<u>(112,895)</u>
Cash Flows From Investing Activities				
Investment income	<u>26,566</u>	<u>4,090</u>	<u>30,656</u>	<u>24,509</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(355,117)	(247,747)	(602,864)	-
Advance from/to other funds	642,857	(125,000)	517,857	-
Payments received on lease receivable	-	38,560	38,560	-
Payments of financed purchase	(90,875)	(82,660)	(173,535)	-
Net cash provided by (used in) capital and related financing activities	<u>196,865</u>	<u>(416,847)</u>	<u>(219,982)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(101,948)</u>	<u>(12,401)</u>	<u>(114,349)</u>	<u>(1,764,394)</u>
Cash and Cash Equivalents:				
Beginning of year	<u>3,749,927</u>	<u>839,979</u>	<u>4,589,906</u>	<u>7,560,050</u>
End of year	<u>\$ 3,647,979</u>	<u>\$ 827,578</u>	<u>\$ 4,475,557</u>	<u>\$ 5,795,656</u>

(Continued)

CITY OF ALLENTOWN
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Non-Major Municipal Golf Course	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 609,130	\$ 940,039	\$ 1,549,169	\$ (1,869,687)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	367,272	206,141	573,413	-
Changes in:				
Receivables	318,034	4,032	322,066	94,732
Inventories	-	1,799	1,799	-
Net pension asset	(1,498,801)	(183,020)	(1,681,821)	-
Deferred outflows of resources for pension and OPEB	436,632	123,162	559,794	-
Accounts payable	121,797	41,979	163,776	238,414
Wages payable	15,517	260	15,777	640
Other liabilities	-	(1,365)	(1,365)	(133,364)
Unearned revenue	-	(3,900)	(3,900)	(6,483)
Compensated absences	8,563	(1,558)	7,005	(260)
Other postemployment benefit liability	(64,161)	(391,760)	(455,921)	-
Deferred inflows of resources for pension and OPEB	250,026	18,397	268,423	-
Total adjustments	(45,121)	(185,833)	(230,954)	193,679
Net cash provided by (used in) operating activities	<u>\$ 564,009</u>	<u>\$ 754,206</u>	<u>\$ 1,318,215</u>	<u>\$ (1,676,008)</u>
Schedule of Noncash Investing Capital and Financing Activities				
Proceeds from financed purchase	<u>\$ 152,367</u>	<u>\$ -</u>	<u>\$ 152,367</u>	<u>\$ -</u>

(Concluded)

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

CITY OF ALLENTOWN

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

DECEMBER 31, 2022

	<u>Component Unit</u> <u>Pension</u> <u>Trust Funds</u>
Assets	
<hr/>	
Cash and cash equivalents	\$ 5,390,041
Interest receivable	96,876
Other receivables	62,545
Investments, at fair value:	
Equity mutual funds	206,905,798
Fixed income mutual funds	46,045,958
Real estate investment fund	42,454,530
Corporate bonds	6,182,345
U.S. government obligations	15,837,072
U.S. government agency obligations	2,596,142
Total investments	<u>320,021,845</u>
Total Assets	<u>325,571,307</u>
Liabilities	
<hr/>	
Accounts payable	<u>15,066</u>
Total Liabilities	<u>15,066</u>
Net Position	
<hr/>	
Restricted for pension benefits	<u>325,556,241</u>
Total Net Position	<u>\$ 325,556,241</u>

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

CITY OF ALLENTOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2022

	<u>Component Unit</u> <u>Pension</u> <u>Trust Funds</u>
Additions:	
<hr/>	
Contributions:	
Employer	\$ 13,392,212
Plan members	1,722,373
Total contributions	<u>15,114,585</u>
Investment income (loss):	
Net depreciation in fair value of investments	(54,152,827)
Interest and dividends	7,221,848
Less investment expenses	<u>(180,769)</u>
Net investment income (loss)	<u>(47,111,748)</u>
Total additions	<u>(31,997,163)</u>
Deductions:	
<hr/>	
Benefits paid to recipients	23,481,071
Administrative and other fees	6,030
Total deductions	<u>23,487,101</u>
Change in Net Position	(55,484,264)
Net Position:	
<hr/>	
Beginning of year	<u>381,040,505</u>
End of year	<u><u>\$ 325,556,241</u></u>

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

CITY OF ALLENTOWN

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

DECEMBER 31, 2022

Assets	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
Current assets:			
Cash and cash equivalents	\$ 248,722	\$ 3,430,059	\$ 3,678,781
Restricted cash	56,588	-	56,588
Investments	-	2,228,843	2,228,843
Accounts receivables	-	343,432	343,432
Prepaid expenses	-	259,697	259,697
Lease receivable, current	-	40,436	40,436
Due from other governments	241,580	-	241,580
Total current assets	546,890	6,302,467	6,849,357
Noncurrent assets, net:			
Construction in progress	-	26,648,109	26,648,109
Land	-	8,253,852	8,253,852
Land and building improvements	-	178,602	178,602
Leasehold improvements	-	25,383	25,383
Machinery and equipment	-	43,106,799	43,106,799
Vehicles	-	389,537	389,537
Total capital assets, net	-	78,602,282	78,602,282
Loans receivable	551,361	-	551,361
Property held for development	1,075,725	-	1,075,725
Net pension asset	-	121,058	121,058
Lease receivable, net	-	3,837,542	3,837,542
Total noncurrent assets	1,627,086	82,560,882	84,187,968
Total Assets	2,173,976	88,863,349	91,037,325
Deferred Outflows of Resources			
Deferred outflows of resources - pension	-	329,259	329,259
Deferred outflows of resources - OPEB	-	45,906	45,906
Deferred charge on refunding	-	427,988	427,988
Total Deferred Outflows of Resources	-	803,153	803,153

Liabilities	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
Current liabilities:			
Accounts payable and other current liabilities	\$ 385,499	\$ 2,377,538	\$ 2,763,037
Other liabilities	55,588	38,458	94,046
Unearned revenue	-	297,266	297,266
Line of credit	-	5,000	5,000
Financed purchases	-	31,975	31,975
Notes and bonds payable, current maturities	-	1,346,479	1,346,479
Total current liabilities	<u>441,087</u>	<u>4,096,716</u>	<u>4,537,803</u>
Noncurrent liabilities:			
Unearned revenue, net	-	518,700	518,700
Construction loan payable	-	17,736,849	17,736,849
Other postemployment benefit liability	-	142,417	142,417
Other long term liabilities	-	5,000,000	5,000,000
Financed purchases, net	-	39,459	39,459
Bonds payable, net	-	28,095,681	28,095,681
Total noncurrent liabilities	<u>-</u>	<u>51,533,106</u>	<u>51,533,106</u>
Total Liabilities	<u>441,087</u>	<u>55,629,822</u>	<u>56,070,909</u>
Deferred Inflows of Resources			
Deferred inflows of resources - leases	-	10,519,921	10,519,921
Total Deferred Outflows of Resources	<u>-</u>	<u>10,519,921</u>	<u>10,519,921</u>
Net Position			
Net investment in capital assets	56,588	26,779,827	26,836,415
Unrestricted	1,676,301	(3,263,068)	(1,586,767)
Total Net Position	<u>\$ 1,732,889</u>	<u>\$23,516,759</u>	<u>\$25,249,648</u>

CITY OF ALLENTOWN

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2022

Component Units:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total Component Units
Redevelopment Authority of the City of Allentown	\$ 1,049,893	\$ 898,176	\$ -	\$ (151,717)	\$ -	\$ (151,717)
Allentown Parking Authority	10,570,988	11,363,968	-	-	792,980	792,980
Total component units	\$ 11,620,881	\$ 12,262,144	\$ -	(151,717)	792,980	641,263
General revenues:						
Rental Income				-	241,975	241,975
Investment earning				-	141,922	141,922
Gain on sale of asset				-	966,510	966,510
Total general revenues				-	1,350,407	1,350,407
Change in Net Position				(151,717)	2,143,387	1,991,670
Net Position:						
Beginning of year				1,884,606	21,373,372	23,257,978
End of year				\$ 1,732,889	\$ 23,516,759	\$ 25,249,648

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the City of Allentown, Pennsylvania (City) conform to accounting principles generally accepted in the United States of America, as applied to governmental entities. The following notes to financial statements are an integral part of the City's financial statements.

Reporting Entity

The City was incorporated in 1762 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a second-class city, as defined by state statutes. The City operates under a Home Rule Charter form of government and provides a full range of services, including public safety, roads, sanitation, health, stormwater, culture and recreation, and general government services to its approximately 118,000 residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units.

The City has evaluated all related entities (authorities, commissions, and affiliates) for possible inclusion in the financial reporting entity.

The component units discussed below are included in the City's reporting entity because of the significance of financial and operational relationships within the City. These component units have been included in the financial reporting entity as discretely presented component units:

Redevelopment Authority of the City of Allentown

The Redevelopment Authority of the City of Allentown (Redevelopment Authority), an entity legally separate from the City, is governed by a board appointed by the Mayor of the City. The Redevelopment Authority, in collaboration with the City's Department of Community and Economic Development, addresses urban revitalization. The Redevelopment Authority is financially dependent on the City. The City is the pass-through entity for the Redevelopment Authority's grant funding that is received from the U.S. Department of Housing and Urban Development (HUD) and the Pennsylvania Redevelopment Assistance Capital Program (RACP).

Allentown Parking Authority

The Allentown Parking Authority (Parking Authority), a tax-exempt organization, was incorporated on November 30, 1984 by the City Council of the City of Allentown. The Parking

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Authority is governed by a five-member board appointed by the Mayor of the City of Allentown. The Parking Authority's purpose is to administer, supervise, and enforce an efficient system of off-street and on-street parking including the power and right:

- To conduct research and maintain data related to off-street and on-street parking programs;
- To enforce parking regulations by the distribution, issuance, and processing of parking tickets and by booting, towing, and impounding of vehicles as provided by law;
- To acquire, locate, install and maintain parking meters and related supplies;
- To administer a program of residential permit parking as provided by law; and
- To collect, on behalf of the City of Allentown, all revenue, subject to certain return provisions, derived from on-street parking programs.

Separately published financial statements of the above component units are available for public inspection at the City.

Related Organizations

The City Council and Mayor are also responsible for appointing the members of several boards, but the City's accountability for these entities does not extend beyond making appointments. These boards include the Allentown Commercial and Industrial Development Authority (ACIDA), the Allentown Housing Authority, Allentown Neighborhood Improvement Zone Development Authority (ANIZDA), and Allentown Economic Development Corporation (AEDC).

The amounts the City appropriated to these entities during the year ended December 31, 2022 were immaterial to the basic financial statements.

Basis of Presentation

The government-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 primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and pension trust funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property and other taxes are recognized as revenues in the year for which they are levied or the underlying transaction has taken place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service including lease liabilities, pension, other postemployment benefits, and compensated absences expenditures are recorded only when payment is due.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Property and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent that they meet the available criteria. All other revenue items are considered to be measurable and available only when cash is received by the government and eligibility/allowability requirements have been met.

General capital asset expenditures, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

The City reports the following major governmental funds:

General Fund – is used to account for all financial transactions applicable to the general operations of the City except for those accounted for in another fund.

Capital Projects Fund – is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlay including the acquisition or construction of capital facilities and other capital assets.

Community Development Block Grant Fund (CDBG) – is used to account for the financial activity of the City’s CDBG Program and other urban renewal and improvement grants.

American Rescue Plan Fund – is used to account for the financial activity of the City’s American Rescue Plan federal grants.

The City reports the following nonmajor governmental funds:

Liquid Fuels Fund – is used to account for the financial activity of the City’s liquid fuels tax allocation from the Commonwealth of Pennsylvania.

Revolving Loan Fund – is used to account for loans for community and economic development activities that are eligible under the Housing and Redevelopment Assistance grant program.

Trexler Fund – is used for maintenance, development, and extension of the City’s park system. The Trexler Fund is a special revenue fund and the use of funds is specified by the grantor.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Grants Fund – is used to account for the pass-through grants the City is responsible for administering.

Lease/Administrative Order (A.O.) – is used to account for charges pursuant to Pennsylvania Department of Environmental Protection administrative order.

Stormwater Fund – is used to account for fees collected from residents for stormwater improvements.

Debt Service Fund – is used to account for the accumulation of resources for, and the payment of, general long-term bonds and other debt principal, interest, and related costs.

The City reports the following major proprietary fund:

Solid Waste Fund – is used to account for the administration of the collection and disposal of municipal waste and recyclables in the City.

The City reports the following nonmajor proprietary fund:

The Municipal Golf Course Fund, a non-major proprietary fund, is used to account for the activities of the City's golf course.

Internal Service Fund – is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis. This fund is used to account for the City's self-insured programs for workers' compensation, property, casualty, automobile, and general liability claim losses.

The City's fiduciary funds consist of the Pension Trust Funds, which are considered component units of the City:

Pension Trust Funds – are used to account for pension benefits for employees. The principal revenue sources for these funds are employer and employee contributions. The Pension Trust Funds are accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. The Pension Trust Funds account for the City's three defined benefit pension plans: Police, Firemen, and Officers and Employees Plans.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the rule are payments to the internal service fund for risk management activities where the amounts charged are reasonably equivalent in value to services provided. Elimination of these charges would distort the direct costs of various functions.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, and operating and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and grants and contributions not restricted to a specific purpose as well as investment earnings.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City and the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Cash and Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash of all funds, except pension trust funds and certain special revenue funds, is maintained in a cash and investment pool. Interest earnings, as well as gains and losses, are allocated to funds based on the average daily balances of funds invested in the pool. The balance recorded as cash and cash equivalents in each fund type is principally the allocation of the pooled cash balance. Substantially, all investments are held in the pension trust fund. Investments are reported at fair value. Securities traded on a national or international

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

For purposes of the statement of cash flows, the City considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid investment purchases with an original maturity of three months or less to be cash equivalents.

The City is authorized to make investments as defined in the Pennsylvania Second Class City Code and the Home Rule Charter. Authorized types of investments include the following:

- a. United States Treasury Bills.
- b. Short-term obligations of the United States Government or its agencies or instrumentalities.
- c. Deposits in savings accounts or time deposits. Other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law therefore is pledged by the depository.
- d. Obligations of the United States Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or of 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.
- e. 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 above.
- f. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured.

Investments of pension trust funds are placed pursuant to guidelines established by the respective pension boards.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Component Units

Parking Authority

The deposit and investment activity of the Parking Authority adheres to state statutes, prudent business practices, and applicable trust indentures, which are more restrictive than existing state statutes.

Pennsylvania law stipulates the investment and deposit types the Parking Authority may purchase as follows:

- a. U.S. Treasury bills.
- b. Short-term obligations of the U.S. government or its agencies.
- c. Demand, savings, and time deposits with institutions insured by Federal insurance or collateralized with securities as provided by law.
- d. Obligations of the United States or any of its agencies, the Commonwealth of Pennsylvania or any of its agencies, or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies, providing the obligations are backed by the full faith and credit of the political subdivisions.

The City and Parking Authority had no deposit or investment transactions during the year ended December 31, 2022 which were in violation of state statutes or applicable trust indentures.

Restricted Assets

Cash and investments of the City received from the issuance of long-term debt and not spent have been presented as restricted assets because the usage of such assets is limited to that set forth in the bond documents.

Internal Balances

Internal balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e.,

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

the current portion of interfund loans) or “advanced to/from other funds” (i.e., the noncurrent portion of interfund loans).

Allowance for Uncollectible Receivables

All property tax, per capita tax, curb and sidewalk and solid waste charges for service receivables are shown net of an allowance for uncollectible amounts. All allowances have been calculated based on historical collections. The allowance for property tax and per capita tax, presented in the General Fund, was approximately \$26,000 at December 31, 2022. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$1.4 million at December 31, 2022. The allowance for accounts receivable presented in the Stormwater Fund was approximately \$6,700 at December 31, 2022. The allowance for doubtful accounts, presented in the Solid Waste Fund, was approximately \$14,400 at December 31, 2022.

Component Units

Redevelopment Authority

The Redevelopment Authority loans funds to private developers in connection with redevelopment projects in the City. The collectability of the loans is evaluated and an allowance is recorded for amounts which may not be collected by the Redevelopment Authority. The loans are under a revolving loan fund program financed by the Commonwealth of Pennsylvania, Department of Community and Economic Development. Management has determined that no allowance is necessary at December 31, 2022.

Parking Authority

The Parking Authority’s estimate of the allowance for doubtful accounts receivable is based on an analysis of specific receivables taking into account the age of the past due receivable and the assessment of the ultimate collectability. Management has determined that no allowance is necessary at December 31, 2022.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

when purchased. The City has determined that any unused materials and supplies on hand at December 31, 2022 are immaterial.

Inventories at the Allentown Municipal Golf Course are valued at average cost.

Capital Assets

The City value capital assets at historical cost or estimated historical cost if actual historical cost is not available. The City maintains a capitalization threshold of \$5,000 for all capital assets, except for the intangible right-to-use lease assets, the measurement of which is discussed under leases below.

General infrastructure assets of the City consist of bridges, traffic lights and signals, streets and streetlights, and storm sewers and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

The City's capital assets, including the right-to-use lease assets, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	35-50
Machinery and equipment	5-25
Vehicles	2-10
Infrastructure	10-99
Right-to-use leased equipment	25

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Component Units

Parking Authority

The Parking Authority capitalizes all assets with an estimated useful life in excess of one year in excess of \$5,000. Property and equipment are stated at cost, net of accumulated depreciation. Donated or contributed assets are stated at the estimated fair market value as of the date of donation. The Parking Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	10-44
Leasehold improvements	5-15
Parking garages and components	10-50
Furniture and equipment	5-20
Vehicles	5-7

Normal maintenance and repairs to operations as incurred. Renewals and betterments are capitalized and depreciated based upon the expected lives of such improvements. Amortization of assets under financed purchases has been included as part of depreciation expense.

Property Held for Development

Component Units

Redevelopment Authority

At times, the Redevelopment Authority acquires properties in the City for future development which are recorded at cost, or estimated net realizable value, if less than cost. Since the intent is to hold these properties for resale, there is no depreciation associated with the properties held for development.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payment are incurred. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City reports encumbrances in its governmental funds as assigned fund balances, if the individual fund's fund balance is not presented as restricted. Encumbrances in the table below relate to contract services, operating materials, supplies, repairs and maintenance, uniforms, equipment, and property loss.

General Fund	\$ 2,716,763	American Rescue Plan Fund	\$ 374,702
Capital Fund	2,396,234	CDBG Fund	2,016,517
Liquid Fuels Fund	86,662	Solid Waste Fund	280,342
Trexler Fund	55,055	Internal Service Fund	384,590

Fund Balance

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The components of fund balance are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid expenditures and inventory.
 - Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
 - Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by City Council. Such commitment is made via a resolution by City Council and must be made prior to the end of the year. Removal of this commitment requires a resolution by City Council.
 - Assigned – This category represents intentions of an individual or group designated by City Council to use the funds for specific purposes. Through a resolution of City Council, the designee would have to be delegated the responsibility to assign funds. Through the approval of the City's Administrative Order, City Council has provided that the Finance Director serves as the designee for assignments.
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CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

- Unassigned – This category represents all other funds not otherwise defined. The only fund that will report a positive unassigned balance is the General Fund. However, other governmental funds may report a negative unassigned balance (or deficit).

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the government fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when two components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first and assigned fund balance is applied second. Unassigned fund balance is applied last.

Net Position

Net position is classified into three components: net investment in capital assets and restricted and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt, net of unspent bond proceeds, that are attributable to the acquisition, construction and improvement of those assets. Unrestricted net position consists of all other net position not included in the above categories.

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on their length of employment. Vacation leave carried by employees varies depending upon collective bargaining agreements and City policy. Upon retirement, accumulated sick leave may be compensated to employees at the rate of \$10 to \$20 per day up to 100 or 180 days, depending upon employees' classification.

Component Units

Parking Authority

For the Parking Authority, vacation pay for both salaried and union employees is based on length of service and accrues as of each employee's anniversary date. Sick pay for both salaried and union employees is based on eight days per calendar year. Employees may carry

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

over a maximum of four sick days per calendar year. Compensated absences are included as a part of accrued expenses in the statement of net position.

Unavailable/Unearned Revenues

Unavailable/unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. In governmental funds, unavailable revenues represent amounts that are measurable, but are not available. Unearned revenues may result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date.

Bond Discounts/Premiums

Bond discounts/premiums are amortized over the term of the bonds using the bond outstanding method, which approximates the interest method. Unamortized bond discounts/premiums are included in the balance of bonds payable.

Deferred Inflows and Outflows of Resources for Pensions and Other Postemployment Benefit Plans (OPEB)

In conjunction with pension and OPEB accounting requirements, the effects of the differences in the City's expected and actual experience, the change in assumptions, the City contributions

subsequent to the measurement date, and the difference between projected and actual earnings on pension plans investments are recorded as deferred inflows or outflows of resources related to pensions and OPEB on the government-wide and proprietary fund financial statements. These amounts are determined based on the actuarial valuations performed for the pension and OPEB plans. Notes 10 and 14 present additional information about the pension and OPEB plans.

Component Units

Parking Authority

For the Parking Authority, deferred outflows and inflows of resources for pensions that represents the net difference expected and actual experience, the changes in assumptions, differences between the projected and actual investment earnings on the investments in its

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

pension plan, and contributions subsequent to the measurement date. These amounts are determined based on the actuarial valuation performed for the pension plan.

Deferred Charge on Refunding

Deferred charge on refunding is amortized over the term of the new or refunded bonds, whichever is shorter, using the bond outstanding method, which approximates the interest method.

Component Units

Parking Authority

The Parking Authority has deferred the difference between the reacquisition price (the amount deposited into escrow to pay off the bonds) and the net carrying amount of previously refunded debt. This deferred amount on refunding is being amortized into interest expense on a straight-line basis over the shorter of the life of the new or old bonds. During the year ended December 31, 2022, such amortization amounted to \$35,915. The unamortized deferred amounts on refunding are reported as a deferred outflow of resources in the statement of net position.

Significant dates on the City's property tax calendar are as follows:

Levy date:	January 1
Due dates:	Net by April 5 Gross by July 15 or by installments due April 15, May 15, June 15 and July 15
Lien date:	January 1 of subsequent year following levy date

Property taxes become delinquent on July 16. The City continues to collect delinquent property taxes through December 31 of the current year. At that time, all unpaid City real estate taxes are certified to an outside agency for further collection and possible tax sales over an additional 30-month period.

The 2022 tax levy was 23.5376 mills on land and 4.4528 mills on improvements.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Tax Abatement Programs

In accordance with Pennsylvania Act 50 of 2009 and Act 26 of 2011, the City has established a Neighborhood Improvement Zone (NIZ) within the City of Allentown whereby state and local taxes collected from eligible businesses located in and individuals working within the NIZ are collected and remitted to the Commonwealth of Pennsylvania. The taxes collected from business and individuals within the NIZ are used to fund the various economic development projects within the NIZ. All potential NIZ projects must be geographically located within the NIZ and must go through a pre-qualification, application and, if approved, closing process. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service on the project. The types of taxes include earned income, local services, and business privilege along with the business privilege license fees. The total amount collected within the NIZ and remitted to the Commonwealth during the year ended December 31, 2022 was \$4.22 million.

Leases

The City is a lessor for a noncancellable lease of a building at the Allentown Municipal Golf Course and the lessee for certain hangar facility space with the Lehigh-Northampton Airport Authority. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements for the lease of the building and a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for the hangar facility space.

At the commencement of a lease, the City initially measures the lease receivable/lease liability at the present value of payments expected to be received/paid during the lease term. Subsequently, the lease receivable/lease payable is reduced by the principal portion of lease payments received/paid. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

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

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

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

Component Unit

Parking Authority

The Parking Authority is the lessor for three noncancellable leases of building space. The Parking Authority recognizes a lease receivable and a deferred inflow of resources.

Interfund Transactions

As a result of its operations, the City affects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2022, appropriate interfund receivables or payables have been established.

Self-Insurance

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2022, the City carries excess loss insurance policies, which limited its liability to \$1,000,000 per occurrence for workers' compensation, \$500,000 per occurrence for property and flood loss, \$1,000,000 for cyber liability, and \$1,000,000 per occurrence for employee theft. Governmental and proprietary funds are charged based on historical loss patterns. These charges are reimbursed through the various funds. The City's funds reported loss claims based upon the evaluation of an independent claims manager. The

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

City maintains the integrity of funds so provided, together with earnings thereon, in the Risk Management Internal Service Fund solely for the purpose of liquidating claims incurred. Under its self-insurance plan, the City accrues the estimated expense of workers' compensation, property, casualty, and general liability claim costs based on claims filed subsequent to year-end, and an additional amount for incurred but not yet reported claims based on prior experience. An accrual for such costs of \$439,280 is included in the accompanying financial statements. Claim payments based on actual claims ultimately filed could differ materially from these estimates. Settled claims from these risks have not exceeded commercial insurance coverage for the past five years.

Budgets

Annual budgets as required by the City Charter are adopted by City Council on a cash basis for revenues and modified accrual basis for expenditures, including appropriations to cover prior and anticipated current encumbrances. Appropriations not reserved for encumbrances lapse at year-end. Budgets are legally adopted for the General Fund, Capital Projects Fund, Community Development Block Grant Fund, American Rescue Plan Fund, and the following nonmajor funds: Liquid Fuels Fund, Trexler Fund, Risk Management Fund, Solid Waste Fund, Grants Fund, Stormwater Fund, Lease A.O. Fund, and Debt Service Fund.

The City Administration, 60 days prior to the beginning of the new fiscal year, presents the proposed budgets to City Council. A series of public hearings and discussions occur related to the budgets and on or before December 15, City Council approves the budgets. At the time of the budget adoptions, City Council adopts various ordinances related to tax rates and other rates and fees.

The City Charter requires the City's legal level of budgetary control to be at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance within a department and up to \$5,000 between departments. Transfers exceeding \$5,000 must be approved by City Council.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the financial statements:

GASB Statement No. 87, “Leases,” better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of this statement have been adopted and incorporated into these financial statements. As a result of the adoption of this standard, at January 1, 2022, the City recorded a lease receivable and deferred inflow of resources of \$171,515 and a right-to-use lease asset, net of accumulated amortization, and a lease payable of \$2,221,032. There was no restatement of fund balance or net position as a result of the adoption of this standard.

The following GASB statements were also adopted during the year ended December 31, 2022: Statement Nos. 91 – Conduit Debt Obligations; 92 – Omnibus 2020, 97 – Deferred Compensation Plans; and 99 – Omnibus 2022 – paragraphs 26 through 32. These statements had no significant impact on the City’s financial statements for the year ended December 31, 2022.

Component Units

Parking Authority

The Parking Authority adopted the provisions of GASB Statement No. 87, “Leases”. See separately issued financial statements of the Parking Authority for effects of the adoption of this standard.

Pending Changes in Accounting Principles

GASB has issued statements that will become effective in future years including 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections) and 101 (Compensated

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Absences). Management has not yet determined the impact of these statements on the financial statements.

2. Utility System Concession Lease

On May 1, 2013, the City entered into an Agreement with Lehigh County Authority. The terms of the Agreement provide that the Lehigh County Authority pay the City \$220,000,000 and the City lease the system to the Lehigh County Authority to operate and provide utility services. In addition, beginning January 1, 2016, the Lehigh County Authority shall pay the City an annual installment of \$500,000 over the lease term. The lease term began on August 7, 2013 for a term of 50 years. The proceeds of the lease were used to extinguish or defease the debt of the Water and Sewer Funds and provide resources to loan funds and to the City's pension plans.

The proceeds and annual installments due under the Agreement are reported as a deferred inflow of resources, net of the effect of the disposable equipment (those capital assets transferred, but not expected to be returned at the termination of the lease).

The deferred inflow of resources resulting from the Agreement, in the amount of \$178,879,851, is being amortized over the lease term. The deferred inflow of resources resulting from capital construction completed on the utility system, in the amount of \$22,576,696 is being amortized over the estimated useful life of the constructed asset. The total deferred inflow of resources on the governmental activities statement of net position is being amortized as follows:

<u>Year Ending</u>	<u>Total</u>
2023	\$ 4,993,290
2024	4,993,290
2025	4,993,290
2026	4,993,290
2027	4,993,290
Thereafter	<u>176,490,097</u>
Total	<u>\$ 201,456,547</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

2. Utility System Concession Lease (Continued)

For the year ended December 31, 2022, the City recognized \$4,439,857 in charges for services – water and sewer related to the lease.

3. Lease Receivable

The City leases the restaurant and bar facility at the Allentown Municipal Golf Course to a third party. The lease is a two-year lease beginning on January 1, 2021 through December 31, 2023, with an option to extend the lease for two additional two-year terms. Annual amounts expected to be received under the remaining lease term, including amounts for the options to extend are \$43,680, \$47,244, and \$49,134 for the years ending December 31, 2023, 2024, and 2025, respectively. The City records this lease transaction in the business-type activities and Non-Major Municipal Golf Course Fund. The City recognized \$47,216 in lease revenue and \$5,120 in interest revenue during the year ended December 31, 2022 related to this lease. As of December 31, 2022, the City's receivable for lease payments is \$132,955. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$124,399.

As of December 31, 2022, future principal and interest payment to be received under the lease are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 39,862	\$ 3,818	\$ 43,680
2024	44,827	2,417	47,244
2025	48,266	874	49,140
	<u>\$ 132,955</u>	<u>\$ 7,109</u>	<u>\$ 140,064</u>

Component Units

Parking Authority

On January 1, 2005, the Parking Authority entered into a 288-month lease with the Montessori School as lessor for the use of building space. The lease ends on December 31, 2028. As of January 1, 2022, an initial lease receivable was recorded in the amount of \$136,682. The lease receivable is discounted at its present value over the life of the lease using the Parking

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

3. Lease Receivable (Continued)

Authority's incremental borrowing rate as of January 1, 2022 of 3.25%. As of December 31, 2022, the present value of the lease receivable is \$119,745. The Parking Authority recognized lease related revenue of \$21,823 during 2022. Beginning January 1, 2024, the annual lease payments increase to \$22,124 per year.

On December 14, 2012, the Parking Authority entered into a 359 - month lease as Lessor with Two City Center for the use of building space. The lease ends on June 30, 2043. As of January 1, 2022, an initial lease receivable was recorded in the amount of \$3,772,515. The lease receivable is discounted at its present value over the life of the lease using the Parking Authority's incremental borrowing rate as of January 1, 2022 of 3.25%. As of December 31, 2022, the present value of the lease receivable is \$3,758,233. For the first five years of the lease, the annual rent was \$120,000. Beginning in Year 6, the annual rent increases based on the Consumer Price Index published by the US Bureau of Labor Statistics for the Northeast Urban Area. All future annual rental payments were based on the CPI increase as of January 1, 2022, which was 5.90%. The Parking Authority recognized lease related revenue of \$261,291 during 2022.

On September 1, 2007, the Parking Authority entered into a 99 - year lease term as Lessor with LANTA for the use of building space. The Parking Authority received \$8,000,000 upfront from the Lessee at the initial lease term and therefore no lease receivable is reported on the Statement of Net Position for this lease. Annual lease payments in the amount of \$80,808 are amortized each year and recognized as lease revenue. As of December 31, 2022, the Parking Authority had a deferred inflow of future lease payments in the amount of \$6,767,678 related to this lease for payments already made but not recognized.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

3. Lease Receivable (Continued)

As of December 31, 2022, future principal and interest payments to be received under the leases are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 40,436	\$ 124,987	\$ 165,423
2024	51,512	123,483	174,995
2025	62,394	121,624	184,018
2026	74,176	119,396	193,572
2027	86,921	116,769	203,690
2028-2032	569,675	534,224	1,103,899
2033-2037	1,033,444	407,504	1,440,948
2038-2043	1,733,733	185,642	1,919,375
2043	225,687	1,529	227,216
	<u>\$ 3,877,978</u>	<u>\$ 1,735,158</u>	<u>\$ 5,613,136</u>

4. Deposits and Investments

The carrying amounts of cash and investments at December 31, 2022 consist of the following:

Petty cash	\$ 7,000
Deposits	129,664,931
Investments	<u>320,021,845</u>
	<u>\$ 449,693,776</u>

Reconciliation to Statement of Net Position

Cash and cash equivalents:	
Governmental activities	\$ 119,806,333
Business-type activities	4,475,557
Fiduciary funds	<u>5,390,041</u>
	<u>129,671,931</u>
Investments:	
Fiduciary funds	<u>320,021,845</u>
	<u>320,021,845</u>
	<u>\$ 449,693,776</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Deposits and Investments (Continued)

Cash and Cash Equivalents

The City's available cash and cash equivalents are invested in demand deposit accounts.

The City is exposed to custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

At December 31, 2022, the City's book balance was \$129,671,931 and the bank balance was \$130,659,969. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$156,711 was covered by National Credit Union Administration deposit insurance, \$56,172,670 was held in an external investment pool, and \$67,940,547 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. The remaining \$5,390,041 held in the fiduciary funds is invested in money market funds.

As of December 31, 2022, the City's investments were comprised of the following:

Equity mutual funds	\$206,905,798
Fixed Income mutual funds	46,045,958
Real estate investment fund	42,454,530
Corporate bonds	6,182,345
U.S. government obligations	15,837,072
U.S. government agency obligations	2,596,142
Total	<u>\$320,021,845</u>

Component Units

Redevelopment Authority

Custodial Credit Risk

The Redevelopment Authority has custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the Redevelopment Authority's deposits may not be

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Deposits and Investments (Continued)

returned. The Redevelopment Authority has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

The Redevelopment Authority's available cash is invested in demand deposit accounts. At December 31, 2022, the carrying amount of the Redevelopment Authority's bank deposits was \$305,310. The corresponding bank balance at December 31, 2022 was \$404,569, of which \$250,000 is covered by federal deposit insurance. The remaining deposits are exposed to custodial risk because it is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Redevelopment Authority's name. The Redevelopment Authority is covered by a collateral pool consisting of acceptable securities as outlined under Act No. 72, 1971 Session of Pennsylvania Legislature.

Parking Authority

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Parking Authority's deposits may not be returned to it. The Parking Authority does not have a deposit policy for custodial credit risk. As of December 31, 2022, \$250,000 of the Parking Authority's bank balance was insured by the FDIC and \$3,032,386 was uninsured and collateralized with collateral held by the pledging banks trust department not in the Parking Authority's name.

For the Parking Authority, deposits are included in the statement of net position as cash and cash equivalents and certificates of deposit. Amounts invested in external investment pools are not categorized because securities are not used as evidence of the investment.

Investments

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Deposits and Investments (Continued)

As of December 31, 2022, the City had the following investments in money market funds, and debt and equity securities:

	12/31/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	5,390,041	5,390,041	-	-
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 6,182,345	\$ -	\$ 6,182,345	\$ -
U.S. government obligations	15,837,072	15,837,072	-	-
U.S. government agency obligations	2,596,142	2,596,142	-	-
Total debt securities	24,615,559	18,433,214	6,182,345	-
Equity securities				
Equity mutual funds	206,905,798	206,905,798	-	-
Fixed Income mutual funds	46,045,958	46,045,958	-	-
Real estate investment fund	42,454,530	-	-	42,454,530
Total equity securities	295,406,286	252,951,756	-	42,454,530
Total investments at fair value	\$ 320,021,845	\$ 271,384,970	\$ 6,182,345	\$ 42,454,530

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's investment in money market funds, equity mutual funds, and fixed income mutual funds are not exposed to custodial credit risk, because the investments are not evidenced by securities in book entry or paper form. The City's investments in corporate bonds, real estate investment funds, U.S. government obligations, and U.S. government agency obligations are held in the name of the City's multiple Pension Plans. The City does not have a formal policy limiting the amount of investments that can be held by counterparties.

The City's pension plans have a formal investment policy that seeks to minimize the risk of investment losses by requiring diversification of the investment portfolio targeted at 52% domestic equities, 18% international equities, 28% fixed income, and 2% cash for the Police

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Deposits and Investments (Continued)

and Firemen pension plans and 51% domestic equities, 17% international equities, 30% fixed income and 2% cash for the Officers and Employees pension plan.

Interest Rate Risk

The City does not have a formal investment policy for its funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Fair Value	Investment Maturities			Rating
		2023	2024-2028	2029-2033	
Money Market	\$ 5,390,041	\$ 5,390,241	\$ -	\$ -	AAAm
Fixed income mutual fund	46,045,958	-	-	46,045,958	N/A
Corporate bonds	2,226,283	646,676	1,579,607	-	A1
Corporate bonds	1,719,910	919,688	800,222	-	A2
Corporate bonds	558,952	328,361	230,591	-	A3
Corporate bonds	283,301	98,705	184,596	-	Aa2
Corporate bonds	485,302	-	485,302	-	Aa3
Corporate bonds	908,597	614,576	294,021	-	Aaa
Real estate investment fund	42,454,530	-	-	42,454,530	N/A
U.S. government obligations	229,335	229,335	-	-	A1
U.S. government obligations	50,344	-	50,344	-	Aa3
U.S. government obligations	13,468,921	2,844,457	10,624,464	-	Aaa
U.S. government obligations	2,088,472	1,572,248	516,224	-	WR
U.S. government agency obligations	128,723	-	128,723	-	A2
U.S. government agency obligations	165,691	-	165,691	-	A3
U.S. government agency obligations	2,174,777	1,927,587	247,190	-	Aaa
U.S. government agency obligations	126,951	126,951	-	-	WR
Total	<u>\$ 118,506,088</u>	<u>\$ 14,698,825</u>	<u>\$ 15,306,975</u>	<u>\$ 88,500,488</u>	

Participation in External Investment Pools

The City uses Pennsylvania Local Government Investment Trust (PLGIT), an external investment pool, to ensure safety and maximize efficiency, liquidity, and yield for City funds. PLGIT was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth. PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity. PLGIT issues separately audited financial statements that are

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Deposits and Investments (Continued)

available to the public. Further information regarding PLGIT, and its investment strategies can be found at www.plgit.com. The fair value of the City's position in the external investment pool is equivalent to the value of the pool shares. The City's investment is reported at amortized cost, which approximates fair value. The Commonwealth provides external regulatory oversight for the external investment pool.

At December 31, 2022, the City held PLGIT/PRIME shares in the amount of \$8,841,875. PLGIT/PRIME is a variable rate investment portfolio, requires no minimum balance and no minimum initial investment, and limits redemptions or exchanges to two per calendar month. At December 31, 2022, the City held PLGIT Class shares in the amount of \$5,458,841. PLGIT-Class requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. At December 31, 2022, the City held PLGIT/Reserve-Class shares of \$752,113. PLGIT/Reserve-Class shares require a minimum investment of \$50,000, a one-day minimum investment period, and limits redemptions or exchanged to two per calendar month. At December 31, 2022, the City held PLGIT/Term shares of \$41,119,841. PLGIT/Term is a fixed term investment portfolio with maturity up to one year depending upon the termination date of any particular series within the PLGIT/Term portfolio. PLGIT/Term requires a minimum investment of \$100,000, a minimum investment period of sixty days, and has a premature withdrawal penalty. PLGIT/PRIME, PLGIT-Class, and PLGIT/Reserve-Class carried an AAA rating and had an average maturity of less than one year.

Component Units

Parking Authority

The Parking Authority invests its idle funds in various instruments, including external investment pools, which invest in government secured instruments, certificates of deposit with federally insured financial institutions, and money market funds. The investments are valued at fair value, except for those that have a remaining maturity at the time of purchase of one year or less, which are valued at amortized cost. The Parking Authority's investment in external investment pools and money market funds are stated at fair value, which approximates cost. The Parking Authority's investments in certificates of deposit in federally-insured financial institutions are valued at cost because they are considered non-negotiable, non-participating contracts for which redemption terms do not consider market rates.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Deposits and Investments (Continued)

Concentration of Credit Risk

The Parking Authority places no limit on the amount the Parking Authority may invest in any one issuer. More than 5 percent of the Parking Authority's investments are in certificates of deposit, government securities and a money market account. These investments are 33%, 55% and 12%, respectively, of the Parking Authority's total investments at December 31, 2022.

Credit Risk

The Parking Authority does not have a formal policy that would limit its investment choices with regard to credit risk. The Parking Authority's investment in Pennsylvania School District Liquid Asset Fund (PSDLAF) has been rated AAAM, the highest rating available, by Standard and Poor's, an independent investment rating.

Interest Rate Risk

The Parking Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Participation in External Investment Pools

The Parking Authority invests in the PSDLAF, a customized cash management program created in 1982 by the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials to provide a unique set of benefits and enhancements for investing public funds. The general objective of the PSDLAF is to provide its investors with current income while preserving capital in a manner compatible with the needs and requirements of public school and local government entities in Pennsylvania. The pool is not SEC regulated. The investment policy of PSDLAF is guided by Section 440.1 of the Pennsylvania School Code, which governs the temporary investment of funds by school entities.

The fund is managed by a Board of Trustees (Trustees), who oversees, reviews, and supervises the activities of all consultants and professional advisers to PSDLAF. The Trustees also retain an Executive Director of the fund who acts as a consultant to PSDLAF and performs such consulting and advisory services with respect to matters concerning the operations and activities of PSDLAF as may from time to time be reasonably requested by the Trustees. An independent investment company has been appointed by the Trustees to act as PSDLAF's investment adviser.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

4. Deposits and Investments (Continued)

As of December 31, 2022, the carrying amount of external investment pool assets was \$2,228,843. The fair value of external investment pool assets approximates their carrying values as of December 31, 2022. The weighted average maturity of PSDLAF is approximately 125.87 days. The weighted average portfolio yield is approximately 2.298%. As required by the GASB, investments in external investment pools are uncategorized. However, the certificates of deposit with PSDLAF are FDIC insured.

The Parking Authority has the following fair value measurements as of December 31, 2022:

Investment	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Maturity
PSDLAF max series	\$ 268,035	\$ 268,035	\$ -	\$ -	N/A
PSDLAF government securities	1,224,855	1,224,855	-	-	4/13/2023
PSDLAF certificates of deposit					
Synchrony Bank	245,294	-	245,294	-	6/12/2023
Barclays Bank	245,183	-	245,183	-	6/15/2023
Goldman Sachs Bank	245,476	-	245,476	-	6/15/2023
	<u>\$ 2,228,843</u>	<u>\$ 1,492,890</u>	<u>\$ 735,953</u>	<u>\$ -</u>	

Money market and governmental securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Certificates of deposit are classified in Level 2 of the fair value hierarchy and are valued using inputs other than quoted prices that are observable.

5. Loans and Notes Receivable

Loans and notes receivable comprise loan programs under the City's Community Development Block Grant and Revolving Loan federal loan programs. The collectability of the loans is evaluated and an allowance is recorded for amounts which may not be collected by the City. Management has determined that no allowance is necessary at December 31, 2022.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

5. Loans and Notes Receivable (Continued)

Component Units

Redevelopment Authority

Loans receivable as of December 31, 2022 consist of the following:

In November 2014, the Redevelopment Authority conveyed a property to the Community Action Committee of Lehigh Valley (CACLV). In consideration of the transfer, the CACLV entered into a noninterest-bearing promissory note for \$314,999. Principal payments of the greater of (a) 50% of the excess of operating proceeds for the related property for the year ended June 30 or (b) \$700 are due annually commencing August 1, 2015 through 2029. After the initial 15-year term, no additional payments are due if the property remains in the ownership of the owner or another organization as approved by the Redevelopment Authority. If at the end of the 15-year term, certain conditions, as defined in the loan agreement, are not met, the remaining balance of the loan will be due upon the sale or transfer of the property over an additional 15-year term, unless the sale price is less than the remaining balance owed to the Redevelopment Authority, then, the remaining balance owed shall follow the ownership of the property for an additional 15 years or until August 1, 2044, whichever is sooner. If the property remains in the ownership of the CACLV as of August 1, 2044, the remaining balance of the loan will be forgiven. As of the year ended December 31, 2022, the remaining balance of the loan is \$301,361.

In June 2016, the Redevelopment Authority conveyed four properties to the Housing Association and Development Corporation (HADC). In consideration of the transfer, the HADC entered into a noninterest bearing promissory note for \$250,000 which was funded by the Redevelopment Authority in 2016. Principal payments are due within thirty days of borrower receiving HOME funds from the City of Allentown. The HADC shall sign a mortgage with the Redevelopment Authority for each of the properties and the Redevelopment Authority will recover the remaining amount of loan dollars when the properties are sold. As of December 31, 2022, the remaining balance of the loan is \$250,000.

Parking Authority

The Parking Authority received a \$900,000 note receivable from the sale of a parking facility. On January 31, 2022, the note and accrued interest was paid in full by the Da Vinci Science Center, the new owner of the lot.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

6. Capital Assets

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

	January 1, 2022	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2022
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,809,945	\$ -	\$ -	\$ 9,809,945
Assets under concession lease - LCA*	90,395,732	2,255,879	-	92,651,611
Construction in progress	1,085,831	18,961,121	(16,085,510)	3,961,442
Total capital assets, not being depreciated	<u>101,291,508</u>	<u>21,217,000</u>	<u>(16,085,510)</u>	<u>106,422,998</u>
Capital assets, being depreciated:				
Right-to-use leased asset	2,948,272	-	-	2,948,272
Assets under concession lease - City	8,747,824	2,837,511	-	11,585,335
Buildings	24,870,272	-	-	24,870,272
Land and building improvements	45,758,319	6,350,524	-	52,108,843
Machinery and equipment	40,397,152	1,408,562	-	41,805,714
Vehicles	27,683,771	2,656,004	(588,437)	29,751,338
Infrastructure	150,710,979	6,897,475	-	157,608,454
Total capital assets, being depreciated	<u>301,116,589</u>	<u>20,150,076</u>	<u>(588,437)</u>	<u>320,678,228</u>
Less accumulated depreciation for:				
Right-to-use leased asset	727,240	117,931	-	845,171
Assets under concession lease - City	1,148,850	298,029	-	1,446,879
Buildings	21,576,697	324,952	-	21,901,649
Land and building improvements	26,623,274	1,693,617	-	28,316,891
Machinery and equipment	31,354,629	1,681,337	-	33,035,966
Vehicles	19,511,115	1,557,337	(588,437)	20,480,015
Infrastructure	57,715,875	3,827,457	-	61,543,332
Total accumulated depreciation	<u>158,657,680</u>	<u>9,500,660</u>	<u>(588,437)</u>	<u>167,569,903</u>
Total capital assets, being depreciated, net	<u>142,458,909</u>	<u>10,649,416</u>	<u>-</u>	<u>153,108,325</u>
Governmental activities, capital assets, net	<u>\$ 243,750,417</u>	<u>\$ 31,866,416</u>	<u>\$ (16,085,510)</u>	<u>\$ 259,531,323</u>

In conjunction with the adoption of GASB No. 87, the January 1, 2022 balances have been restated to include the Right-to-use leased assets of \$2,948,272 less accumulated depreciation of \$727,240.

* During the year ended December 31, 2013, certain assets associated with the Utility System Concession Lease Agreement were transferred from the Water and Sewer funds to Governmental Activities. As required under GASB Statement No 60, *Accounting and Financial*

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

6. Capital Assets (Continued)

Reporting for Service Concession Arrangements, capital assets retained as part of a concession lease agreement should not be depreciated if the arrangement requires the operator to return the facility to the transferor in its original or enhanced condition. As such, no depreciation will be taken on these assets during the term of the Agreement.

	January 1, 2022	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2022
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,134,759	\$ -	\$ -	\$ 1,134,759
Total capital assets, not being depreciated	<u>1,134,759</u>	<u>-</u>	<u>-</u>	<u>1,134,759</u>
Capital assets, being depreciated:				
Buildings	1,288,153	104,169	-	1,392,322
Land and building improvements	4,891,218	-	-	4,891,218
Machinery and equipment	6,100,061	459,932	-	6,559,993
Vehicles	3,989,926	191,130	-	4,181,056
Distribution and collection systems	37,465	-	-	37,465
Total capital assets, being depreciated	<u>16,306,823</u>	<u>755,231</u>	<u>-</u>	<u>17,062,054</u>
Less accumulated depreciation for:				
Buildings	701,785	23,235	-	725,020
Land and building improvements	4,309,804	118,223	-	4,428,027
Machinery and equipment	4,269,391	274,065	-	4,543,456
Vehicles	3,268,130	157,511	-	3,425,641
Distribution and collection systems	10,783	379	-	11,162
Total accumulated depreciation	<u>12,559,893</u>	<u>573,413</u>	<u>-</u>	<u>13,133,306</u>
Total capital assets, being depreciated, net	<u>3,746,930</u>	<u>181,818</u>	<u>-</u>	<u>3,928,748</u>
Business-type activities, capital assets, net	<u>\$ 4,881,689</u>	<u>\$ 181,818</u>	<u>\$ -</u>	<u>\$ 5,063,507</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

6. Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,467,717
Public safety	700,814
Community development	217,736
Public works	6,218,008
Parks and recreation	896,385
Total	<u>\$ 9,500,660</u>

Depreciation expense was charged to business-type activities as follows:

Solid Waste Fund	\$ 367,272
Municipal Golf Course Fund	206,141
Total	<u>\$ 573,413</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

6. Capital Assets (Continued)

Component Units

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2022 is as follows:

	January 1, 2022	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2022
<u>Parking Authority</u>				
Capital assets, not being depreciated:				
Land	\$ 7,824,992	\$ 488,124	\$ (59,264)	\$ 8,253,852
Construction in progress	20,230,255	7,996,535	(1,578,681)	26,648,109
Total capital assets, not being depreciated	28,055,247	8,484,659	(1,637,945)	34,901,961
Capital assets, being depreciated:				
Buildings and improvements	1,685,751	-	-	1,685,751
Leasehold improvements	507,650	-	-	507,650
Parking garages and lots	67,405,972	25,135	-	67,431,107
Furniture and equipment	3,386,146	1,567,351	(38,728)	4,914,769
Vehicles	618,237	259,819	(84,377)	793,679
Total capital assets, being depreciated	73,603,756	1,852,305	(123,105)	75,332,956
Less accumulated depreciation for:				
Buildings and improvements	1,440,880	66,269	-	1,507,149
Leasehold improvements	456,885	25,382	-	482,267
Parking garages and lots	25,239,947	1,543,153	-	26,783,100
Furniture and equipment	2,220,816	267,564	(32,403)	2,455,977
Vehicles	358,924	110,153	(64,935)	404,142
Total accumulated depreciation	29,717,452	2,012,521	(97,338)	31,632,635
Total capital assets, being depreciated, net	103,321,208	3,864,826	(220,443)	106,965,591
Parking Authority activities, capital assets, net	\$ 71,941,551	\$ 8,324,443	\$ (1,663,712)	\$ 78,602,282

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

7. Interfund Receivable and Payable Balances

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

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	Revolving Loan	Reimburse funds	\$ 1,320
General	Golf	Reimburse funds	125,000
General	CDBG	Short-term Loan	885,395
Capital Projects	American Rescue Plan	Reimburse funds	1,636,494
American Rescue Plan	Capital	Reimburse funds	49,488
			\$ 2,697,697

8. Individual and Fund Interfund Transfers

Interfund transfers for the year ended December 31, 2022 consisted of the following:

	Transfers in:					Total
	General	Debt Service	Capital Projects	Trexler Fund	Solid Waste	
Transfers out:						
General	\$ -	\$ 9,398,015	\$ 169,057	\$ -	\$ -	\$ 9,567,072
Liquid Fuels	-	65,816	-	-	-	65,816
Lease/A.O.	-	-	1,401,251	-	-	1,401,251
Capital Projects	2,421,400	-	-	123,000	30,293	2,574,693
Stormwater	397,335	-	-	-	-	397,335
American Rescue Plan	1,450,000	-	6,551,305	-	-	8,001,305
Solid Waste	1,116,851	-	-	-	-	1,116,851
Golf	378,047	-	-	-	-	378,047
Trexler	-	-	1,163,126	-	-	1,163,126
Risk	134,214	-	-	-	-	134,214
	\$ 5,897,847	\$ 9,463,831	\$ 9,284,739	\$ 123,000	\$ 30,293	\$ 24,799,710

Transfers from the General Fund and Liquid Fuels to the Debt Service Fund were made to cover Debt Service requirements.

Transfers to the Capital Projects Fund and Trexler Fund were for construction and other capital projects.

The remaining transfers were initiated to fulfill budgetary transfer requirements.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

9. Lease Payable

The City entered into a noncancelable lease agreement for a hangar facility on November 1, 2015 with a 10-year term expiring on October 31, 2025. The lease has an option to extend for three additional 5-year terms. An initial lease liability was recorded in the amount of \$2,948,272 in governmental activities during the year ended December 31, 2022 due to GASB 87 implementation. As of December 31, 2022, the lease liability was \$2,603,675. The City is required to make annual payments ranging from \$144,689 in 2023 to \$152,014 in 2025 and ranging from \$157,335 to \$254,677 during the optional extension terms. The lease has an interest rate of 3%. The hangar facility has a 25-year estimated useful life. The net value of the right-to-use leased asset as of December 31, 2022 is \$2,103,101, net of accumulated amortization of \$845,171.

The future principal and interest payment on the lease payable as of December 31, 2022, were as follows:

	Principal	Interest	Total
2023	\$ 68,106	\$ 77,186	\$ 145,292
2024	73,860	75,065	148,925
2025	80,134	72,766	152,900
2026	87,997	70,255	158,252
2027	96,289	67,502	163,791
2028-2032	622,262	286,803	909,065
2033-2037	906,272	173,413	1,079,685
2038-2040	668,755	30,104	698,859
Totals	<u>\$ 2,603,675</u>	<u>\$ 853,094</u>	<u>\$ 3,456,769</u>

10. Pension Plans

Plan Description and Administration

The City has three single-employer defined benefit pension plans covering Police, Firemen, and certain non-uniformed employees (Officers and Employees Plan). The Plans provide for retirement, disability, vested and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the Police, Firemen, and Officers and Employees Retirement Boards. All full-time City employees hired prior to June 8, 1976 are

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

eligible to participate in these Plans. The City's three single-employer pension plans do not issue separate financial statements.

The Plans are governed by the City's Aggregate Pension Board (Board), which consists of the Finance Director, Controller, a Council Member, and two members from each Plan's respective pension board.

The Police and Firemen Plans are governed by the Mayor, Finance Director, Controller, four City residents, and four active members of the plan.

The Officers and Employees Plan is governed by the Mayor, Finance Director, Controller, two active employees that are members of the plan, one retired member of the plan and a council member only if the person is a retired member of the plan.

The City also participates in a defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). The full-time non-uniformed City employees hired after June 8, 1976 are eligible to participate in the PMRS Plan. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, which may be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or investment earnings.

Pension expenditures/expenses are allocated between governmental and business-type activities based on the proportion of active employees representing participants in each of these plans.

Summary of Significant Accounting Policies

The financial statements of the Plans are reported using the accrual basis of accounting. Contributions to the Plans are recognized when due as required by Act 205 of the Commonwealth (Act 205). Benefits and refunds are recognized when due and payable in

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

accordance with the terms of the Plans. All investments of the Plans are reported at fair value as of the measurement date.

CITY OF ALLENTOWN

COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

The combining information as of the year ended December 31, 2022 for the plans is as follows:

	Component Unit Pension Trust Funds			Total
	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	
Assets				
Cash and cash equivalents	\$ 2,960,605	\$ 2,016,130	\$ 413,306	\$ 5,390,041
Interest receivable	38,146	44,311	14,419	96,876
Other receivables	39,061	23,302	182	62,545
Investments, at fair value:				
Equity mutual funds	125,230,086	78,150,026	3,525,686	206,905,798
Fixed income mutual funds	31,796,886	14,249,072	-	46,045,958
Real estate investment fund	26,070,205	16,384,325	-	42,454,530
Corporate bonds	2,539,414	2,738,623	904,308	6,182,345
U.S. government obligations	6,519,015	7,037,797	2,280,260	15,837,072
U.S. government agency obligations	1,074,849	1,139,406	381,887	2,596,142
Total Assets	196,268,267	121,782,992	7,520,048	325,571,307
Liabilities				
Accounts payable	7,829	6,059	1,178	15,066
Total Liabilities	7,829	6,059	1,178	15,066
Net Position				
Restricted for pension benefits	196,260,438	121,776,933	7,518,870	325,556,241
Total Net Position	\$ 196,260,438	\$ 121,776,933	\$ 7,518,870	\$ 325,556,241

CITY OF ALLENTOWN

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

	Component Unit Pension Trust Funds			Total
	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	
Additions:				
Contributions:				
Employer	\$ 9,318,319	\$ 3,841,351	\$ 232,542	\$ 13,392,212
Plan members	1,050,124	667,563	4,686	1,722,373
Total contributions	<u>10,368,443</u>	<u>4,508,914</u>	<u>237,228</u>	<u>15,114,585</u>
Investment income(loss):				
Net depreciation in fair value of investments	(33,294,654)	(19,874,439)	(983,734)	(54,152,827)
Interest and dividends	4,379,254	2,703,503	139,091	7,221,848
Less investment expenses	(103,942)	(69,515)	(7,312)	(180,769)
Net investment income	<u>(29,019,342)</u>	<u>(17,240,451)</u>	<u>(851,955)</u>	<u>(47,111,748)</u>
Total additions	<u>(18,650,899)</u>	<u>(12,731,537)</u>	<u>(614,727)</u>	<u>(31,997,163)</u>
Deductions:				
Benefits paid to recipients	13,486,372	8,495,601	1,499,098	23,481,071
Administrative and other fees	3,226	1,964	840	6,030
Total deductions	<u>13,489,598</u>	<u>8,497,565</u>	<u>1,499,938</u>	<u>23,487,101</u>
Change in Net Position	<u>(32,140,497)</u>	<u>(21,229,102)</u>	<u>(2,114,665)</u>	<u>(55,484,264)</u>
Net Position:				
Beginning of year	<u>228,400,935</u>	<u>143,006,035</u>	<u>9,633,535</u>	<u>381,040,505</u>
End of year	<u>\$ 196,260,438</u>	<u>\$ 121,776,933</u>	<u>\$ 7,518,870</u>	<u>\$ 325,556,241</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Plan Membership

Plan memberships consisted of the following per the January 1, 2021 actuarial valuation:

	<u>Police</u>	<u>Firemen</u>	<u>Officers and Employees</u>	<u>PMRS</u>
Active employees	214	128	1	409
Inactive plan members entitled to but not yet receiving benefits	14	1	-	15
Inactive plan members or beneficiaries currently receiving benefits	293	192	97	478

Benefit Provisions

Benefit provisions and their amendments are authorized by the separate Pension Boards for the Police, Firemen, and Officers and Employees Plans and by the Pennsylvania State Act 15 for the PMRS Plan.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries.

For participants hired prior to January 1, 2009:

- Eligibility: 20 years of service
 - Basic Benefit: The retirement benefit shall be 50.5% of the rate of monthly pay of the employee at the time of retirement or the highest average annual salary during any five years of service.
 - Service Increment: 7.5% of salary for the first full year of service over 20 years, plus 3.0% of salary for each of the next four full years of service up to a maximum of 19.5% of salary. Service after attaining age 65 is excluded.
 - The maximum benefit is 70% of salary.
 - Salary will include base pay, longevity, holiday pay, festive pay, shift differential and overtime. Overtime shall be limited to 10% of base pay for the rate of monthly pay.
 - The minimum benefit is \$10,400 per year.
-

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

For participants hired on or after January 1, 2009:

- Eligibility: Age 50 with 20 years of service
- Basic Benefit: The retirement benefit shall be 50% of the rate of monthly pay of the employee at the time of retirement or the highest average annual salary during any five years of service.
- Service Increment: One-fortieth (1/40th) times the Basic Benefit for each year of service in excess of 20 years. The total Service Increment cannot exceed \$6,000 in total annual benefit increase (i.e., \$500 additional monthly benefit). Service after attaining age 65 is excluded.
- The maximum benefit is 70% of salary.
- Salary will include base pay, longevity, holiday pay, festive pay, shift differential and overtime. Overtime shall be limited to 10% of base pay for the rate of monthly pay.
- The minimum benefit is \$10,400 per year.

For all participants, benefits vest at 100% after 12 years of service. If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive an annual benefit of 50.5% of officer's wages if prior to retirement eligibility, or the normal retirement benefit if the participant is retirement eligible. If death occurs before retirement age, the amount paid to the surviving spouse is equal to 62.5% of the officer's wages or 50.5% plus service increments which the officer would be entitled to receive at the time of death, whichever is higher.

Firemen Pension Plan

The Firemen Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries.

For participants hired prior to January 1, 2012:

- Eligibility: 20 years of service
 - Basic Benefit: The retirement benefit shall be determined by the rate of monthly pay of the employee at the time of retirement or the highest average annual salary during any five years of service.
 - Salary will include base pay, longevity, holiday pay, festive pay, shift differential and overtime.
 - Overtime shall be limited to 10% of base pay.
-

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

- The benefit will be a percent of pay in accordance with the following table:

Years of Service	20	21	22	23	24	25
Percent of Benefit	50.5%	54.0%	58.0%	62.0%	66.0%	70.0%

For participants hired on or after January 1, 2012:

- Eligibility: Age 50 with 20 years of service
- Basic Benefit: The retirement benefit shall be 50% of monthly pay at time of retirement of the highest average annual salary due any five years of service.
- Service Increment: One-fortieth (1/40th) times the Basic Benefit for each year of service in excess of 20 years. The total Service Increment cannot exceed \$2,400 in total annual benefit increase (i.e., \$200 additional monthly benefit). Service after attaining age 65 is excluded.
- The minimum benefit for all participants is \$10,400 per year.

If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive 10% of salary if less than two years of service, 20% of salary with at least two years of service but less than five years, 30% of salary with at least five years of service but less than 10 years, 40% of salary with at least 10 years of service but less than 15 years, 50% of salary with at least 15 years but less than 20 years, and same as normal retirement if at least 20 years of service. If death occurs before retirement age, the amount paid to the surviving spouse is equal to 100.0% of the pension benefit applicable to the member.

Officers and Employees Pension Plan

The Officers and Employees Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Plan was open to new employees until June 2, 1976.

- Eligibility: Age 55 and 20 years of service or age 60 with 12 years of service
- Basic Benefit: 50% of the larger of the final annual salary or the highest average compensation of any 5 years of service, not less than \$10,400 per year. If the member

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

- has less than twenty (20) years of service, then the basic benefit is prorated based upon credited service at retirement to twenty years. Payments are made bi-weekly.
- Service Increment: One-fortieth (1/40th) of the basic benefit for each full year of service in excess of twenty (20). Service after age sixty-five shall not be counted. In order to be eligible for the service increment benefit, the employee must make additional contributions of one half of one percent (1/2%) of the salary.

PMRS Pension Plan

The PMRS Pension Plan provides retirement, survivor and disability benefits. Benefits vest at 100% after 12 years of service. Employees are eligible for normal retirement benefits at age 55. Employees terminating voluntarily after 20 years of service or involuntarily after eight years of service are eligible for early retirement. Annual retirement benefits are based on an employee's average annual salary during the last five years of employment, multiplied by years of service based on 1.25% times service if employed before January 1, 1990, 1.75% times service if employed between January 1, 1990 and December 31, 1995, and 2.10% times service if employed on or after January 1, 1996. The maximum benefit is 80% of the final average salary. Benefits are payable monthly for life with no Social Security offset. If a member is eligible to retire at time of death, the member's beneficiary receives the present value of accrued benefits. At retirement, a member may elect a survivor benefit. The plan disability benefit is provided for service-related disabilities, regardless of age or years of service. Disability benefits are offset by available workers' compensation benefits.

A 30% disability benefit is provided for nonservice-related disabilities for members with at least 10 years of service.

Contributions

Pennsylvania Act 205 of 1984 (Act 205) requires that annual contributions to the Plans be based upon each plan's Minimum Municipal Obligation (MMO), which is based on the Plans' biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization of the unfunded actuarial accrued liability. According to Act 205, actuarial valuations may be completed biennially and the most recent valuations for all City plans were completed as of January 1, 2021. Act 44 provided for a reduction in the amortization requirement by 25% for the five-year period from 2011 through 2015. This reduction is reflected in the final MMO calculation. The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

must be used for pension funding and is reported as revenue and expenditure in the General Fund. Any funding requirements established by the MMO in excess of member contributions and state aid must be paid by the municipality in accordance with Act 205.

Active members of the Police and Firemen Plans are required to contribute 5% of covered payroll to their respective pension plans. Active members of the Officers and Employees Plan are required to contribute 3.5% of covered payroll, 3% for members not covered by Social Security, and 1% of covered payroll for survivor benefits to the plan. Active members of the PMRS Pension Plan are required to contribute 7.5% to the plan. These contributions are governed by the Plans' governing ordinances and collective bargaining agreements.

During the year ended December 31, 2022, the City contributed \$9,318,319 to the Police Pension Plan, of which \$2,217,233 were Act 205 funds; \$3,841,351 to the Firemen Pension Plan, of which \$1,336,557 were Act 205 funds; \$232,542 to the Officers and Employees Plan, of which \$5,180 were Act 205 funds; and \$3,667,714 to the PMRS Pension Plan, of which \$2,253,497 were Act 205 funds.

During the year ended December 31, 2022, active members contributed \$1,050,124 to the Police Pension Plan, \$667,563 to the Firemen Pension Plan, \$4,686 to the Officers and Employees Pension Plan. For 2021, members contributed \$2,091,457 to the PMRS Plan.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2022 were as follows:

Police Pension Plan

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension (Asset)/Liability</u>
Balances at December 31, 2021	\$ 240,219,041	\$ 228,400,935	\$ 11,818,106
Changes for the year:			
Service cost	4,371,591	-	4,371,591
Interest	17,609,616	-	17,609,616
Contributions - employer	-	9,318,319	(9,318,319)
Contributions - member	-	1,050,124	(1,050,124)
Net investment income (loss)	-	(29,019,342)	29,019,342
Benefit payments, including refunds	(13,486,372)	(13,486,372)	-
Administrative expense	-	(3,226)	3,226
Net changes	<u>8,494,835</u>	<u>(32,140,497)</u>	<u>40,635,332</u>
Balances at December 31, 2022	<u>\$ 248,713,876</u>	<u>\$ 196,260,438</u>	<u>\$ 52,453,438</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>78.9%</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Firemen Pension Plan

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension (Asset)/Liability</u>
Balances at December 31, 2021	\$ 138,403,028	\$ 143,006,035	\$ (4,603,007)
Changes for the year:			
Service cost	2,041,817	-	2,041,817
Interest	10,084,191	-	10,084,191
Contributions - employer	-	3,841,351	(3,841,351)
Contributions - member	-	667,563	(667,563)
Net investment income (loss)	-	(17,240,451)	17,240,451
Benefit payments, including refunds	(8,495,601)	(8,495,601)	-
Administrative expense	-	(1,964)	1,964
Net changes	<u>3,630,407</u>	<u>(21,229,102)</u>	<u>24,859,509</u>
Balances at December 31, 2022	<u>\$ 142,033,435</u>	<u>\$ 121,776,933</u>	<u>\$ 20,256,502</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>85.7%</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Officers and Employees Pension Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)/Liability
Balances at December 31, 2021	\$ 10,003,328	\$ 9,633,535	\$ 369,793
Changes for the year:			
Service cost	9,991	-	9,991
Interest	593,625	-	593,625
Contributions - employer	-	232,542	(232,542)
Contributions - member	-	4,686	(4,686)
Net investment income (loss)	-	(851,955)	851,955
Benefit payments, including refunds	(1,499,098)	(1,499,098)	-
Administrative expense	-	(840)	840
Net changes	(895,482)	(2,114,665)	1,219,183
Balances at December 31, 2022	\$ 9,107,846	\$ 7,518,870	\$ 1,588,976
Plan fiduciary net position as a percentage of the total pension liability			82.6%

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

PMRS Pension Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)/Liability
Balances at December 31, 2021 (based on the measurement date of December 31, 2020)	\$ 187,937,343	\$ 193,932,486	\$ (5,995,143)
Changes for the year:			
Service cost	4,092,285	-	4,092,285
Interest	9,806,530	-	9,806,530
Contributions - employer	-	3,359,046	(3,359,046)
Contributions - member	-	2,091,457	(2,091,457)
PMRS assessment	-	18,720	(18,720)
PMRS investment income	-	9,054,917	(9,054,917)
Market value investment gain	-	18,039,112	(18,039,112)
Transfers	44,974	44,974	-
Benefit payments, including refunds	(10,653,468)	(10,653,468)	-
PMRS administrative expense	-	(18,720)	18,720
Additional administrative expense	-	(512,853)	512,853
Net changes	3,290,321	21,423,185	(18,132,864)
Balances at December 31, 2022 (based on the measurement date of December 31, 2021)	\$ 191,227,664	\$ 215,355,671	\$ (24,128,007)
Plan fiduciary net position as a percentage of the total pension liability			112.6%

At December 31, 2022 the net pension asset of the PMRS plan is allocated between the governmental activities and the business-type activities in the amounts of \$21,771,556 and \$2,356,451, respectively.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Actuarial Assumptions

The total pension liability for the Police, Firemen, and Officers and Employees pension plans was determined as part of the January 1, 2021 actuarial valuation, updated to December 31, 2022, using the following actuarial assumptions, applied to all periods in the measurement:

	Police	Firemen	Officers and Employees
Valuation date	1/1/2021	1/1/2021	1/1/2021
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar closed period	Level dollar closed period	Level dollar closed period
Amortization period	14 years	13 years	2 years
Asset valuation method	*Five-year smoothed market 80%/20% corridor around market		
Actuarial Assumptions:			
Investment rate of return	7.40%	7.40%	6.40%
Projected salary increases	4.50%	4.50%	4.50%
Mortality - Healthy Lives	Blue Collar Adjusted RP-2000 Combined Health Mortality Table, projected generationally from base year 2000 using 50% of scale AA		RP-2000 Combined Healthy Mortality Table, projected generationally from base year 2000 using 50% of scale AA
Mortality - Disability Lives	RP-2000 Disabled Mortality Table		
Cost of Living Adjustment	2.4% per year upon eligibility to receive a COLA		0%

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

The total pension liability for the PMRS pension plan was determined as part of the January 1, 2021 actuarial valuation, with liabilities rolled forward to December 31, 2021, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	5.25%
Projected salary increases	2.79% - 6.22%*
* includes inflation rate of 2.2%	
Cost-of-living adjustments	2.2%, subject to plan limitations

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2014 to December 31, 2018

Preretirement mortality:

Males: Pub-2010 General Employees male table
Females: Pub-2010 General Employees female table

Postretirement mortality:

Males: RP 2006 Male Annuitant table
Females: RP 2006 Female Annuitant table

Changes in Assumptions

Effective with the December 31, 2020 measurement date were the following assumption changes: the experience study was updated from period covering January 1, 2009 through December 31, 2013 to January 1, 2014 through December 31, 2018; mortality tables were updated from RP 2000 to PUB-2010 for pre-retirement and RP 2006 for post-retirement; post-retirement cost of living decreased from 2.8% to 2.2%; and projected salary increases were also adjusted.

Investment Policy

Police, Firemen, and Officers and Employees Pension Plans

The policies in regard to the allocation of invested assets for the Police, Firemen, and Officers and Employees Pension Plans are established and may be amended by the respective Boards. The Boards seek to optimize the total return of these Plans' portfolios through a policy of well

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. There were no amendments to the investment policy of the Police, Firemen, and Officers and Employees Pension Plans during the year ended December 31, 2022. At December 31, 2022, the Police, Firemen and Officers and Employees Plan had no investments in any one organization which represented five percent or more of each plan's respective fiduciary net position.

In order to meet its needs, the investment strategy of the Police, Firemen, and Officers and Employees Pension Plans is to responsibly and prudently maximize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class for the plans as of December 31, 2022 are summarized from the following table:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return
	Police	Firemen	Officers and Employees	
Domestic equity	52.0%	52.0%	35.0%	5.1%
International equity	14.0%	14.0%	11.0%	5.5%
Core fixed income	17.0%	11.0%	0.0%	4.8%
Fixed income	6.0%	12.0%	52.0%	1.8%
Real estate	10.0%	10.0%	0.0%	1.0%
Cash	1.0%	1.0%	2.0%	10.0%
	100.0%	100.0%	100.0%	

Long-Term Expected Rate of Return – The long-term expected rate of return on the Police, Firemen, and Officers and Employees pension plan investments was developed as a weighted average return based on the target asset allocation of the plan and the long-term expected rate of return for each asset class. The overall return for each asset class was developed by using current market pricing (normalized equity valuations, equity dividend yields, fixed income yields, etc.), as appropriate and historical data (real earnings-per-share growth, real equity returns, etc.) as a guide.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

December 31, 2022, the market value of assets returned -12.77% for the Police Plan, -12.19% for the Firemen Plan, and -9.37% for the Officers and Employees Plan.

PMRS Pension Plan

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the System's Long-Term Expected Rate of Return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.25%). Best estimates of geometric real rates of return for each utilized asset class are included in the pension plan's target asset allocation as of December 31, 2021 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class."

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Net Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities (large-capitalized firms)	24.50%	7.49%	4.90%
Domestic equities (small-capitalized firms)	8.00%	8.18%	5.68%
International developed markets equities	14.50%	8.07%	5.57%
International emerging markets equities	3.00%	8.21%	5.71%
Global equities	5.00%	7.28%	4.78%
Real estate	10.00%	7.40%	4.90%
Timber	5.00%	6.17%	3.67%
Fixed income (core investment grade)	24.00%	4.32%	1.82%
Fixed income (opportunistic credit)	5.00%	7.88%	5.38%
Cash	1.00%	1.18%	-1.32%
Total Portfolio	<u>100.00%</u>	<u>7.42%</u>	<u>4.92%</u>

Based on the aforementioned methodology, the Board has established the System's Long-Term Expected Rate of Return at 7.42%.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

In addition to determining the System's Long-Term Nominal Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Nominal 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, this rate is equal to 5.25%.

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 60%. The table below labeled "Confidence Levels for System Nominal Net and Real Rates of Return" identifies simulated portfolio returns at various confidence levels based on the most recent asset allocation study conducted by the Boards' investment consultant, Marquette Associates.

<u>Confidence Interval</u>	<u>Nominal Net Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
95%	4.20%	1.70%
90%	5.06%	2.56%
85%	5.57%	3.07%
80%	6.18%	3.68%
75%	6.47%	3.97%
70%	6.93%	4.43%
60%	7.57%	5.07%

Discount Rate

Police, Firemen, and Officers and Employees Pension Plans

The discount rate as of December 31, 2022 is 7.40% for the Police and Firemen's Pension Plans and 6.40% for the Officers and Employees Pension Plan. These rates are the assumed long-term expected rate of return on Plan investments.

The projection of cash flows used to determine the discount rate assumed that the City of Allentown will contribute to the Plans based on the Minimum Municipal Obligation, as required by Act 205. Based on this policy, the Plan's Fiduciary Net Positions are expected to be available to make all projected future benefit payments for current members. Therefore, the

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

long-term expected rates of return on Plan Investments were applied to all periods of the projected benefit payments to determine the Total Pension Liability.

PMRS Pension Plan

While it is often common practice to establish an actuarial discount rate that is equal to the Long-Term Expected Nominal Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the Regular Interest Rate (Regular Interest Rate/Discount Rate). The PMRS Board establishes the Regular Interest Rate/Discount Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. As a starting point, the Board considers the following five quantitative factors in reviewing the Regular Interest Rate/Discount 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 annuity purchase rates (Pension Benefit Guarantee Corporation (PBGC) annuity rates have been used a proxy for this),
4. PMRS system Long-Term Expected Nominal Rate of Return, and
5. PMRS investment expenses.

A formula using these factors is as follows:

$$\text{Regular Interest Rate/Discount Rate} = (\text{Retiree Liability Percentage} \times \text{Smoothed PBGC Annuity Rates}) + (\text{Active Employee Liability Percentage} \times \text{System Long-Term Expected Rate of Return}) - (\text{Investment Expenses as a percentage of assets})$$

The PMRS Board then considers the Regular Interest Rate/Discount Rate derived from the above formula against a variety of qualitative factors such as the desire to minimize Regular Interest Rate/Discount Rate volatility, probability of achieving the Regular Interest Rate, varying levels of asset allocation and liquidity, trending of 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 Regular Interest Rate/Discount Rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2021.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

The Regular Interest Rate/Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment

returns in excess of the Regular Interest Rate/Discount Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for the in law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Regular Interest Rate/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 the 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 (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plan’s net pension liability (asset) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	<u>1% Decrease (6.40%)</u>	<u>Current Discount Rate (7.40%)</u>	<u>1% Increase (8.40%)</u>
Police	<u>\$ 84,549,446</u>	<u>\$ 52,453,438</u>	<u>\$ 26,081,298</u>
Firemen	<u>\$ 36,598,546</u>	<u>\$ 20,256,502</u>	<u>\$ 6,520,830</u>
	<u>1% Decrease (5.40%)</u>	<u>Current Discount Rate (6.40%)</u>	<u>1% Increase (7.40%)</u>
Officers and Employees	<u>\$ 2,080,107</u>	<u>\$ 1,588,976</u>	<u>\$ 1,147,048</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
PMRS	\$ (1,551,952)	\$ (24,128,007)	\$ (43,125,839)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the City recognized pension expense of \$8,888,036 as a whole; in the governmental activities, \$9,657,476, and (\$769,440) in the business-type activities. By plan as follows: \$12,091,727 police, \$3,037,499 for fireman, \$265,697 for O&E, and (\$6,506,877) for PMRS.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	Firemen	O&E	PMRS	Total
<u>Deferred Outflows of Resources:</u>					
Differences between expected and actual experience	\$ 3,079,459	\$ 220,292	\$ -	\$ 468,556	\$ 3,768,307
Changes in assumptions	4,136,622	861,743	-	3,469,922	8,468,287
City contributions subsequent to measurement date	-	-	-	3,667,715	3,667,715
Net difference between projected and earnings on pension plan investments	18,758,358	10,792,536	728,636	-	30,279,530
Total deferred outflows of resources	\$ 25,974,439	\$ 11,874,571	\$ 728,636	\$ 7,606,193	\$ 46,183,839
<u>Deferred Inflows of Resources:</u>					
Differences between expected and actual experience	\$ 303,734	\$ 126,858	\$ -	\$ -	\$ 430,592
Net difference between projected and actual earnings on pension plan investments	-	-	-	30,562,485	30,562,485
Total deferred inflows of resources	\$ 303,734	\$ 126,858	\$ -	\$ 30,562,485	\$ 30,993,077

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in pension expense in subsequent year financial statements and remaining deferred outflows and inflows will be amortized to pension expense as follows:

	Police	Firemen	O & E	PMRS	Total
2023	\$ 3,380,249	\$ (6,817)	\$ 33,468	\$ (6,771,719)	\$ (3,364,819)
2024	7,538,089	2,627,421	198,391	(9,374,686)	989,215
2025	5,590,850	3,591,518	211,032	(6,869,778)	2,523,622
2026	9,161,517	5,535,591	285,745	(3,607,824)	11,375,029
	\$ 25,670,705	\$ 11,747,713	\$ 728,636	\$ (26,624,007)	\$ 11,523,047

At December 31, 2022, the City reported deferred outflows of resources related to pension from the following sources:

	Governmental Activities	Business-Type Activity
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 3,722,546	\$ 45,761
Changes in assumptions	8,129,398	338,889
City contributions subsequent to measurement date	3,309,510	358,205
Net difference between projected and actual earning on pension plan investments	30,279,530	-
Total deferred outflows of resources	\$ 45,440,984	\$ 742,855
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 430,592	\$ -
Net difference between projected and actual earning on pension plan investments	27,577,613	2,984,872
Total deferred inflows of resources	\$ 28,008,205	\$ 2,984,872

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

The differences in the City's expected and actual experience and changes in assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between the projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date totaling \$3,667,715 will be recorded as a reduction to the pension liability during the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2023	\$ (2,703,461)	\$ (661,358)
2024	1,904,789	(915,574)
2025	3,194,555	(670,933)
2026	<u>11,727,386</u>	<u>(352,357)</u>
	<u>\$ 14,123,269</u>	<u>\$ (2,600,222)</u>

Component Units

Parking Authority

Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan

The Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan is designed to provide retirement benefits to the Parking Authority's eligible union employees. The plan covers all eligible employees over the age of 18 with six months of service with the Parking Authority. Employer contributions to the plan are established by the Union's collective bargaining agreement. Employer contributions were fixed at 5% by the collective bargaining agreement for the year ended December 31, 2022. Participant contributions are on a voluntary basis up to 3% of compensation. The plan's provisions may be amended by resolution of the Parking Authority's Board of Directors, subject to 90 days written notice to the plan's Trustee. No modification that affects the rights, duties, and responsibilities of the Trustee may be made without the Trustee's consent.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan

The Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan is designed to provide retirement benefits to the Parking Authority's eligible salaried employees. The plan covers all salaries employees effective from their date of hire or plan effective date. The Authority contributes on behalf of each salaried employee an amount of 2.0% match for every 1.0% employee contribution. The employer's matching contribution is limited to 10% of earnings and may change from year to year. Salaried employees are 100% vested in the plan at time of enrollment.

Allentown Parking Authority Salaried Employees' Defined Benefit Pension Plan

The Parking Authority Salaried Employees' Defined Benefit Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of the Plan Document. The plan is governed by the Parking Authority, which may amend plan provisions, and which is responsible for the management of plan assets. All salaried employees who were participants of the former Allentown Parking Authority Defined Contribution Retirement Plan in January 1, 2002 became participants of this plan on the first day of the month following employment. All other salaried employees shall become participants of this plan on the first day of the month following employment.

Plan participation and benefit accruals have been frozen as of December 31, 2010.

At December 31, 2022, the following employees were covered by the plan:

Active employees	1
Retirees and beneficiaries	
currently receiving benefits	11
Terminated employees entitled to	
benefits but not yet receiving them	<u>1</u>
	<u>13</u>

Retirement Benefits – The normal retirement benefit is 2.25% of average 36-month compensation for each year of credited service to a maximum of 70% of such average compensation. In no event shall the benefit be less than the Equivalent Actuarial Value of the participant's December 31, 2001 account balance under the former Allentown Parking

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Authority Defined Contribution Retirement Plan. Normal retirement date is the first day of the month following the attainment of age 55. The postponed retirement benefit is calculated using compensation and service up to age 70 ½. Benefits will be actuarially increased for postponed retirement after age 70 ½ and will be reduced by any distributions made after age 70 ½. A member may postpone his retirement beyond the normal retirement date.

Death Benefits – The pre-retirement benefit is equal to the present value of the member's accrued benefit at the date of death payable to the member's beneficiary, but in no event less than any December 31, 2001 account balance from the former Allentown Parking Authority Defined Contribution Retirement Plan with 7.5% interest compounded annually plus employees contributions with 5% compounded annually.

The post-retirement death benefit is payable in accordance with the form of retirement benefit elected, but in no event less than the unpaid portion of the December 31, 2001 account balance from the former Allentown Parking Authority Defined Contribution Retirement Plan with 7.5% interest compounded annually plus employee contributions with 5% compounded annually.

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. 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. Employees are not required to contribute to this plan.

Changes in the Total Pension Liability – An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation as of January 1, 2021. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2022.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

The changes in the total pension liability, the plan fiduciary net position (i.e., fair value of plan assets), and the net pension liability (asset) of the Parking Authority for the year ended December 31, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2021	\$ 2,899,997	\$ 3,828,652	\$ (928,655)
Changes for the year:			
Interest	193,994	-	193,994
Differences between expected Net investment income (loss)	-	(613,603)	613,603
Benefit payments, including refunds	(257,313)	(257,313)	-
Net changes	(63,319)	(870,916)	807,597
Balance at December 31, 2022	\$ 2,836,678	\$ 2,957,736	\$ (121,058)

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Component Units (Continued)

Parking Authority

Actuarial Assumptions – The actuarial assumptions of the plan include the following:

Actuarial cost method	Entry age normal
Investment rate of return	7.0% per annum, net of investment expenses
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	PUBG-2010 Health Retire Mortality projected 5 years past the valuation date using Scale MP-2020
Termination	None
Disability	None
Retirement age	Normal retirement age or age on valuation date, if greater
Form of annuity	10 year certain and life

Long-term Expected Rate of Return – 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 pensions plan investment expense and inflation of 2.45%) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentages and by adding expected inflation.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Best estimates of 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:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity:	
Large Cap	5.37%
Mid Cap	6.53%
Small Cap	6.53%
International Equity	6.22%
Fixed Income	2.09%
Real Estate	4.87%
Cash	-0.45%

Discount Rate – The discount rate used to measure the total pension liability was 7.0%. 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 the municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

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 described above, as well as what the plan's net pension liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability (Asset)	\$ 137,781	\$ (121,058)	\$ (343,541)

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

10. Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions – At December 31, 2022, the Parking Authority reported deferred outflows of resources related to pensions from the following source:

<u>Deferred Outflows of Resources:</u>	
Net difference between projected and actual investment earnings on pension plan investments	<u>329,259</u>
	<u>\$ 329,259</u>

For the year ended December 31, 2022, the Parking Authority recognized pension expense under the defined benefit pension plan of \$21,831. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2023	\$ (37,203)
2024	51,446
2025	140,497
2026	<u>174,519</u>
	<u>\$ 329,259</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt

The City issues notes and bonds payable to finance the capital projects of the City. Long-term debt activity of the City’s governmental activities for the year ended December 31, 2022 was as follows:

Notes and Bonds	Balance Outstanding January 1, 2022	Additions	Reductions	Balance Outstanding December 31, 2022	Current Portion
<u>General Obligation Notes and Bonds:</u>					
2007 Taxable General Obligation Note, Series A, original amount of \$14,773,981, semiannual accretion to produce yields of 6.66% to 6.99%, payable in increasing installments of \$2,420,000 in 2022 to \$7,040,000 in 2026	\$ 35,767,162	\$ 2,449,101	\$ 2,420,000	\$ 35,796,263	\$ 3,170,000
2015 General Obligation Bonds, Series A, original amount of \$15,360,000, 3.00% to 3.85% interest, payable in varying annual installments of \$440,000 in 2022 to \$870,000 in 2026	13,480,000	-	440,000	\$ 13,040,000	475,000
2015 General Obligations Bonds, Series B, original amount of \$11,425,000, 3.00% to 3.65% interest, payable in varying annual installments of \$630,000 in 2022 to \$545,000 in 2026	7,470,000	-	630,000	\$ 6,840,000	660,000
2017 General Obligation Bonds, Series of 2017, original amount of \$9,025,000, to refund GOB Series 2011A and 2012, payable in varying installments.	3,850,000	-	900,000	\$ 2,950,000	175,000

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

Notes and Bonds	Balance Outstanding January 1, 2022	Additions	Reductions	Balance Outstanding December 31, 2022	Current Portion
<u>General Obligation Notes and Bonds:</u>					
2018 General Obligation Bonds, Series A of 2018, original amount of \$3,420,000 for capital projects payable in varying installments with interest of 5% per annum through 2022.	1,195,000		1,195,000	-	-
2018 General Obligation Bonds, Series B of 2018, original amount of \$7,900,000 to refund the 2006 Guaranteed Lease Revenue Agreement, payable in varying installments with interest of variable rates through 2031.	6,385,000	-	530,000	5,855,000	550,000
2019 Federally Taxable General Obligation Refunding Bonds, Series 2019, original amount of \$12,460,000 to refund the 2004 Federally Taxable General Obligation Pension Refunding Bonds, payable in varying installments with interest of variable rates.	11,260,000	-	690,000	10,570,000	715,000
2020 General Obligation Notes, Series 2020, original amount of \$15,720,000 to refund the 2009 General Obligation Note, refund the October 1, 2020 payment for General Obligations bonds Series A 2015, Series B 2015, Series 2017, and for City capital projects, payable in varying installments with interest of variable rates through 2045.	15,365,000	-	420,000	14,945,000	885,000
Subtotal Governmental Activities General Obligation Notes and Bonds	94,772,162	2,449,101	7,225,000	89,996,263	6,630,000

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

Notes and Bonds	Balance Outstanding January 1, 2022	Additions	Reductions	Balance Outstanding December 31, 2022	Current Portion
<u>Direct Borrowing:</u>					
2022 HUD Section 108 Loan, original amount of \$5,605,000 to finance the Da Vinci Center for Discovery and Science, payable in varying installments, variable rate interest, 4.7% at December 31, 2022.	-	5,605,000	-	5,605,000	-
2020 Special Revenue Note Series 2020, original amount of \$7,090,000 to refund the 2016 Series Special Revenue Note, fund a Debt Service Reserve Fund and provide funds for capital projects, payable in varying installments with interest of 3.326% through 2034.	6,600,000	-	415,000	6,185,000	425,000
Subtotal Direct Borrowings	6,600,000	5,605,000	415,000	11,790,000	425,000
Premium on bond and note issuance	2,597,492	-	185,622	2,411,870	185,622
Total	<u>\$ 103,969,654</u>	<u>\$ 8,054,101</u>	<u>\$ 7,825,622</u>	<u>\$ 104,198,133</u>	<u>\$ 7,240,622</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

Debt service requirements to maturity for governmental activities are as follows:

General Obligation Bonds and Notes			
Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2023	\$ 6,630,000	\$ 2,201,628	\$ 8,831,628
2024	6,433,778	2,257,509	8,691,287
2025	5,913,048	2,417,422	8,330,470
2026	5,805,768	2,520,040	8,325,808
2027	5,056,811	2,605,930	7,662,741
2028-2032	24,843,445	14,594,071	39,437,516
2033-2037	18,248,413	18,185,114	36,433,527
2038-2042	10,040,000	2,602,235	12,642,235
2043-2046	7,025,000	561,757	7,586,757
	<u>\$ 89,996,263</u>	<u>\$ 47,945,706</u>	<u>\$ 137,941,969</u>

Loans from Direct Borrowing			
Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2023	\$ 425,000	\$ 469,148	\$ 894,148
2024	670,000	452,311	1,122,311
2025	690,000	426,807	1,116,807
2026	715,000	400,511	1,115,511
2027	745,000	373,247	1,118,247
2028-2032	4,100,000	1,422,003	5,522,003
2033-2037	2,885,000	649,433	3,534,433
2038-2041	1,560,000	168,026	1,728,026
	<u>\$ 11,790,000</u>	<u>\$ 4,361,486</u>	<u>\$ 16,151,486</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

Year Ending December 31,	Total Outstanding Debt		
	Principal Maturity	Interest Maturity	Total
2023	\$ 7,055,000	\$ 2,670,776	\$ 9,725,776
2024	7,103,778	2,709,820	9,813,598
2025	6,603,048	2,844,229	9,447,277
2026	6,520,768	2,920,551	9,441,319
2027	5,801,811	2,979,177	8,780,988
2028-2032	28,943,445	16,016,074	44,959,519
2033-2037	21,133,413	18,834,547	39,967,960
2038-2042	11,600,000	2,770,261	14,370,261
2043-2046	7,025,000	561,757	7,586,757
	\$ 101,786,263	\$ 52,307,192	\$ 154,093,455

The following represents changes in the long-term liabilities for compensated absences and financed purchases:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Current Portion
Compensated absences:					
Governmental activities	\$ 6,452,131	\$ 5,136,794	\$ 5,165,365	\$ 6,423,560	\$ 6,387,831
Business-type activities	208,923	188,312	202,970	194,265	179,142
Total accrued compensated absences	\$ 6,661,054	\$ 5,325,106	\$ 5,368,335	\$ 6,617,825	\$ 6,566,973
Financed purchases:					
Governmental activities	\$ 1,649,058	\$ 1,934,439	\$ 1,323,085	\$ 2,260,412	\$ 761,157
Business-type activities	293,967	152,367	173,535	272,799	98,006
Total capital assets	\$ 1,943,025	\$ 2,086,806	\$ 1,496,620	\$ 2,533,211	\$ 859,163

Within the governmental activities, the General Fund is typically used to liquidate the compensated absences and financed purchases.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

The capital assets acquired through financed purchases are as follows:

	Governmental Activities	Business-Type Activities
Machinery, equipment and vehicles	\$ 5,467,232	\$ 413,219
Less accumulated depreciation	2,367,370	89,129
	\$ 3,099,862	\$ 324,090

Debt service requirements for financed purchases are as follows:

Year Ending	Governmental Activities	Business-Type Activities	Total
2023	\$ 804,802	\$ 106,008	\$ 910,810
2024	638,589	106,008	744,597
2025	527,852	55,219	583,071
2026	385,968	21,529	407,497
	2,357,211	288,764	2,645,975
Less interest	96,799	15,965	112,764
Total	\$ 2,260,412	\$ 272,799	\$ 2,533,211

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

Component Units

Parking Authority

Long-term debt activity of the Parking Authority for the year ended December 31, 2022 consisted of the following:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Current Portion
Bonds:					
Tax exempt parking revenue bond - 2018A	\$ 24,514,906	\$ -	\$ 886,886	\$ 23,628,020	\$ 928,725
Taxabel parking revenue bond - 2018B	6,211,972	-	397,832	5,814,140	417,754
	30,726,878	-	1,284,718	29,442,160	1,346,479
Construction Loan	10,591,139	7,145,710		17,736,849	-
Line of credit	300,000	-	295,000	5,000	5,000
Financed purchases	122,525	-	51,091	71,434	31,975
Capital contribution payable	5,000,000	-	-	5,000,000	-
OPEB liability	140,923	-	(1,494)	142,417	-
	<u>\$ 46,881,465</u>	<u>\$ 7,145,710</u>	<u>\$ 1,629,315</u>	<u>\$ 52,397,860</u>	<u>\$ 1,383,454</u>

Debt service requirements to maturity are as follows for the Parking Authority:

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2023	\$ 1,346,479	\$ 1,120,321	\$ 2,466,800
2024	1,397,931	1,068,869	2,466,800
2025	1,349,490	1,298,210	2,647,700
2026	1,386,249	1,321,751	2,708,000
2027	1,461,524	1,246,476	2,708,000
2028-2032	8,587,831	4,952,169	13,540,000
2033-2037	8,080,419	2,653,646	10,734,065
2038-2040	5,832,237	647,763	6,480,000
	<u>\$ 29,442,160</u>	<u>\$ 14,309,205</u>	<u>\$ 43,751,365</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

The Parking Authority bonds are subject to certain financial covenants. As of December 31, 2022, the Parking Authority is in compliance with those covenants.

Tax Exempt Parking Revenue Bond, Series A of 2018

On June 20, 2018, the Parking Authority issued the Tax-Exempt Parking Revenue Bond, Series A of 2018 in the amount of \$27,405,527. The final maturity of the Bond is on November 15, 2040 with principal and interest paid quarterly on March 31st, June 30th, September 30th, and December 31st of each year. Until May 15, 2025, the Bonds bear interest at 3.70%, after which the interest rate shall be reset to and bear interest at variable rate equal to 60% of the rate of interest published by the Wall Street Journal from time to time as the U.S. Prime Rate, floating daily with a maximum rate of 5.25%.

Taxable Parking Revenue Bond, Series B of 2018

On June 20, 2018, the Parking Authority issued the Taxable Parking Revenue Bond, Series B of 2018 in the amount of \$7,483,227. The final maturity of the Bond is on November 15, 2033 with principal and interest paid quarterly on March 31st, June 30th, September 30th, and December 31st of each year. Until May 15, 2025, the Bonds bear interest at 4.35%, after which the interest rate shall be reset to and bear interest at variable rate equal to the rate of interest published by the Wall Street Journal from time to time as the U.S. Prime Rate, floating daily with a maximum rate of 5.25%.

Construction Loan – Maple Street Garage

On September 27, 2021, the Parking Authority obtained a construction loan in the amount of \$18,609,090 for the construction of the Maple Street Parking Garage. As of December 31, 2022, the Parking Authority had drawn down \$17,736,849 on the Loan for construction expenses. The interest rate on the Loan is equal to the rate of interest published by The Wall Street Journal from time to time as the "U.S. Prime Rate", but never lower than 3.25%. At the end of the construction period, the Parking Authority may elect to retain the fluctuating rate set forth above or convert the interest rate to a fixed rate. During the construction period, the Parking Authority will make payments of interest only on the 1st of each month, in arrears, at the applicable interest rate as provided on the advanced and outstanding balance of principal. Beginning on September 1st, 2023, and continuing on December 1st, March 1st and June 1st each year through the maturity date, the Parking Authority will pay principal plus interest based on a 25-year amortization on the advanced and outstanding balance of principal. A final

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

balloon payment of all outstanding principal and interest will be made by September 27, 2026, the maturity date.

A future amortization schedule of the Construction Loan is not available until the end of the construction period.

Line of Credit

The Parking Authority has an unsecured \$1,000,000 line of credit with ESSA Bank. The interest on the line of credit is payable quarterly at the Wall Street Journal prime rate. The Parking Authority had an outstanding balance on the line of credit as of December 31, 2022 in the amount of \$5,000. The current termination date of the line of credit is June 30, 2023.

Financed Purchases

The Parking Authority entered into various financed purchase agreements to finance the purchase of vehicles, energy saving LED lighting for its parking garages and single space parking meter mechanisms.

The following schedule presents future minimum financed purchases payments as of December 31, 2022.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 31,975	\$ 2,351	\$ 34,326
2024	31,410	1,108	32,518
2025	8,049	80	8,129
	<u>\$ 71,434</u>	<u>\$ 3,539</u>	<u>\$ 74,973</u>

The leased capital assets under the financed purchases are included in capital assets at December 31, 2022 as follows:

Equipment	\$ 683,792
Parking garage and lots	173,327
Vehicles	52,633
Less accumulated depreciation	<u>(791,633)</u>
	<u>\$ 118,119</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

11. Long-Term Debt (Continued)

Amortization of the financed purchased vehicles and equipment is included in depreciation expense.

Capital Contribution Payable

On March 22, 2021 the Parking Authority entered into a license agreement with City Center Investment Corporation for 450 parking license rights for the new Maple Street Parking Deck. In return, for the 450 Nighttime parking spaces, City Center Investment Corporation made a capital contribution to the Parking Authority in the amount of \$5,000,000 to be used as part of the financing for the construction of the Maple Street Parking Deck. The Parking Authority has the right to repay a portion or all of the capital contribution, which will reduce City Center's Parking licenses rights proportional with the repayment amount. If no repayments are made, City Center will retain the parking licenses for 30 years. It is the intention of the Parking Authority to repay the \$5,000,000 to City Center.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

12. Fund Balance Classifications

The City presents its governmental fund balances by level of constraint in the aggregate on its balance sheet – governmental funds. The individual specific purposes of each constraint are presented below:

	General	Capital Projects	Community Development Block Grant	American Rescue Plan	Other Governmental Funds	Total
Restricted for:						
Capital acquisitions	\$ -	\$ 5,569,401	\$ -	\$ -	\$ -	\$ 5,569,401
Public works	-	-	-	-	9,117,474	9,117,474
Community development	-	-	4,060,011	-	1,343,635	5,403,646
Parks and recreation	-	-	-	-	1,000,429	1,000,429
	<u>-</u>	<u>5,569,401</u>	<u>4,060,011</u>	<u>-</u>	<u>11,461,538</u>	<u>21,090,950</u>
Assigned for:						
General government	565,069	-	-	160,710	-	725,779
Public works	729,166	-	-	-	-	729,166
Community development	916,594	-	-	-	-	916,594
Public safety	435,952	-	-	-	-	435,952
Parks and recreation	69,982	-	-	-	-	69,982
	<u>2,716,763</u>	<u>-</u>	<u>-</u>	<u>160,710</u>	<u>-</u>	<u>2,877,473</u>

13. Risk Management, Accrued Claims Liability

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters for which the City has established a limited risk management program as further described in Note 1.

Changes in the accrued claims liability are as follows:

Accrued claims liability, January 1	\$ 553,872
Incurred claims, including estimated claims incurred but not reported as of December 31:	
Provision for current year events	599,093
Payments	<u>(713,685)</u>
Accrued claims liability, December 31	439,280
Current portion	<u>439,280</u>
Long-term portion	<u>\$ -</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

13. Risk Management, Accrued Claims Liability (Continued)

The City uses an internal service fund to account for its risk financing activities. The fund accounts for the risk financing activities of the City, but does not constitute a transfer of risk from the City. The basis for reporting an estimated loss from a claim as an expenditure/expense and as a liability is if both the loss is probable and can be reasonably estimated.

Component Units

Parking Authority

The Parking Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and errors and omissions. The Parking Authority purchases commercial insurance to cover most insurable risks.

The Parking Authority is a member of the Pennsylvania Municipal Health Insurance Cooperative (PMHIC), a pool of municipalities to purchase health insurance coverage. The purpose of the cooperative is to control escalating health care premiums by allowing municipalities the potential for volume discounts and annual premium returns for favorable claims experience. Rates for each municipality are developed annually with a final reconciliation of total premiums to actual claims made approximately six months after each policy year-end. Allocation of any surplus is determined by a board of officers appointed by participants. Unfavorable experience is included in the following year rates. Maximum limits for any one claim are established to minimize cost exposure. A 10% reserve is built into the rates to cover the cooperative's operating costs and any unfavorable experience.

14. Other Postemployment Benefits (OPEB)

Plan Description

The City provides, through a single employer defined benefit plan, healthcare coverage for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Eligible retirees may elect to enroll in the healthcare coverage provided to active employees. The plan provides health care, prescription drug, dental, and vision coverage for the retiree, spouse and dependents until Medicare eligibility (normally age 65). Retirees contribute between 25% and 50% of the monthly healthcare premiums established by the City. The plan does not issue a stand-alone financial report.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The City retiree healthcare plan is a self-funded program, whereby retiree premiums are determined annually based on comparable premium rates offered by health insurance providers. The cost of the benefits provided by the plan is currently being paid by the City on a pay-as-you-go basis. For the year ended December 31, 2021, the City contributed \$5,094,104.

Plan Membership

At December 31, 2021, the Plan's membership consisted of the following:

Inactive participants - retired and disabled	275
Active plan members	<u>802</u>
Total	<u><u>1,077</u></u>

Benefits Provided

The City provides postemployment health care benefits (including medical, dental, vision and prescription drugs), in accordance with collective bargaining agreements and City policy, to all eligible retired employees and their eligible dependents until age 65 or Medicare eligibility (normally age 65). Eligible retired police, fire, SEIU and non-represented members pay 25% of non-Medicare program costs. Certain SEIU members with less than 15 years of service at retirement pay 50% of such program costs.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

Changes in Total OPEB Liability

Changes in the City's total OPEB liability for the plan for the year ended December 31, 2022, as measured at December 31, 2021 were as follows:

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances at December 31, 2020	\$ 108,978,363	\$ -	\$ 108,978,363
Changes for the year:			
Service cost	5,069,955	-	5,069,955
Interest on total OPEB liability	2,310,087	-	2,310,087
Difference between expected and actual experience	(3,118,203)	-	(3,118,203)
Changes in assumptions	1,264,179	-	1,264,179
Contributions - employer	-	5,094,104	(5,094,104)
Benefit payments, including employee refunds	(5,094,104)	(5,094,104)	-
Net changes	431,914	-	431,914
Balances at December 31, 2021	\$ 109,410,277	\$ -	\$ 109,410,277

The total OPEB liability is allocated between governmental activities and business-type activities in the amounts of \$103,327,496 and \$6,082,781, respectively.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Methods and assumptions used to determine contribution rates:

Discount rate: 2.06% per annum for the valuation measured as of December 31, 2021
2.12% for the valuation measured as of December 31, 2020

Expected return on assets N/A

Salary increase assumptions (with merit)

Police and Fire 4.5% per year
PMRS 2.20% for 2021, then based on age and service thereafter
Added to the aged-based rates are 3% for each of the first 2 years of service, 2% for years 3 and 4, and 1% for years 5 and 6.

Healthcare cost trends:

2022	6.93%	2033	3.85%
2023	6.62%	2034	3.79%
2024	6.25%	2035	3.76%
2025	5.89%	2036	3.74%
2026	5.65%	2037	3.72%
2027	5.41	2038	3.71%
2028	5.17%	2039	3.70%
2029	4.94%	2040	3.69%
2030	4.70%	2041	3.63%
2031	4.46%	2042	3.63%
2032	3.96%		

Retirement rates:

Police: Age 50 and 20 years of service

Fire: Immediately upon attainment of age 50 with 20 years of service, if younger than 62, a select and ultimate table with increasing rates

O&E Participants eligible for retirement under age 58 will delay retirement until age 58. Participants aged 58 or older and eligible for retirement are assumed to retire immediately.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions (continued):

Rates of Mortality:

Police, Fire and Non-PMRS O&E

Healthy Mortality: Blue collar adjusted RP 2000 with projected generationally from base year 2000 using 50% of Scale AA

Disabled Mortality: RP 2000 disabled mortality table

PMRS

Healthy Mortality, Pre-Retirement: Males: PUB-2010 General employees' male table projected to 2023 MP-2018

Females: PUB-2010 General employees' female table projected to 2023 with MP-2018

Males: RP-2006 annuitant male table projected to 2023 with MP-2018

Healthy Mortality, Post-Retirement:

Females: RP-2006 annuitant female table projected to 2023 with MP-

Disabled Mortality:

Male and females: RP-2006 disabled annuitant male and female table projected to 2023 with MP-2018

Changes in Assumptions

In 2022, the discount rate decreased from 2.12% to 2.06% due to a change in the 20-year Bond Buyer Index rate resulting in a net increase in the liability by approximately \$1.3 million. There were also assumption changes due to the updated claims and trend information.

The discount rate will increase to 3.74% as of the December 31, 2022 measurement date based on the 20-year Bond Buyer Index rate. This increase in the discount rate will decrease the OPEB liability.

Discount Rate

The discount rate used to measure the plan's total OPEB liability as of December 31, 2021 was 2.06%. The discount rate is based on the 20-year bond buyer index rate as of December 31, 2021. This is a decrease from the December 31, 2020 rate of 2.12%. Since the OPEB Plan has insufficient assets to meet projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each measurement period assumed that employer contributions will be made based on the current funding policy for future years.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB Liability	<u>\$ 119,229,427</u>	<u>\$ 109,410,277</u>	<u>\$ 100,568,841</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as the City's Total OPEB liability would be if it were calculated using the healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current cost trend rates:

	1% Decrease	Healthcare Trend Rate	1% Increase
Total OPEB Liability	<u>\$ 98,602,847</u>	<u>\$ 109,410,277</u>	<u>\$ 121,981,118</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of (\$4,228,102) in the governmental activities and \$181,880 in the business-type activities.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

At December 31, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources

	Governmental Activities	Business-Type Activities
Changes of assumptions	\$ 11,556,532	\$ 680,321
Contributions subsequent to the measurement date	4,902,675	288,615
	<u>\$ 16,459,207</u>	<u>\$ 968,936</u>

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities
Differences between expected and actual experience	\$ 3,418,070	\$ 201,218
Changes of assumptions	1,550,297	91,264
	<u>\$ 4,968,367</u>	<u>\$ 292,482</u>

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

The differences in the City's change in assumptions and expected and actual experience are recognized over the average expected remaining service lives of active and inactive members. City contributions subsequent to the measurement date of \$5,191,290 will be recorded as a decrease to the total OPEB liability during the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business-Type Activities
Year ending December 31,	<u> </u>	<u> </u>
2023	\$ 1,810,870	\$ 106,604
2024	659,937	38,850
2025	1,435,084	84,482
2026	1,435,081	84,482
2027	1,497,326	88,146
Thereafter	<u>(250,133)</u>	<u>(14,725)</u>
	<u>\$ 6,588,165</u>	<u>\$ 387,839</u>

Component Units

Parking Authority

Plan Description

The Parking Authority has established a single-employer defined benefit postemployment benefit plan to provide for payment of health care insurance premiums for eligible retired employees. The Plan's financial statements are included as a trust fund in the Parking Authority's financial statements.

Benefits Provided

The Parking Authority provides continuation of medical insurance coverage to employees who retire at a minimum age of 55 from a management position with at least 20 years of management service and must be a minimum age of 54 by January 1, 2019. The employee must be actively employed up to age 55 to be eligible. The benefit is not provided to

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

employees hired after December 31, 2010. The single employer plan allows for participation in the Parking Authority's "basic" medical plan which includes a prescription drug benefit and dental coverage. The authority under which obligations to contribute are established is the plan document and the board of directors. The Parking Authority will pay a percentage of the cost of single coverage to age 65 or until the retiree becomes eligible for Medicare benefits, whichever comes first at a rate of 80% and 100% for retired employees with more than 20 and 25 years of service, respectively. The plan also provides for spousal and dependent coverage provided the premium is paid by the employee.

All benefits to management employees will be reviewed at various times in the future and, thus, costs and benefits are subject to change with the approval of the Parking Authority's Board of Directors. As of December 31, 2022 there were no fully eligible active employees, no other active employees not fully eligible, and 7 retirees and beneficiaries currently receiving benefits.

Contributions

The Parking Authority makes contributions to a GASB qualified trust in addition to paying the premiums for retiree coverage. The Parking Authority's OPEB plan's trust fund is included in the Parking Authority's financial statements.

Net OPEB Liability

An actuarial valuation of the total OPEB liability is performed biennially. The total OPEB liability was determined as part of an actuarial valuation as of January 1, 2021. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2022.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

The table below shows the changes in the total OPEB liability, the plan fiduciary net position and the net OPEB liability for the year ended December 31, 2022.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances at December 31, 2021	\$ 629,415	\$ 488,492	\$ 140,923
Interest	31,994	-	31,994
Contributions - employer	-	95,406	(95,406)
Net investment income	-	(64,906)	64,906
Benefit payments (1)	(95,406)	(95,406)	-
Net changes	(63,412)	(64,906)	1,494
Balances at December 31, 2022	\$ 566,003	\$ 423,586	\$ 142,417

- (1) Benefit payments are actually determined age-adjusted expected benefit payments, which may vary from actual premium payments due to implied subsidy and experience that is different than expected.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions

The actuarial assumptions of the Parking Authority OPEB plan include the following:

<u>Actuarial Assumptions</u>	
Valuation Date:	January 1, 2021
Actuarial cost method:	Entry Age, Normal
Discount rate:	5.50%
Salary increases:	5% compounded annually
Inflation	2.45%
Healthcare cost trends:	Medical - decrease by 7.562% during 2021, 8.25% during 2022 reduced by .25% per year to an ultimate level of 5% per year
	Dental - increase 2% per year
Pre-retirement mortality:	None
Post-retirement mortality:	Pub-2010 General Amount Weighted Mortality Tables for Healthy Retirees projected to 2026 using Scale MP-2020
Termination:	None
Disability:	None
Retirement age:	Age 55 if attained a minimum of 25 years. If 25 years of service not attained by age 55, the retirement is assumed of 20 years of service and age 55 at the later
Participation:	100% of management retirees. 0% spouses and dependents

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB 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 investment expense and inflation of 2.45%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimate of arithmetic real rates of return for each

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

major asset class included in the OPEB plan's target asset allocation as of December 31, 2022 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity:	
Large cap	5.37%
Mid cap/Small cap	6.53%
Core Bonds	1.20%
International Equity	6.22%
International Bonds	0.32%
Emerging Markets	3.43%
Cash	-0.45%

Discount Rate

The discount rate used to measure the total pension liability was 5.5%. This is based on the investment allocation of the trust fund.

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 5.5% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.5%) or 1 percentage point higher (6.5%) than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
12/31/2022 Total OPEB liability	\$ 582,936	\$ 566,003	\$ 549,884
Fiduciary net position	423,586	423,586	423,586
12/31/2022 Net OPEB liability	\$ 159,350	\$ 142,417	\$ 126,298

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current rate as

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

14. Other Postemployment Benefits (OPEB) (Continued)

well as what the net OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower or 1 percentage point higher than expected:

	1% Decrease	Current Trend Rates	1% Increase
12/31/2022 Total OPEB liability	\$ 540,563	\$ 566,003	\$ 592,474
Fiduciary net position	423,586	423,586	423,586
12/31/2022 Net OPEB liability	\$ 116,977	\$ 142,417	\$ 168,888

OPEB Expense and Deferred Outflows Resources

As of December 31, 2022, the Parking Authority reported deferred outflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources</u>	
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 45,906
	\$ 45,906

For the year ended December 31, 2022, the Parking Authority recognized OPEB benefit of \$22,781.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	Total
2023	\$ 4,028
2024	9,859
2025	13,927
2026	18,092
Total	\$ 45,906

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

15. Deferred Compensation Plan

Component Units

Parking Authority

The Parking Authority has established a deferred compensation plan for the benefit of its employees in accordance with Internal Revenue Code Section 457. This plan permits employees to voluntarily defer current compensation until future years. The assets of the Plan are held in trust by the International City/County Management Association Retirement Corporation. Because the assets of the Plan are held in trust for the exclusive benefit of the Plan's participants and beneficiaries, as required by the Internal Revenue Code, the assets are not recorded in the financial statements of the Parking Authority in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Investments are managed and offered by the trustee for the benefit of the participants.

The Parking Authority makes contributions to a deferred compensation plan through contributions to three 401(a) Money Purchase Plans. The Parking Authority made total contributions of \$126,611 to the plans for the year ended December 31, 2022.

16. Commitments and Contingencies

Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2022 of approximately \$5.7 million.

Other

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2022, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

16. Commitments and Contingencies (Continued)

expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

Litigation

The City is involved in various lawsuits arising in the ordinary course of its municipal activities. Management has accrued amounts for those lawsuits that are probable and estimable. For the balance of the lawsuits, management believes that the resolution of these actions is not expected to have a material adverse effect on the financial statements of the City.

Component Units

Parking Authority

In the normal course of business, the Parking Authority is involved in various civil disputes. It is believed that any potential losses on these various claims and lawsuits will not have a material impact on the Parking Authority.

17. Conduit Debt

Component Units

Parking Authority

The Parking Authority entered into an agreement with City Center Investment Corporation (CCIC) for the Strata III Condominium Association (the Association). The Association consists of two units. Unit 1 consists of the parking unit located in the building. Unit 2 consists of the Strata Condominium Unit. The Parking Authority participates in the operation of Unit 1 under a parking license agreement that provides parking facilities to Unit 2 residents and the general public as space allows. Unit 1 represents a 44% interest in the Association.

Construction of the condominium was financed through the issuance of a mortgage in the name of the Parking Authority in the maximum amount of \$5,300,000. The mortgage note is payable solely from funds to be received from ANIZDA and represents a conduit debt obligation of the Parking Authority. The Parking Authority is not obligated in any manner for the repayment of the mortgage. Accordingly, the mortgage is not reported as a liability in the

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

17. Conduit Debt (Continued)

accompanying financial statements. The mortgage note is further guaranteed by CCIC and Strata III OP, LP (Apartment Developer). As of December 31, 2022, the principal amount outstanding under the mortgage is \$3,039,048. The Parking Authority's participation in the Condominium Association is subject to a Parking License Agreement. Under the terms of the agreement, the parking facility of the condominium is managed by the Parking Authority. The Parking Authority charges the Apartment Developer a management fee equal to its share of the direct operating costs and expenses of the parking facility each month.

Redevelopment Authority

In July 2006, the Redevelopment Authority and a developer entered into a financing agreement for the Redevelopment Authority to provide a \$3,400,000 Section 108 Loan through the Federal Department of Housing and Urban Development (HUD) for a project (Allentown Brew Works). The loan is secured by a second lien mortgage on the property, the corporate and personal guarantees of the developer, and the assignment of leases and rents. In November 2012, the note was converted from a variable interest rate to a fixed interest rate as a result of a public offering of the note by HUD. The Redevelopment Authority has an indemnity agreement from the developer, which limits the Redevelopment Authority's obligation to repay the loan to amounts it receives from the developer. The Redevelopment Authority treats this loan as conduit debt and; therefore, does not recognize either the loan receivable or long-term debt on its statement of net position. The balance on this loan at December 31, 2022 is \$897,000.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Taxes:				
Real Estate:				
Real estate - current	\$ 37,700,000	\$ 37,700,000	\$ 38,080,168	\$ 380,168
Real estate - prior	1,275,000	1,275,000	1,170,889	(104,111)
Total Real Estate Taxes	<u>38,975,000</u>	<u>38,975,000</u>	<u>39,251,057</u>	<u>276,057</u>
Act 511 Taxes:				
Earned income	37,385,000	37,385,000	42,955,677	5,570,677
Residence per capita	15,000	15,000	8,388	(6,612)
Deed transfer	2,300,000	2,300,000	3,256,548	956,548
Local services	1,590,000	1,590,000	1,884,947	294,947
Business privilege	8,250,000	8,250,000	11,084,159	2,834,159
Total Act 511 Taxes	<u>49,540,000</u>	<u>49,540,000</u>	<u>59,189,719</u>	<u>9,649,719</u>
Total Taxes	<u>88,515,000</u>	<u>88,515,000</u>	<u>98,440,776</u>	<u>9,925,776</u>
Licenses and Permits:				
Business licenses	400,000	400,000	406,780	6,780
Liquor licenses	60,000	60,000	44,400	(15,600)
Building permits and licenses	1,800,000	1,800,000	1,952,095	152,095
Plumbing permits and licenses	135,000	135,000	242,495	107,495
Electrical permits and licenses	270,000	270,000	493,188	223,188
Sheet metal technician license	25,000	25,000	35,640	10,640
Billboard and sign permits/licenses	5,000	5,000	6,155	1,155
Zoning permits and fees	250,000	250,000	310,013	60,013
Health bureau permits and licenses	250,000	250,000	239,915	(10,085)
Fire department inspection fees	120,000	120,000	95,270	(24,730)
Police permits	1,500	1,500	-	(1,500)
Other permits and licenses	180,750	180,750	185,110	4,360
CATV franchise fees	1,300,000	1,300,000	1,021,071	(278,929)
Presales inspection program	202,120	202,120	285,050	82,930
Vacant Property Registration	50,000	50,000	77,480	27,480
Rental inspection program	2,266,000	2,266,000	2,374,566	108,566
Shade tree permits/fees	5,000	5,000	1,190	(3,810)
Total Licenses and Permits	<u>7,320,370</u>	<u>7,320,370</u>	<u>7,770,418</u>	<u>450,048</u>
Fines and Forfeits:				
District court	250,000	250,000	90,215	(159,785)
Fines and restitutions	145,000	145,000	107,243	(37,757)
Parking Authority transfer	-	-	2,309	2,309
Total Fines and Forfeits	<u>395,000</u>	<u>395,000</u>	<u>199,767</u>	<u>(195,233)</u>

(Continued)

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2022
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues (Continued):				
Intergovernmental Revenue:				
3rd party reimbursements	1,750	1,750	-	(1,750)
Health grants	2,073,042	2,091,042	2,015,820	(75,222)
Health COVID grants	3,174,164	3,174,164	1,378,526	(1,795,638)
Police/fire training	375,000	375,000	336,756	(38,244)
Police grants/reimbursements	720,000	772,998	862,106	89,108
Other grants/miscellaneous	2,857,999	2,975,236	1,339,915	(1,635,321)
State aid for pension	4,738,293	4,738,293	5,168,258	429,965
Casino fee	4,300,000	4,300,000	4,227,258	(72,742)
Total Intergovernmental Revenue	<u>18,240,248</u>	<u>18,428,483</u>	<u>15,328,639</u>	<u>(3,099,844)</u>
Charges for Services:				
Departmental Earnings:				
Tax and municipal certifications	175,000	175,000	147,657	(27,343)
Printing and copier fees	75,000	75,000	82,500	7,500
Street excavation/restoration	115,000	115,000	163,188	48,188
Warrants of survey	40,000	40,000	7,377	(32,623)
Vehicle towing agreement	289,200	289,200	292,682	3,482
Health bureau services	80,320	80,320	95,583	15,263
EMS transit fees	4,109,000	4,109,000	4,739,627	630,627
Credit Card Fees	2,000	2,000	(2,262)	(4,262)
Other charges for service	80,000	80,000	49,872	(30,128)
Police extra duty jobs	400,000	400,000	222,461	(177,539)
Water and sewer prior	40,000	40,000	50,497	10,497
Total Departmental Earnings	<u>5,405,520</u>	<u>5,405,520</u>	<u>5,849,182</u>	<u>443,662</u>
Municipal Recreation:				
Swimming pool fees	200,000	200,000	268,492	68,492
Recreation fees	85,000	85,000	100,936	15,936
Total Municipal Recreation	<u>285,000</u>	<u>285,000</u>	<u>369,428</u>	<u>84,428</u>
General Fund Service Charges:				
Other services charges	2,026,447	2,026,447	2,026,447	-
Total General Fund Service Charges	<u>2,026,447</u>	<u>2,026,447</u>	<u>2,026,447</u>	<u>-</u>
Total Charges for Services	<u>7,716,967</u>	<u>7,716,967</u>	<u>8,245,057</u>	<u>528,090</u>
Investment Income	<u>130,000</u>	<u>130,000</u>	<u>409,480</u>	<u>279,480</u>

(Continued)

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2022
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues (Continued):				
Other Income:				
Pennsylvania Utility Realty tax	75,000	75,000	85,743	10,743
PILOT	250,000	250,000	161,708	(88,292)
Rental of City property	88,000	88,000	119,991	31,991
Marketing/advertising	250,000	250,000	218,635	(31,365)
Contributions	100,000	100,000	50,000	(50,000)
Project Lifesaver	2,400	2,400	-	(2,400)
ANIZDA	275,000	275,000	332,968	57,968
Sale of property	-	-	152,533	152,533
Health Violation Tickets	13,000	13,000	10,125	(2,875)
Miscellaneous	400,711	400,711	535,448	134,737
Muni claim recovery	260,000	260,000	267,284	7,284
Portnoff fees collected	1,000	1,000	-	(1,000)
Fire Dept. miscellaneous	60,000	60,000	30,406	(29,594)
Damage to City property	-	-	1,494	1,494
Lights in Parkway	340,000	340,000	308,361	(31,639)
Recreation/DCED/special events	31,500	31,500	17,274	(14,226)
Wellness Program	10,000	10,000	-	(10,000)
Total Other Income	<u>2,156,611</u>	<u>2,156,611</u>	<u>2,291,970</u>	<u>135,359</u>
Total Revenues	<u>124,474,196</u>	<u>124,662,431</u>	<u>132,686,107</u>	<u>8,023,676</u>
Expenditures:				
General Government:				
City Council	650,683	458,393	416,517	41,876
Office of the Mayor	623,979	928,096	861,908	66,188
City Controller	231,347	242,641	239,696	2,945
Law	1,332,101	1,311,499	1,235,552	75,947
General and civic	1,273,637	847,004	815,904	31,100
Total Nondepartmental	<u>4,111,747</u>	<u>3,787,633</u>	<u>3,569,577</u>	<u>218,056</u>
Department of Finance	<u>3,977,158</u>	<u>3,980,539</u>	<u>3,881,669</u>	<u>98,870</u>
Total Department of Finance	<u>3,977,158</u>	<u>3,980,539</u>	<u>3,881,669</u>	<u>98,870</u>
Human Resources	<u>1,010,848</u>	<u>982,713</u>	<u>902,596</u>	<u>80,117</u>
Total Human Resources	<u>1,010,848</u>	<u>982,713</u>	<u>902,596</u>	<u>80,117</u>
Management Systems				
Management Director and Information Services	<u>4,209,578</u>	<u>4,149,047</u>	<u>4,013,766</u>	<u>135,281</u>
Total Management Systems	<u>4,209,578</u>	<u>4,149,047</u>	<u>4,013,766</u>	<u>135,281</u>
Total General Government	<u>13,309,331</u>	<u>12,899,932</u>	<u>12,367,608</u>	<u>532,324</u>

(Continued)

CITY OF ALLENTOWN
BUDGETARY COMPARISON SCHEDULE -
BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2022
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Expenditures (Continued):				
Public Safety:				
Department of Public Safety:				
Police	41,458,789	41,743,141	41,169,688	573,453
Fire	25,048,827	26,832,524	26,889,923	(57,399)
Total Public Safety	<u>66,507,616</u>	<u>68,575,665</u>	<u>68,059,611</u>	<u>516,054</u>
Public Works:				
Department of Public Works:				
Director's office	473,248	469,748	408,105	61,643
Engineering	1,330,970	1,349,949	1,226,041	123,908
Building maintenance	2,565,410	2,492,386	2,367,875	124,511
Fleet maintenance operation	3,629,974	4,113,734	4,033,381	80,353
Streets	1,096,762	1,007,879	974,639	33,240
Traffic planning and control	1,263,751	1,302,138	1,199,247	102,891
Communications - Technical Service	1,511,621	1,585,551	1,461,330	124,221
Street lighting	687,125	825,037	329,149	495,888
Total Public Works	<u>12,558,861</u>	<u>13,146,422</u>	<u>11,999,767</u>	<u>1,146,655</u>
Health and Sanitation:				
Department of Community Development				
Health:	6,839,793	6,913,293	4,803,442	2,109,851
Total Health and Sanitation	<u>6,839,793</u>	<u>6,913,293</u>	<u>4,803,442</u>	<u>2,109,851</u>
Parks and Recreation:				
Department of Parks and Recreation:				
Park maintenance	3,855,845	3,865,559	3,763,851	101,708
Recreation	996,231	978,913	873,832	105,081
Swimming pool operation	531,349	481,349	404,275	77,074
Total Parks and Recreation	<u>5,383,425</u>	<u>5,325,821</u>	<u>5,041,958</u>	<u>283,863</u>
Community Development and Planning:				
Department of Community Development:				
Director's office	5,429,461	5,220,321	3,141,123	2,079,198
Planning and zoning	1,615,670	1,802,123	1,297,219	504,904
Building standards and safety	4,223,801	4,308,101	3,868,275	439,826
Total Community Development and Planning	<u>11,268,932</u>	<u>11,330,545</u>	<u>8,306,617</u>	<u>3,023,928</u>
Capital Outlays	<u>2,810,145</u>	<u>2,810,145</u>	<u>3,926,618</u>	<u>(1,116,473)</u>
Total Capital Outlays	<u>2,810,145</u>	<u>2,810,145</u>	<u>3,926,618</u>	<u>(1,116,473)</u>
Total Expenditures	<u>118,678,103</u>	<u>121,001,823</u>	<u>114,505,621</u>	<u>6,496,202</u>

(Continued)

CITY OF ALLENTOWN
BUDGETARY COMPARISON SCHEDULE -
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,796,093</u>	<u>3,660,608</u>	<u>18,180,486</u>	<u>14,519,878</u>
Other Financing Sources/(Uses):				
Proceeds from financed purchase	-	-	1,472,157	1,472,157
Water/sewer lease - Annual sec 3.23	980,651	980,651	980,651	-
Transfers in:				
Capital Fund	1,974,000	1,974,000	2,421,400	447,400
ARPA	1,450,000	1,450,000	1,450,000	-
Golf	125,000	125,000	125,000	-
Transfers out:				
Capital Fund	-	(69,057)	(169,057)	(100,000)
Debt Service Fund	(8,911,615)	(8,911,615)	(9,398,015)	(486,400)
Risk Fund	(971,350)	(971,350)	(971,350)	-
Solid Waste Fund	(642,857)	(642,857)	(642,857)	-
Total other financing sources (uses)	<u>(5,996,171)</u>	<u>(6,065,228)</u>	<u>(4,732,071)</u>	<u>1,333,157</u>
Net Change in Fund Balance	<u>\$ (200,078)</u>	<u>\$ (2,404,620)</u>	13,448,415	<u>\$ 15,853,035</u>
Net effect of agency fund, other income and expenditure accruals			<u>(3,476,605)</u>	
Net Change in Fund Balance			9,971,810	
Fund Balance:				
Beginning of year			<u>35,341,258</u>	
End of year			<u>\$ 45,313,068</u>	

(Concluded)

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - AMERICAN RESCUE PLAN FUND

YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
ARPA Grant	\$ -	\$ -	\$ 28,566,302	\$ 28,566,302
Investment earnings	-	17,414	143,296	125,882
Total revenues	-	17,414	28,709,598	28,692,184
Expenditures:				
Bureau of EMHS	400,000	446,126	71,514	374,612
Nondepartmental	-	1,000,000	-	1,000,000
Total expenditures	400,000	1,446,126	71,514	1,374,612
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400,000)	(1,428,712)	28,638,084	30,066,796
Other Financing Sources (Uses):				
Transfers out	(1,450,000)	(6,414,300)	(6,414,300)	-
Total other financing sources (uses)	(1,450,000)	(6,414,300)	(6,414,300)	-
Net Change in Fund Balance	<u><u>\$ (1,850,000)</u></u>	<u><u>\$ (7,843,012)</u></u>	22,223,784	<u><u>\$ 30,066,796</u></u>
Net effect of agency fund, other income and expenditure accruals			(22,080,488)	
Net Change in Fund Balance			143,296	
Fund Balance:				
Beginning of year			17,414	
End of year			<u><u>\$ 160,710</u></u>	

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Intergovernmental revenues:				
CDBG Grant revenue	\$ -	\$ -	\$ 3,625,725	\$ 3,625,725
Program revenue	-	-	570,042	570,042
Rental/Rehab loan repayments	-	-	8,167	8,167
State Aid	-	-	33,964	33,964
Program income/home	-	-	69,284	69,284
Total intergovernmental revenues	-	-	4,307,182	4,307,182
Other income:				
Interest	-	-	5,955	5,955
Total other income	-	-	5,955	5,955
Total revenues	-	-	4,313,137	4,313,137
Expenditures:				
CDBG:				
Community Development:				
CDBG, Home & ESG	27,653,388	27,653,388	9,949,042	17,704,346
Total CDBG	27,653,388	27,653,388	9,949,042	17,704,346
Total expenditures	27,653,388	27,653,388	9,949,042	17,704,346
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,653,388)	(27,653,388)	(5,635,905)	22,017,483
Other Financing Sources (Uses):				
Proceeds from loan payable - HUD	-	-	5,605,000	5,605,000
Total other financing sources (uses)	-	-	5,605,000	5,605,000
Net Change in Fund Balance	\$ (27,653,388)	\$ (27,653,388)	(30,905)	\$ 27,622,483
Net effect of other income and expenditure accruals			191,041	
Net Change in Fund Balance			160,136	
Fund Balance:				
Beginning of year			3,899,875	
End of year			<u>\$ 4,060,011</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2022

1. Budgetary Basis

Annual budgets as required by the City Charter are adopted by City Council on a cash basis for revenues and modified accrual basis for expenditures, including appropriations to cover prior and anticipated current encumbrances. Appropriations not reserved for encumbrances lapse at year-end. Budgets are legally adopted for the General Fund, Capital Projects Fund, Community Development Block Grant Fund, American Rescue Plan Fund, and the following nonmajor funds: Debt Service Fund, Liquid Fuels Fund, Trexler Fund, Grants Fund, Stormwater Fund, Risk Management Fund, Lease A.O. Fund, and Solid Waste Fund.

The City Administration, 60 days prior to the beginning of the new fiscal year, presents the proposed budgets to City Council. A series of public hearings and discussions occur related to the budgets and on or before December 15, City Council approves the budgets. At the time of the budget adoptions, City Council adopts various ordinances related to tax rates and other rates and fees.

The City Charter requires the City's legal level of budgetary control to be at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance within a department and up to \$5,000 between departments. Transfers exceeding \$5,000 must be approved by City Council.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2022

2. Adjustment to Convert From Budgetary Basis to GAAP

Adjustments necessary to convert the results of operations and fund balances on the budgetary basis to the GAAP basis are as follows:

General Fund

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Budgetary basis	\$ 139,135,315	\$ 125,686,900
Accrual adjustments:		
Receivables:		
Beginning of year	(12,630,994)	-
End of year	12,041,020	-
Due from other funds:		
Beginning of year	-	-
End of year	(125,000)	-
Due to other governments		
Beginning of year	-	-
End of year	(3,055,826)	-
Accrued liabilities:		
Beginning of year	-	(222,930)
End of year	-	268,677
Advance to other funds		
Beginning of year	1,285,715	-
End of year	(642,858)	-
Unearned and unavailable revenues:		
Beginning of year	22,232,289	-
End of year	(22,535,204)	-
Reclassifications	(603,173)	(603,173)
GAAP basis	\$ 135,101,284	\$ 125,129,474

ARPA Fund

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Budgetary basis	\$ 28,709,598	\$ 6,485,814
Accrual adjustments:		
Unearned revenues - grants:		
Beginning of year	25,154,479	-
End of year	(45,647,962)	-
GAAP basis	\$ 8,216,115	\$ 6,485,814

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2022

CDBG Fund

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Budgetary basis	\$ 9,918,137	\$ 9,949,042
Accrual adjustments:		
Grants receivable		
Beginning of year	(504,446)	-
End of year	2,025,732	-
Loans receivable		
Beginning of year	-	-
End of year	(120,696)	-
Accrued liabilities		
Beginning of year	-	(6,574)
End of year	-	804,483
Unearned revenues - other		
Beginning of year	-	-
End of year	(411,640)	-
GAAP basis	\$ 10,907,087	\$ 10,746,951

3. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations – General Fund

	Appropriation	Expenditures
Department of Public Safety:		
Fire	\$ 26,832,524	\$ 26,889,923
Capital outlays	2,810,145	3,926,618

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN

	2022*	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	\$ 4,371,591	\$ 4,183,341	\$ 3,662,083	\$ 3,567,206	\$ 3,496,148	\$ 3,500,391	\$ 3,039,127	\$ 2,856,276	\$ 2,661,908
Interest	17,609,616	16,988,330	15,670,774	15,010,083	14,586,053	14,049,286	13,161,554	12,720,534	12,280,247
Differences between expected and actual experience	-	5,224,332	1,011,115	(1,518,678)	377,097	4,018,311	(205,379)	737,072	-
Changes of assumptions	-	8,273,246	-	-	-	-	7,903,467	-	-
Benefit payments, including refunds	(13,486,372)	(12,460,263)	(11,811,083)	(11,334,444)	(10,833,661)	(10,700,027)	(10,506,610)	(10,190,293)	(10,194,574)
Net Changes in Total Pension Liability	8,494,835	22,208,986	8,532,889	5,724,167	7,625,637	10,867,961	13,392,159	6,123,589	4,747,581
Total Pension Liability - Beginning	240,219,041	218,010,055	209,276,166	203,551,999	195,926,362	185,058,401	171,666,242	165,542,653	160,795,072
Total Pension Liability - Ending (a)	\$ 248,713,876	\$ 240,219,041	\$ 217,809,055	\$ 209,276,166	\$ 203,551,999	\$ 195,926,362	\$ 185,058,401	\$ 171,666,242	\$ 165,542,653
Plan Fiduciary Net Position:									
Contributions - employer	\$ 9,318,319	\$ 7,884,257	\$ 7,918,392	\$ 7,046,609	\$ 6,924,460	\$ 4,341,381	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471
Contributions - member	1,050,124	1,108,736	1,052,012	1,069,615	988,224	931,395	991,017	914,420	825,381
Net investment income (loss)	(29,019,342)	32,483,053	21,593,429	30,934,769	(7,348,536)	22,256,156	10,741,586	(701,889)	6,419,152
Benefit payments, including refunds	(13,486,372)	(12,460,263)	(11,811,083)	(11,133,444)	(10,833,661)	(10,700,026)	(10,506,610)	(10,190,293)	(10,194,574)
Administrative expense	(3,226)	(32,173)	(34,160)	(65,707)	(98,985)	(85,076)	(9,593)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(32,140,497)	28,983,610	18,718,590	27,851,842	(10,368,498)	16,743,830	5,432,937	(7,317,676)	(453,252)
Plan Fiduciary Net Position - Beginning	228,400,935	199,417,325	180,698,735	152,846,893	163,215,391	146,471,561	141,038,624	148,356,300	148,809,552
Plan Fiduciary Net Position - Ending (b)	\$ 196,260,438	\$ 228,400,935	\$ 199,417,325	\$ 180,698,735	\$ 152,846,893	\$ 163,215,391	\$ 146,471,561	\$ 141,038,624	\$ 148,356,300
Net Pension Liability - Ending (a-b)	\$ 52,453,438	\$ 11,818,106	\$ 18,592,730	\$ 28,577,431	\$ 50,705,106	\$ 32,710,971	\$ 38,586,840	\$ 30,627,618	\$ 17,186,353
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.91%	95.08%	91.56%	86.34%	75.09%	83.30%	79.15%	82.16%	89.62%
Covered Payroll	\$ 22,097,635	\$ 22,306,245	\$ 21,013,019	\$ 20,904,708	\$ 19,781,764	\$ 19,231,733	\$ 18,931,433	\$ 17,794,000	\$ 17,031,352
Net Pension Liability as a Percentage of Covered Payroll	237.37%	52.98%	88.48%	136.70%	256.32%	170.09%	203.82%	172.12%	100.91%

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See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - FIREMEN PENSION PLAN

	2022*	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	\$ 2,041,817	\$ 1,953,892	\$ 1,813,315	\$ 1,800,136	\$ 1,789,346	\$ 1,735,550	\$ 1,544,110	\$ 1,513,683	\$ 1,422,468
Interest	10,084,191	9,828,850	9,607,882	9,388,037	9,292,591	9,101,734	8,940,922	8,782,604	8,601,438
Differences between expected and actual experience	-	367,152	(507,438)	(1,788,062)	(324,574)	(513,486)	(502,487)	312,322	-
Changes of assumptions	-	1,436,239	-	-	-	-	4,219,884	-	-
Benefit payments, including refunds	(8,495,601)	(8,347,280)	(8,222,890)	(8,031,919)	(8,032,161)	(8,011,716)	(8,113,374)	(8,104,277)	(8,075,886)
Net Changes in Total Pension Liability	3,630,407	5,238,853	2,690,869	1,368,192	2,725,202	2,312,082	6,089,055	2,504,332	1,948,020
Total Pension Liability - Beginning	138,403,028	133,164,175	130,473,306	129,105,114	126,379,912	124,067,830	117,978,775	115,474,443	113,526,423
Total Pension Liability - Ending (a)	\$ 142,033,435	\$ 138,403,028	\$ 133,164,175	\$ 130,473,306	\$ 129,105,114	\$ 126,379,912	\$ 124,067,830	\$ 117,978,775	\$ 115,474,443
Plan Fiduciary Net Position:									
Contributions - employer	\$ 3,841,351	\$ 4,107,655	\$ 4,063,701	\$ 3,779,843	\$ 3,714,299	\$ 3,068,607	\$ 2,965,478	\$ 1,205,379	\$ 1,355,613
Contributions - member	667,563	769,281	596,751	600,769	537,852	520,536	495,834	482,441	450,825
Net investment income (loss)	(17,240,451)	20,705,169	13,386,653	19,883,204	(4,686,690)	14,584,721	7,093,225	(374,539)	4,173,658
Benefit payments, including refunds	(8,495,601)	(8,347,280)	(8,222,890)	(8,031,919)	(8,032,161)	(8,011,715)	(8,113,274)	(8,104,277)	(8,075,886)
Administrative expense	(1,964)	(12,090)	(10,729)	(11,183)	(78,361)	(85,633)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(21,229,102)	17,222,735	9,813,486	16,220,714	(8,545,061)	10,076,516	2,431,671	(6,800,669)	(2,106,472)
Plan Fiduciary Net Position - Beginning	143,006,035	125,783,300	115,969,814	99,749,100	108,294,161	98,217,645	95,786,074	102,586,743	104,693,125
Plan Fiduciary Net Position - Ending (b)	\$ 121,776,933	\$ 143,006,035	\$ 125,783,300	\$ 115,969,814	\$ 99,749,100	\$ 108,294,161	\$ 98,217,745	\$ 95,786,074	\$ 102,586,653
Net Pension Liability (Asset) - Ending (a-b)	\$ 20,256,502	\$ (4,603,007)	\$ 7,380,875	\$ 14,503,492	\$ 29,356,014	\$ 18,085,751	\$ 25,850,185	\$ 22,192,701	\$ 12,887,790
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.74%	103.33%	94.46%	88.88%	77.26%	85.69%	79.16%	81.19%	88.84%
Covered Payroll	\$ 13,173,304	\$ 13,300,238	\$ 11,979,474	\$ 11,226,704	\$ 10,776,923	\$ 10,408,858	\$ 9,901,453	\$ 9,544,000	\$ 8,968,810
Net Pension Liability (Asset) as a Percentage of Covered Payroll	153.77%	-34.61%	61.61%	129.19%	272.40%	173.75%	261.07%	232.53%	143.70%

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See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - OFFICERS AND EMPLOYEES PENSION PLAN

	2022*	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	\$ 9,991	\$ 9,561	\$ 9,877	\$ 9,577	\$ 9,983	\$ 9,614	\$ 8,894	\$ 8,254	\$ 7,950
Interest	593,625	650,040	733,543	782,628	842,606	917,538	1,010,525	1,064,075	1,169,496
Differences between expected and actual experience	-	(174,860)	166,473	61,654	(132,092)	(49,185)	278,360	(434,623)	-
Changes of assumptions	-	(24,284)	-	-	-	-	294,664	-	-
Benefit payments, including refunds	(1,499,098)	(1,582,620)	(1,696,249)	(1,794,179)	(1,877,646)	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Net Changes in Total Pension Liability	(895,482)	(1,122,163)	(786,356)	(940,320)	(1,157,149)	(1,138,681)	(543,912)	(1,598,260)	(1,194,228)
Total Pension Liability - Beginning	10,003,328	11,125,491	11,911,847	12,852,167	14,009,316	15,147,997	15,691,909	17,290,169	18,484,397
Total Pension Liability - Ending (a)	\$ 9,107,846	\$ 10,003,328	\$ 11,125,491	\$ 11,911,847	\$ 12,852,167	\$ 14,009,316	\$ 15,147,997	\$ 15,691,909	\$ 17,290,169
Plan Fiduciary Net Position:									
Contributions - employer	\$ 232,542	\$ 230,757	\$ 230,346	\$ 203,401	\$ 203,427	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519
Contributions - member	4,686	4,733	4,485	4,336	4,212	4,073	3,930	3,851	3,573
Net investment income (loss)	(851,955)	971,892	716,230	1,481,190	(264,012)	1,281,494	647,814	50,233	940,162
Benefit payments, including refunds	(1,499,098)	(1,582,620)	(1,696,249)	(1,794,179)	(1,877,646)	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Administrative expense	(840)	(6,349)	(10,729)	(11,278)	(64,142)	(68,931)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(2,114,665)	(381,587)	(755,917)	(116,530)	(1,998,161)	(650,167)	(1,344,663)	(2,030,533)	(1,335,102)
Plan Fiduciary Net Position - Beginning	9,633,535	10,015,122	10,771,039	10,887,569	12,885,730	13,535,897	14,880,560	16,911,093	18,246,195
Plan Fiduciary Net Position - Ending (b)	\$ 7,518,870	\$ 9,633,535	\$ 10,015,122	\$ 10,771,039	\$ 10,887,569	\$ 12,885,730	\$ 13,535,897	\$ 14,880,560	\$ 16,911,093
Net Pension Liability - Ending (a-b)	\$ 1,588,976	\$ 369,793	\$ 1,110,369	\$ 1,140,808	\$ 1,964,598	\$ 1,123,586	\$ 1,612,100	\$ 811,349	\$ 379,076
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.55%	96.30%	90.02%	90.42%	84.71%	91.98%	89.36%	94.83%	97.81%
Covered Payroll	\$ 85,201	\$ 86,050	\$ 81,552	\$ 78,833	\$ 76,590	\$ 74,062	\$ 71,512	\$ 70,000	\$ 64,960
Net Pension Liability as a Percentage of Covered Payroll	1864.97%	429.74%	1361.55%	1447.12%	2565.08%	1517.09%	2254.31%	1159.07%	583.55%

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See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - PMRS PLAN

	2021*	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 4,092,285	\$ 3,643,652	\$ 3,246,716	\$ 3,247,031	\$ 3,134,334	\$ 2,885,308	\$ 3,121,592	\$ 3,792,600
Interest	9,806,530	9,256,599	9,149,791	8,949,043	8,808,742	8,772,091	8,484,310	8,298,621
Differences between expected and actual experience	-	937,112	-	1,588,051	-	-	-	(31,247)
Changes of assumptions	-	6,939,844	-	-	-	4,474,139	2,584,899	-
Transfers	44,974	-	11,956	(82,469)	79,165	1,235,476	-	(42,319)
Benefit payments, including refunds	(10,653,468)	(10,885,534)	(10,647,603)	(9,219,033)	(9,546,663)	(9,172,560)	(8,283,599)	(7,706,851)
Net Changes in Total Pension Liability	3,290,321	9,891,673	1,760,860	4,482,623	2,475,578	8,194,454	5,907,202	4,310,804
Total Pension Liability - Beginning	187,937,343	178,045,670	176,284,810	171,802,187	169,326,609	161,132,155	155,224,953	150,914,149
Total Pension Liability - Ending (a)	\$ 191,227,664	\$ 187,937,343	\$ 178,045,670	\$ 176,284,810	\$ 171,802,187	\$ 169,326,609	\$ 161,132,155	\$ 155,224,953
Plan Fiduciary Net Position:								
Contributions - employer	\$ 3,377,766	\$ 3,258,437	\$ 3,252,975	\$ 2,648,140	\$ 2,630,992	\$ 2,240,743	\$ 2,230,827	\$ 1,558,888
Contributions - member	2,091,457	1,936,561	1,848,891	1,840,181	1,775,180	1,738,658	1,710,952	1,672,158
Net investment income (loss)	27,094,029	24,757,115	30,555,108	(5,210,426)	24,702,348	11,603,111	(36,944)	7,201,360
Transfers	44,974	-	11,956	(82,469)	79,165	-	-	(42,319)
Benefit payments, including refunds	(10,653,468)	(10,885,534)	(10,647,603)	(9,219,033)	(9,546,663)	(9,172,560)	(8,283,599)	(7,706,851)
Administrative expense	(531,573)	(386,945)	(301,821)	(365,857)	(367,920)	(397,521)	(338,130)	(304,806)
Net Change in Plan Fiduciary Net Position	21,423,185	18,679,634	24,719,506	(10,389,464)	19,273,102	6,012,431	(4,716,894)	2,378,430
Plan Fiduciary Net Position - Beginning	193,932,486	175,252,852	150,533,346	160,922,810	141,649,708	135,637,277	140,354,171	137,975,741
Plan Fiduciary Net Position - Ending (b)	\$ 215,355,671	\$ 193,932,486	\$ 175,252,852	\$ 150,533,346	\$ 160,922,810	\$ 141,649,708	\$ 135,637,277	\$ 140,354,171
Net Pension Liability (Asset) - Ending (a-b)	\$ (24,128,007)	\$ (5,995,143)	\$ 2,792,818	\$ 25,751,464	\$ 10,879,377	\$ 27,676,901	\$ 25,494,878	\$ 14,870,782
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	112.62%	103.19%	98.43%	85.39%	93.67%	83.65%	84.18%	90.42%
Covered Payroll	\$ 27,746,390	\$ 27,531,948	\$ 24,532,647	\$ 24,535,775	\$ 23,651,715	\$ 23,169,719	\$ 23,067,602	\$ 22,740,178
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-86.96%	-21.78%	11.38%	104.95%	46.00%	119.45%	110.52%	65.39%

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See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - ALLENTOWN PARKING AUTHORITY

	2022*	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:								
Interest	\$ 193,994	\$ 198,203	\$ 202,439	\$ 204,066	\$ 203,074	\$ 212,438	\$ 220,605	\$ 218,085
Differences between expected and actual experience	-	(40,512)	-	14,591	-	(11,100)	-	-
Changes of assumptions	-	221,434	-	-	-	6,096	-	-
Benefit payments, including refunds	(257,313)	(259,343)	(242,815)	(208,700)	(200,199)	(474,376)	(174,612)	(194,346)
Net Changes in Total Pension Liability	(63,319)	119,782	(40,376)	9,957	2,875	(266,942)	45,993	23,739
Total Pension Liability - Beginning	2,899,997	2,780,215	2,820,591	2,810,634	2,807,759	3,074,701	3,028,708	3,004,969
Total Pension Liability - Ending (a)	\$ 2,836,678	\$ 2,899,997	\$ 2,780,215	\$ 2,820,591	\$ 2,810,634	\$ 2,807,759	\$ 3,074,701	\$ 3,028,708
Plan Fiduciary Net Position:								
Net investment income (loss)	\$ (613,603)	\$ 417,306	\$ 677,131	\$ 643,072	\$ (111,811)	\$ 498,292	\$ 246,491	\$ (35,622)
Contributions - member	-	13,202	13,202	9,198	-	-	-	-
Benefit payments, including refunds	(257,313)	(259,343)	(242,815)	(208,700)	(200,199)	(474,376)	(174,612)	(194,346)
Net Change in Plan Fiduciary Net Position	(870,916)	171,165	447,518	443,570	(312,010)	23,916	71,879	(229,968)
Plan Fiduciary Net Position - Beginning	3,828,652	3,657,487	3,209,969	2,766,399	3,078,409	3,054,493	2,982,614	3,212,582
Plan Fiduciary Net Position - Ending (b)	\$ 2,957,736	\$ 3,828,652	\$ 3,657,487	\$ 3,209,969	\$ 2,766,399	\$ 3,078,409	\$ 3,054,493	\$ 2,982,614
Net Pension Liability (Asset) - Ending (a-b)	\$ (121,058)	\$ (928,655)	\$ (877,272)	\$ (389,378)	\$ 44,235	\$ (270,650)	\$ 20,208	\$ 46,094
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.27%	132.02%	131.55%	113.80%	98.43%	109.64%	99.34%	98.48%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS SCHEDULES OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

POLICE PENSION PLAN:

Schedule of City Contributions	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution under Act 205	\$ 9,318,319	\$ 7,884,257	\$ 7,918,392	\$ 7,046,609	\$ 6,924,460	\$ 4,341,381	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471	\$ 2,276,774
Contributions in relation to the actuarially determined contributions	9,318,319	7,884,257	7,918,392	7,046,609	6,924,460	4,341,381	4,216,537	2,669,759	2,507,471	2,276,774
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$22,097,635	\$22,306,245	\$21,013,019	\$20,904,708	\$19,718,764	\$19,231,733	\$18,931,433	\$17,794,000	\$ 17,031,352	\$ 15,293,935
Contributions as a percentage of covered payroll	42.17%	35.35%	37.68%	33.71%	35.12%	22.57%	22.27%	15.00%	14.72%	14.89%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-12.77%	15.20%	7.40%	18.55%	-4.65%	15.20%	7.30%	0.44%	4.51%	N/A

FIREMEN PENSION PLAN:

Schedule of City Contributions	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution under Act 205	\$ 3,841,351	\$ 4,107,655	\$ 4,063,701	\$ 3,779,843	\$ 3,714,299	\$ 3,068,607	\$ 2,965,478	\$ 1,205,379	\$ 1,345,613	\$ 1,508,323
Contributions in relation to the actuarially determined contributions	3,841,351	4,107,655	4,063,701	3,779,843	3,714,299	3,068,607	2,965,478	1,205,379	1,355,613	1,508,323
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	\$ -
Covered payroll	\$13,173,304	\$13,300,238	\$11,979,474	\$11,266,704	\$10,776,923	\$10,408,858	\$ 9,901,453	\$ 9,544,000	\$ 8,968,810	\$ 8,117,293
Contributions as a percentage of covered payroll	29.16%	30.88%	33.92%	33.55%	34.47%	29.48%	29.95%	12.63%	15.11%	18.58%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-12.19%	15.40%	7.40%	13.68%	-4.51%	14.80%	7.10%	-0.32%	4.29%	N/A

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See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS SCHEDULES OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

OFFICERS AND EMPLOYEES PENSION PLAN:

Schedule of City Contributions	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution under Act 205	\$ 232,542	\$ 230,757	\$ 230,346	\$ 203,401	\$ 203,427	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519	\$ 81,097
Contributions in relation to the actuarially determined contributions	232,542	230,757	230,346	203,401	203,427	149,845	149,540	161,022	103,519	81,097
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 85,201	\$ 86,050	\$ 81,552	\$ 78,833	\$ 76,590	\$ 74,062	\$ 71,512	\$ 70,000	\$ 64,960	\$ 62,491
Contributions as a percentage of covered payroll	272.93%	268.17%	282.45%	258.02%	265.61%	202.32%	209.11%	230.03%	159.36%	129.77%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-9.37%	9.90%	6.40%	13.68%	-2.22%	9.50%	4.80%	0.67%	5.99%	N/A

PMRS PLAN:

Schedule of City Contributions	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution under Act 205	\$ 3,376,666	\$ 3,257,977	\$ 3,252,315	\$ 2,647,644	\$ 2,629,868	\$ 2,239,534	\$ 2,229,106	\$ 1,557,908	\$ 1,612,483	\$ 1,299,757
Contributions in relation to the actuarially determined contributions	3,377,766	3,258,437	3,252,975	2,648,140	2,630,992	2,240,743	2,230,827	1,558,888	1,612,483	1,299,757
Contribution deficiency (excess)	\$ (1,100)	\$ (460)	\$ (660)	\$ (496)	\$ (1,124)	\$ (1,209)	\$ (1,721)	\$ (980)	\$ -	\$ -
Covered payroll	\$27,746,390	\$27,531,948	\$24,532,647	\$24,535,775	\$23,651,715	\$23,169,719	\$23,067,602	\$28,432,224	\$ 22,740,178	
Contributions as a percentage of covered payroll	12.17%	11.84%	13.26%	10.79%	11.12%	9.67%	9.67%	5.48%	7.09%	

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

SCHEDULES OF PARKING AUTHORITY CONTRIBUTIONS AND INVESTMENT RETURNS

PARKING AUTHORITY PENSION PLAN:

<u>Schedule of Parking Authority Contributions</u>	2022*	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution under Act 205	\$ -	\$ 13,202	\$ 13,202	\$ 4,313	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	13,202	13,202	9,198	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (4,885)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Investment Returns</u>								
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	14.17%	-3.75%	17.69%	8.50%	-1.14%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Parking Authority is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension plans.

CITY OF ALLENTOWN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2022

1. Actuarial Methods and Assumptions

Primary Government

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates for the Police, Firemen, and Officers and Employees Pension Plans under Act 205 for the year ended December 31, 2022 are as follows:

	Police	Firemen	Officers and Employees
Valuation date	1/1/2021	1/1/2021	1/1/2021
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar closed period	Level dollar closed period	Level dollar closed period
Amortization period	14 years	13 years	2 years
Asset valuation method	*Five-year smoothed market 80%/20% corridor around market		
Actuarial assumptions:			
Investment rate of return	7.40%	7.40%	6.40%
Projected salary increases	4.50%	4.50%	4.50%
Mortality - Healthy Lives:	Blue Collar Adjusted RP-2000 Combined Health Mortality Table		RP-2000 Combined Healthy Mortality Table
Mortality - Disability Lives:	RP-2000 Disabled Mortality Table		
Cost of Living Adjustment	2.4% per year upon eligibility to receive a COLA		0%

Changes in Actuarial Assumptions

The following assumptions were change from the January 1, 2019 actuarial valuation to the January 1, 2021 actuarial valuation:

Police

Retirement rates were changed to better reflect the assumed retirement rates for active participants based on attained service.

The investment return assumption was decreased from 7.5% to 7.40%

CITY OF ALLENTOWN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2022

Fire and Officers and Employees

The investment return assumption was decreased from 7.5% to 7.40%

Officer's and Employees

The retirement rate assumption was changed for the last active participant to assume 100% retirement in 2023, which is consistent with past practice to assume the one service participant's assumed retirement date will occur in the next two years from the actuarial valuation date.

The investment return assumption was decreased from 6.5% to 6.40%

Methods and assumptions used to determine the contribution rate required under Act 205 for the PMRS Pension Plan for the year ended December 31, 2021 are as follows:

Valuation date	1/1/2019
Actuarial cost method	Entry Age
Amortization method	Level dollar closed period
Amortization period	Based upon Amortization Tables in Act 205
Asset valuation method	Based Upon municipal reserves
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	2.80%
Cost-of-living adjustment	2.80%
Pre-retirement mortality	Males: RP 2000 Non-Annuitant Table Projected 15 years with Scale AA Females: RP 2000 Non-Annuitant Table Projected 15 years with Scale AA and setback 5 years
Post-retirement mortality	Males and females: RP 2000 annuitant table Projected 5 years with Scale AA Females: RP 2000 Non-Annuitant Table Projected 10 years with Scale AA

CITY OF ALLENTOWN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2022

Changes in Actuarial Assumptions

The December 31, 2015 assumptions were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 first effective.

The December 31, 2016 investment return assumption for municipal assets decreased from 5.50% to 5.25%

Effective with the December 31, 2020 measurement date were the following assumption changes: the experience study was updated as noted above; mortality tables were updated from RP 2000 to PUB-2010 for pre-retirement and RP 2006 for post-retirement; postretirement cost of living decreased from 2.8% to 2.2%; projected salary increases were also adjusted.

Discretely Presented Component Unit

<u>Parking Authority</u>	
Valuation date	1/1/2021
Actuarial cost method	Entry Age Normal
Investment rate of return	7.00% per annum
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	PubG-2010 Healthy Retiree Mortality projected 5 years past 2021 valuation date
Termination	None
Disability	None
Retirement age	Normal retirement age or age on valuation, if greater
Form of annuity	10 year certain and life
Significant plan changes	None
Significant assumption changes	None

CITY OF ALLENTOWN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

YEAR ENDED DECEMBER 31, 2022

Changes in Assumptions

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

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

In 2021, the interest rate assumption was lowered from 7.50% to 7.0% per annum and the mortality assumption was changed from RP-2000 Table projected to 2017 using Scale AA to the PubG-2010 projected 5 years past 2021 valuation date using MP-2020.

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	2022*	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	\$ 5,069,955	\$ 3,861,863	\$ 3,238,776	\$ 3,502,641	\$ 2,976,784
Interest	2,310,087	2,558,747	3,710,197	3,217,857	3,206,665
Differences between expected and actual experience	(3,118,203)	-	(1,154,202)	-	(1,722,009)
Changes in assumptions	1,264,179	12,952,367	692,815	(4,924,689)	9,034,134
Benefit payments	(5,094,104)	(3,698,334)	(4,105,453)	(5,315,182)	(4,780,529)
Net Changes in Total OPEB Liability	431,914	15,674,643	2,382,133	(3,519,373)	8,715,045
Total OPEB Liability - Beginning	108,978,363	93,303,720	90,921,587	94,440,960	85,725,915
Total OPEB Liability - Ending	\$ 109,410,277	\$ 108,978,363	\$ 93,303,720	\$ 90,921,587	\$ 94,440,960
Plan Fiduciary Net Position:					
Contributions - employer	\$ 5,094,104	\$ 3,698,334	\$ 4,105,453	\$ 5,315,182	\$ 4,780,529
Benefit payments, including employee refunds	(5,094,104)	(3,698,334)	(4,105,453)	(5,315,182)	(4,780,529)
Net Changes	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-
Plan Fiduciary Net Position - Ending	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB Liability - Ending	\$ 109,410,277	\$ 108,978,363	\$ 93,303,720	\$ 90,921,587	\$ 94,440,960
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - OPEB plan

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS - ALLENTOWN PARKING AUTHORITY

	2022*	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	\$ -	\$ -	\$ 11,424	\$ 10,881	\$ 30,445
Interest	31,994	35,937	51,049	53,092	72,054
Changes in Benefits	-	-	-	(177,069)	-
Differences between expected and actual experience	-	(17,633)	-	(146,934)	-
Changes in assumptions	-	(107,508)	-	(13,625)	-
Benefit payments	(95,406)	(119,809)	(126,879)	(70,233)	(52,464)
Net Changes in Total OPEB Liability	(63,412)	(209,013)	(64,406)	(343,888)	50,035
Total OPEB Liability - Beginning	629,415	838,428	902,834	1,246,722	1,196,687
Total OPEB Liability - Ending	\$ 566,003	\$ 629,415	\$ 838,428	\$ 902,834	\$ 1,246,722
Plan Fiduciary Net Position:					
Contributions - employer	\$ 95,406	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Contributions - member	-	-	-	-	-
Net investment income	(64,906)	45,209	43,219	47,673	(13,459)
Benefit payments, including employee refunds	(95,406)	-	-	-	-
Administrative expense	-	-	-	-	-
Net Changes	(64,906)	45,209	68,219	72,673	11,541
Plan Fiduciary Net Position - Beginning	488,492	443,283	375,064	302,391	290,850
Plan Fiduciary Net Position - Ending	\$ 423,586	\$ 488,492	\$ 443,283	\$ 375,064	\$ 302,391
Net OPEB Liability - Ending	\$ 142,417	\$ 140,923	\$ 395,145	\$ 527,770	\$ 944,331
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	77.61%	52.87%	41.54%	24.30%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Parking Authority is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - OPEB plan

CITY OF ALLENTOWN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

YEAR ENDED DECEMBER 31, 2022

1. Actuarial Methods and Assumptions

Methods and assumptions used to determine contribution rates:

Discount rate: 2.06% per annum for the valuation measured as of December 31, 2021
2.12% for the valuation measured as of December 31, 2020

Expected return on assets N/A

Salary increase assumptions (with merit)

Police and Fire 4.5% per year
PMRS 2.20% for 2021, then based on age and service thereafter
Added to the aged-based rates are 3% for each of the first 2 years of service, 2% for years 3 and 4, and 1% for years 5 and 6.

Healthcare cost trends:

2022 6.93%	2033 3.85%
2023 6.62%	2034 3.79%
2024 6.25%	2035 3.76%
2025 5.89%	2036 3.74%
2026 5.65%	2037 3.72%
2027 5.41%	2038 3.71%
2028 5.17%	2039 3.70%
2029 4.94%	2040 3.69%
2030 4.70%	2041 3.63%
2031 4.46%	2042 3.63%
2032 3.96%	

Retirement rates:

Police: Age 50 and 20 years of service

Fire: Immediately upon attainment of age 50 with 20 years of service, if younger than 62, a select and ultimate table with increasing rates

O&E Participants eligible for retirement under age 58 will delay retirement until age 58. Participants aged 58 or older and eligible for retirement are assumed to retire immediately.

CITY OF ALLENTOWN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

YEAR ENDED DECEMBER 31, 2022

Rates of Mortality:

Police, Fire and Non-PMRS O&E

Healthy Mortality: Blue collar adjusted RP 2000 with projected generationally from base year 2000 using 50% of Scale AA

Disabled Mortality: RP 2000 disabled mortality table

PMRS

Healthy Mortality, Pre-Retirement: Males: PUB-2010 General employees' male table projected to 2023 MP-2018
Females: PUB-2010 General employees' female table projected to 2023 with MP-2018

Healthy Mortality, Post-Retirement: Males: RP-2006 annuitant male table projected to 2023 with MP-2018
Females: RP-2006 annuitant female table projected to 2023 with MP-2018

Disabled Mortality: Male and females: RP-2006 disabled annuitant male and female table projected to 2023 with MP-2018

Changes in Assumptions

In 2022, the discount rate decreased from 2.12% to 2.06% due to a change in the 20-year Bond Buyer Index rate resulting in a net increase in the liability by approximately \$1.3 million. There were also assumption changes due to the updated claims and trend information.

The discount rate will increase to 3.74% as of the December 31, 2022 measurement date based on the 20-year Bond Buyer Index rate. This increase in the discount rate will decrease the OPEB liability.

CITY OF ALLENTOWN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

YEAR ENDED DECEMBER 31, 2022

<u>Parking Authority</u>	
Valuation date	1/1/2020
Actuarial cost method	Entry Age Normal
Discount rate	5.50%
Salary increases	5% compounded annually
Inflation	2.45%
Healthcare cost trends	Medical costs are assumed to decrease by 7.562% during 2021, increase 8.25% during 2022, reduced by .25% per year. Thereafter to an ultimate level of 5% per year Dental costs are assumed to increase by 2% per year
Pre-retirement mortality	None
Post-retirement mortality	PubG-2010 General Amount Weighted mortality Tables for Healthy Retirees projected to 2026 using Scale MP-2020
Termination	None
Disability	None
Retirement age	Age 55 if attained a minimum of 25 years. If 25 years of service not attained by age 55, the retirement is assumed of 20 years of service and age 55 at the later
Participation	100% of management retirees. 0% spouses and dependents

Changes in Assumptions

In 2020, the assumed rate of increase to the combined medical and prescription drug costs has changed from 8.25% to 5.00% by 0.25% to 6.50% during 2020, 8.00% during 2021 reduced by 0.25% thereafter to an ultimate level of 5.00% per year.

In 2021, the discount rate was changed from 6% to 5.5%. The rate that medical and prescription drug costs as assumed to increase has changed in 2021 reduced by 0.25% per year to an ultimate level of 5% per year to -7.562% during 2021, 8.25% in 2022 decreasing by 0.25% per year to an ultimate level of 5% per year. The 2021 rate is based on actual renewal information.

SUPPLEMENTARY INFORMATION

CITY OF ALLENTOWN
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Liquid Fuels	Revolving Loan	Trexler	Grants	Lease A.O.	Stormwater	Debt Service	
Assets								
Cash and cash equivalents	\$ 2,754,248	\$ 1,288,873	\$ 562,030	\$ -	\$ 1,237,580	\$ 3,874,476	\$ -	\$ 9,717,207
Cash - resctricted	-	-	-	-	700,344	-	-	700,344
Receivables:								
Loans	-	56,082	-	-	-	-	-	56,082
Accounts	-	-	8,405	-	72,459	659,283	-	740,147
Grants	-	-	456,418	-	-	-	-	456,418
Total Assets	\$ 2,754,248	\$ 1,344,955	\$ 1,026,853	\$ -	\$ 2,010,383	\$ 4,533,759	\$ -	\$ 11,670,198
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	\$ 20,337	\$ -	\$ 15,284	\$ -	\$ -	\$ 96,093	\$ -	\$ 131,714
Wages payable	31,025	-	11,140	-	-	33,461	-	75,626
Due to other funds	-	1,320	-	-	-	-	-	1,320
Other liabilities	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total Liabilities	51,362	1,320	26,424	-	-	129,554	-	208,660
Fund Balance:								
Restricted	2,702,886	1,343,635	1,000,429	-	2,010,383	4,404,205	-	11,461,538
Total Fund Balance	2,702,886	1,343,635	1,000,429	-	2,010,383	4,404,205	-	11,461,538
Total Liabilities, and Fund Balance	\$ 2,754,248	\$ 1,344,955	\$ 1,026,853	\$ -	\$ 2,010,383	\$ 4,533,759	\$ -	\$ 11,670,198

CITY OF ALLENTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Liquid Fuels	Revolving Loan	Trexler	Grants	Lease/A.O.	Stormwater	Debt Service	
Revenues:								
Investment earnings	\$ 12,600	\$ 4,582	\$ 2,590	\$ -	\$ 7,388	\$ 18,207	\$ -	\$ 45,367
Intergovernmental revenues	3,241,382	-	1,984,069	1,178,666	-	172,671	-	6,576,788
Charges for services	-	-	-	-	-	5,782,253	-	5,782,253
Other	144,866	-	27,723	-	604,647	1,597	-	778,833
Total revenues	3,398,848	4,582	2,014,382	1,178,666	612,035	5,974,728	-	13,183,241
Expenditures:								
Current:								
General government	-	-	-	1,178,666	-	-	-	1,178,666
Community development	-	-	-	-	-	-	-	-
Public works	3,085,161	-	-	-	-	4,343,560	-	7,428,721
Parks and recreation	-	-	1,578,218	-	-	-	-	1,578,218
Debt service:								
Principal	-	-	-	-	415,000	-	7,225,000	7,640,000
Interest	-	-	-	-	219,516	-	2,238,831	2,458,347
Capital outlay	198,844	-	43,706	-	-	876,545	-	1,119,095
Total expenditures	3,284,005	-	1,621,924	1,178,666	634,516	5,220,105	9,463,831	21,403,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,843	4,582	392,458	-	(22,481)	754,623	(9,463,831)	(8,219,806)
Other Financing Sources (Uses):								
Proceeds from issuance of debt	-	-	-	-	-	-	-	-
Proceeds from financed purchases	-	-	-	-	-	462,282	-	462,282
Transfers in	-	-	123,000	-	-	-	9,463,831	9,586,831
Transfers out	(65,816)	-	(1,163,126)	-	(1,401,251)	(397,335)	-	(3,027,528)
Total other financing sources (uses)	(65,816)	-	(1,040,126)	-	(1,401,251)	64,947	9,463,831	7,021,585
Net Change in Fund Balance	49,027	4,582	(647,668)	-	(1,423,732)	819,570	-	(1,198,221)
Fund Balance:								
Beginning of year	2,653,859	1,339,053	1,648,097	-	3,434,115	3,584,635	-	12,659,759
End of year	\$ 2,702,886	\$ 1,343,635	\$ 1,000,429	\$ -	\$ 2,010,383	\$ 4,404,205	\$ -	\$ 11,461,538

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Charges for services	\$ -	\$ -	\$ 350,351	\$ 350,351
Intergovernmental	-	3,817,550	6,893,252	3,075,702
Interest	-	-	99,925	99,925
Other	-	-	8,574	8,574
Total revenues	-	3,817,550	7,352,102	3,534,552
Expenditures:				
Capital outlay	87,835,076	94,890,341	18,253,406	76,636,935
Total expenditures	87,835,076	94,890,341	18,253,406	76,636,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	(87,835,076)	(91,072,791)	(10,901,304)	80,171,487
Other Financing Sources (Uses):				
Transfers in	-	3,944,537	7,697,734	3,753,197
Transfers out	-	-	(2,574,693)	(2,574,693)
Total other financing sources (uses)	-	3,944,537	5,123,041	1,178,504
Net Change in Fund Balance	\$ (87,835,076)	\$ (87,128,254)	(5,778,263)	\$ 81,349,991
Net effect of other income and expenditure accruals			(3,504,998)	
Net Change in Fund Balance			(9,283,261)	
Fund Balance:				
Beginning of year			14,852,662	
End of year			<u>\$ 5,569,401</u>	

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - DEBT SERVICE FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Expenditures:				
<hr/>				
Current:				
Debt service - principal	\$ 5,772,937	\$ 5,772,937	\$ 7,225,000	\$ 1,452,063
Debt service - interest	3,690,894	3,690,894	2,238,831	(1,452,063)
	<u>9,463,831</u>	<u>9,463,831</u>	<u>9,463,831</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,463,831)</u>	<u>(9,463,831)</u>	<u>(9,463,831)</u>	<u>-</u>
Other Financing Sources (Uses):				
<hr/>				
Transfers in	9,463,831	9,463,831	9,463,831	-
	<u>9,463,831</u>	<u>9,463,831</u>	<u>9,463,831</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net effect of other income and expenditure accruals			<u>-</u>	
Net Change in Fund Balance			<u>-</u>	
Fund Balance:				
<hr/>				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Intergovernmental revenues:				
PA Liquid Fuels Tax	\$ 3,000,000	\$ 3,000,000	\$ 3,097,188	\$ 97,188
State aid for pension	137,012	137,012	144,194	7,182
Total intergovernmental revenues	<u>3,137,012</u>	<u>3,137,012</u>	<u>3,241,382</u>	<u>104,370</u>
Other income:				
Interest income	20,201	20,201	12,600	(7,601)
Miscellaneous	117,410	117,410	144,866	27,456
Total other income	<u>137,611</u>	<u>137,611</u>	<u>157,466</u>	<u>19,855</u>
Total revenues	<u>3,274,623</u>	<u>3,274,623</u>	<u>3,398,848</u>	<u>124,225</u>
Expenditures:				
Public Works:				
Department of Public Works:				
Streets	3,448,533	3,448,533	3,067,181	381,352
Capital Outlay	292,000	372,137	216,824	155,313
Total expenditures	<u>3,740,533</u>	<u>3,820,670</u>	<u>3,284,005</u>	<u>536,665</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(465,910)</u>	<u>(546,047)</u>	<u>114,843</u>	<u>660,890</u>
Other Financing Sources (Uses):				
Transfers out	(65,816)	(65,816)	(65,816)	-
Total other financing sources (uses)	<u>(65,816)</u>	<u>(65,816)</u>	<u>(65,816)</u>	<u>-</u>
Net Change in Fund Balance				
	<u>\$ (531,726)</u>	<u>\$ (611,863)</u>	<u>49,027</u>	<u>\$ 660,890</u>
Net effect of other income and expenditure accruals			-	
Net Change in Fund Balance			49,027	
Fund Balance:				
Beginning of year			2,653,859	
End of year			<u>\$ 2,702,886</u>	

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - TREXLER FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Intergovernmental revenues:				
Trexler Maintenance grant	\$ 2,000,000	\$ 2,000,000	\$ 2,625,849	\$ 625,849
Springwood Trust	22,000	22,000	26,196	4,196
State aid for pension	54,805	54,805	57,678	2,873
Total intergovernmental revenues	<u>2,076,805</u>	<u>2,076,805</u>	<u>2,709,723</u>	<u>632,918</u>
Other income:				
Interest on investments	-	-	2,590	2,590
Total other income	<u>-</u>	<u>-</u>	<u>2,590</u>	<u>2,590</u>
Total revenues	<u>2,076,805</u>	<u>2,076,805</u>	<u>2,712,313</u>	<u>635,508</u>
Expenditures:				
Parks and Recreation:				
Department of Parks and Recreation:				
Grounds maintenance	2,132,790	1,733,084	1,533,160	199,924
Springwood Trust	22,000	52,528	34,242	18,286
Capital outlay	42,160	83,776	61,068	22,708
Total expenditures	<u>2,196,950</u>	<u>1,869,388</u>	<u>1,628,470</u>	<u>240,918</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(120,145)</u>	<u>207,417</u>	<u>1,083,843</u>	<u>876,426</u>
Other Financing Sources (Uses):				
Transfers in	-	-	123,000	123,000
Transfers out	-	-	(1,163,126)	(1,163,126)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,040,126)</u>	<u>(1,040,126)</u>
Net Change in Fund Balance	<u>\$ (120,145)</u>	<u>\$ 207,417</u>	43,717	<u>\$ (163,700)</u>
Net effect of other income and expenditure accruals			<u>(691,385)</u>	
Net Change in Fund Balance			(647,668)	
Fund Balance:				
Beginning of year			<u>1,648,097</u>	
End of year			<u>\$ 1,000,429</u>	

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GRANTS FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Intergovernmental revenues:				
Other grants	\$ -	\$ -	\$ -	\$ -
State funds	-	-	1,124,323	1,124,323
Total revenues	-	-	1,124,323	1,124,323
Expenditures:				
Non-departmental	9,429,994	9,429,994	1,121,323	(8,308,671)
Police	100,949	100,949	57,343	(43,606)
Community development	426,379	426,379	-	(426,379)
Total expenditures	9,957,322	9,957,322	1,178,666	(8,778,656)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,957,322)</u>	<u>(9,957,322)</u>	<u>(54,343)</u>	<u>9,902,979</u>
Net Change in Fund Balance	<u>\$ (9,957,322)</u>	<u>\$ (9,957,322)</u>	<u>(54,343)</u>	<u>\$ 9,902,979</u>
Net effect of other income and expenditure accruals			<u>54,343</u>	
Net Change in Fund Balance			-	
Fund Balance:				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - STORMWATER FUND

YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Interest	\$ 11,000	\$ 11,000	\$ 18,207	\$ 7,207
State aid for pension	164,095	164,095	172,671	8,576
Stormwater fee	5,725,338	5,725,338	5,694,081	(31,257)
Other Grants & Misc.	-	-	1,597	1,597
Collection fees - prior years	5,000	5,000	7,746	2,746
Total revenues	5,905,433	5,905,433	5,894,302	(11,131)
Expenditures:				
Stormwater:				
Department of Public Works:				
Compliance	2,381,634	1,966,236	1,403,753	562,483
Maintenance	3,767,825	4,178,669	2,920,353	1,258,316
Capital outlay	446,900	452,446	430,147	22,299
Total expenditures	6,596,359	6,597,351	4,754,253	1,843,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	(690,926)	(691,918)	1,140,049	1,831,967
Other Financing Sources (Uses):				
Transfers out	(397,335)	(397,335)	(397,335)	-
Total other financing sources (uses)	(397,335)	(397,335)	(397,335)	-
Net Change in Fund Balance	\$ (1,088,261)	\$ (1,089,253)	742,714	\$ 1,831,967
Net effect of other income and expenditure accruals			76,856	
Net Change in Fund Balance			819,570	
Fund Balance:				
Beginning of year			3,584,635	
End of year			\$ 4,404,205	

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - A.O. FUND YEAR ENDED DECEMBER 31, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original Amounts	Final Amounts		
Revenues:				
Service charge fee collection	460,000	\$ 460,000	\$ 585,235	\$ 125,235
Interest income	1,000	1,000	7,388	6,388
Total revenues	461,000	461,000	592,623	131,623
Expenditures:				
General government	1,780	1,780	-	1,780
Debt service - principal	415,000	415,000	415,000	-
Debt service - interest	219,516	219,516	219,516	-
Total expenditures	636,296	636,296	634,516	1,780
Excess (Deficiency) of Revenues Over (Under) Expenditures	(175,296)	(175,296)	(41,893)	133,403
Other Financing Sources (Uses):				
Transfers out	(2,600,000)	(2,600,000)	(1,401,251)	1,198,749
Total other financing sources (uses)	(2,600,000)	(2,600,000)	(1,401,251)	1,198,749
Net Change in Fund Balance	\$ (2,775,296)	\$ (2,775,296)	(1,443,144)	\$ 1,332,152
Net effect of other income and expenditure accruals			19,412	
Net Change in Fund Balance			(1,423,732)	
Fund Balance:				
Beginning of year			3,434,115	
End of year			\$ 2,010,383	

STATISTICAL SECTION

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CITY OF ALLENTOWN

STATISTICAL SECTION

YEAR ENDED DECEMBER 31, 2022

This part of the City of Allentown’s annual comprehensive financial report presents detailed information as a context for understanding this year’s financial statements, note disclosures, and supplementary information.

Contents	Table
Financial Trends	1 – 5
These tables contain trend information that may assist the reader in assessing the government’s current financial performance by placing it in historical perspective.	
Revenue Capacity	6 – 9
These tables contain information that may assist the reader in assessing the viability of the government’s most significant local revenue sources.	
Debt Capacity	10 – 13
These tables offer present information that may assist the reader in analyzing the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Economic & Demographic Information	14 – 15
These tables offer economic and demographic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	16 – 18
These tables contain service and infrastructure indicators to help the reader understand how the information in the government’s financial statements relate to the services the government provides and the activities it performs.	

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CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 1

**Net Position by Component
Last Ten Years
(accrual basis of accounting)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental activities										
Net Investment in Capital Assets	\$ 126,410,580	\$ 143,512,599	\$ 149,413,132	\$ 151,528,530	\$ 189,628,005	\$ 189,787,321	\$ 202,001,108	\$ 195,284,967	\$ 194,860,192	\$ 208,494,648
Restricted	162,936,167	159,837,021	9,560,549	8,538,881	9,034,864	16,159,253	16,770,597	35,172,694	22,128,770	38,179,493
Unrestricted	<u>(182,008,900)</u>	<u>(189,614,176)</u>	<u>(234,253,739)</u>	<u>(248,954,870)</u>	<u>(297,490,757)</u>	<u>(361,236,456)</u>	<u>(362,991,592)</u>	<u>(370,779,551)</u>	<u>(326,619,440)</u>	<u>(331,607,921)</u>
Total governmental activities net position	<u>107,337,847</u>	<u>113,735,444</u>	<u>(75,280,058)</u>	<u>(88,887,459)</u>	<u>(98,827,888)</u>	<u>(155,289,882)</u>	<u>(144,219,887)</u>	<u>(140,321,890)</u>	<u>(109,630,478)</u>	<u>(84,933,780)</u>
Business - type activities										
Net Investment in Capital Assets	5,551,723	5,267,292	4,965,265	4,971,644	5,512,206	5,368,849	5,202,335	4,993,363	4,587,722	4,790,708
Restricted	-	-	-	-	-	-	-	-	-	2,356,451
Unrestricted	<u>6,693,350</u>	<u>6,662,427</u>	<u>5,292,360</u>	<u>4,864,161</u>	<u>5,388,229</u>	<u>492,583</u>	<u>(822,631)</u>	<u>(1,275,950)</u>	<u>(142,461)</u>	<u>(2,318,195)</u>
Total business - type activities net position	<u>12,245,073</u>	<u>11,929,719</u>	<u>10,257,625</u>	<u>9,835,805</u>	<u>10,900,435</u>	<u>5,861,432</u>	<u>4,379,704</u>	<u>3,717,413</u>	<u>4,445,261</u>	<u>4,828,964</u>
Primary government										
Net Investment in Capital Assets	131,962,303	148,779,891	154,378,397	156,500,174	195,140,211	195,156,170	207,203,443	200,278,330	199,447,914	213,285,356
Restricted	162,936,167	159,837,021	9,560,549	8,538,881	9,034,864	16,159,253	16,770,597	35,172,694	22,128,770	40,535,944
Unrestricted	<u>(175,315,550)</u>	<u>(182,951,749)</u>	<u>(228,961,379)</u>	<u>(244,090,709)</u>	<u>(292,102,528)</u>	<u>(360,743,873)</u>	<u>(363,814,223)</u>	<u>(372,055,501)</u>	<u>(326,761,901)</u>	<u>(333,926,116)</u>
Total primary government activities net position	<u>\$ 119,582,920</u>	<u>\$ 125,665,163</u>	<u>\$ (65,022,433)</u>	<u>\$ (79,051,654)</u>	<u>\$ (87,927,453)</u>	<u>\$ (149,428,450)</u>	<u>\$ (139,840,183)</u>	<u>\$ (136,604,477)</u>	<u>\$ (105,185,217)</u>	<u>\$ (80,104,816)</u>

Note:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

CITY OF ALLENTOWN, PENNSYLVANIA

**Changes in Net Position
Last Ten Years
(accrual basis of accounting)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses										
Governmental Activities:										
General government	\$ 16,865,074	\$ 19,866,840	\$ 18,476,854	\$ 14,922,641	\$ 14,870,717	\$ 17,862,356	\$ 16,641,885	\$ 11,517,854	\$ 6,611,752	\$ 7,941,408
Public safety	48,764,915	53,806,692	57,643,493	65,369,233	67,712,399	70,750,446	65,999,897	57,119,662	59,873,132	76,935,181
Community development	7,909,900	7,443,093	6,521,109	9,774,957	8,735,099	11,768,151	11,243,886	11,034,659	12,848,615	11,976,945
Public works	13,962,846	19,032,550	16,755,390	21,801,546	21,464,580	21,858,634	20,916,551	29,650,419	25,355,126	25,762,632
Health and sanitation	3,116,962	2,944,949	3,201,951	3,276,428	3,527,955	3,374,484	3,814,779	4,390,225	5,252,669	5,041,372
Parks and recreation	3,938,834	5,687,877	6,267,874	6,622,705	6,806,202	6,623,619	7,411,353	7,166,384	7,301,167	7,565,946
Other	-	1,033,067	-	-	-	-	-	-	-	-
Interest on long-term debt	4,997,583	4,419,672	4,822,575	4,964,746	4,601,557	4,341,979	4,812,958	4,609,638	4,778,424	5,341,686
Total governmental activities expenses	<u>99,556,114</u>	<u>114,234,740</u>	<u>113,689,246</u>	<u>126,732,256</u>	<u>127,718,509</u>	<u>136,579,669</u>	<u>130,841,309</u>	<u>125,488,841</u>	<u>122,020,885</u>	<u>140,565,170</u>
Business - type activities:										
Water fund	8,718,973	-	-	-	-	-	-	-	-	-
Sewer fund	9,673,907	-	-	-	-	-	-	-	-	-
Solid waste fund	14,529,054	14,599,155	15,027,563	14,590,672	14,377,533	14,389,435	15,701,270	15,009,176	14,671,002	14,507,693
Municipal golf course	1,204,675	1,220,773	1,180,801	1,207,239	1,259,924	1,230,688	1,225,306	1,156,632	1,350,574	1,151,143
Total business - type activities expenses	<u>34,126,609</u>	<u>15,819,928</u>	<u>16,208,364</u>	<u>15,797,911</u>	<u>15,637,457</u>	<u>15,620,123</u>	<u>16,926,576</u>	<u>16,165,808</u>	<u>16,021,576</u>	<u>15,658,836</u>
Total primary government expenses	<u>\$ 133,682,723</u>	<u>\$ 130,054,668</u>	<u>\$ 129,897,610</u>	<u>\$ 142,530,167</u>	<u>\$ 143,355,966</u>	<u>\$ 152,199,792</u>	<u>\$ 147,767,885</u>	<u>\$ 141,654,649</u>	<u>\$ 138,042,461</u>	<u>\$ 156,224,006</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 4,080,763	\$ 4,087,754	\$ 3,761,333	\$ 4,452,307	\$ 4,333,343	\$ 5,252,229	\$ 5,468,069	\$ 4,802,479	\$ 5,323,728	\$ 5,939,936
Public safety	3,820,867	3,935,055	3,889,699	4,772,625	4,890,164	4,623,068	4,407,864	2,234,458	2,091,690	2,124,939
Community development	3,839,739	3,996,649	3,409,113	3,539,435	3,893,058	6,514,071	5,411,553	5,480,748	6,326,274	6,135,690
Public works	277,561	236,424	358,278	1,139,669	1,053,964	6,508,377	6,595,548	6,407,327	6,688,327	6,900,439
Health and sanitation	309,931	329,332	344,749	390,794	379,396	397,593	374,413	264,037	263,396	345,623
Parks and recreation	461,267	505,205	314,298	528,225	530,315	589,419	634,297	470,709	704,037	716,367
Water and sewer	3,430,049	6,227,905	4,870,740	5,973,852	4,292,734	4,967,803	5,190,913	4,981,141	5,359,128	5,420,028
Operating grants and contributions	17,010,242	16,149,411	13,172,892	12,775,516	8,285,549	19,945,131	13,727,175	12,859,939	21,464,521	17,063,362
Capital grants and contributions	24,157,607	14,981,948	12,033,696	6,282,366	698,555	802,464	340,703	6,400,538	1,715,946	10,635,432
Total governmental activities program revenues	<u>57,388,026</u>	<u>50,449,683</u>	<u>42,154,798</u>	<u>39,854,789</u>	<u>28,357,078</u>	<u>49,600,155</u>	<u>42,150,535</u>	<u>43,901,376</u>	<u>49,937,047</u>	<u>55,281,816</u>
Business - type activities:										
Changes for services:										
Water fund	8,782,028	-	-	-	-	-	-	-	-	-
Sewer fund	8,798,348	-	-	-	-	-	-	-	-	-
Solid waste fund	14,935,518	14,675,253	14,901,702	14,543,018	16,052,450	14,461,730	14,590,321	14,386,329	15,047,192	15,116,823
Municipal golf course	1,279,247	1,237,609	1,281,661	1,201,372	1,248,675	1,219,555	1,523,123	1,562,064	2,227,414	2,091,182
Operating grants and contributions	887,428	621,636	411,842	508,689	555,724	1,060,856	552,475	990,913	877,227	225,267
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>34,682,569</u>	<u>16,534,498</u>	<u>16,595,205</u>	<u>16,253,079</u>	<u>17,856,849</u>	<u>16,742,141</u>	<u>16,665,919</u>	<u>16,939,306</u>	<u>18,151,833</u>	<u>17,433,272</u>
Total primary government program revenues	<u>\$ 92,070,595</u>	<u>\$ 66,984,181</u>	<u>\$ 58,750,003</u>	<u>\$ 56,107,868</u>	<u>\$ 46,213,927</u>	<u>\$ 66,342,296</u>	<u>\$ 58,816,454</u>	<u>\$ 60,840,682</u>	<u>\$ 68,088,880</u>	<u>\$ 72,715,088</u>
Net (expense)/revenue:										
Governmental activities	\$ (42,168,088)	\$ (63,785,057)	\$ (71,534,448)	\$ (86,877,467)	\$ (99,361,431)	\$ (86,979,514)	\$ (88,690,774)	\$ (81,587,465)	\$ (72,083,838)	\$ (85,283,354)
Business - type activities	555,960	714,570	386,841	455,168	2,219,392	1,122,018	(260,657)	773,498	2,130,257	1,774,436
Total primary government net expense	<u>\$ (41,612,128)</u>	<u>\$ (63,070,487)</u>	<u>\$ (71,147,607)</u>	<u>\$ (86,422,299)</u>	<u>\$ (97,142,039)</u>	<u>\$ (85,857,496)</u>	<u>\$ (88,951,431)</u>	<u>\$ (80,813,967)</u>	<u>\$ (69,953,581)</u>	<u>\$ (83,508,918)</u>

CITY OF ALLENTOWN, PENNSYLVANIA

**Changes in Net Position
Last Ten Years
(accrual basis of accounting)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes and other taxes	\$ 58,031,788	\$ 58,012,491	\$ 59,959,705	\$ 63,611,493	\$ 73,585,762	\$ 78,881,070	\$ 85,451,237	\$ 74,723,537	\$ 89,877,674	\$ 95,801,585
Grants and charges not restricted to specific purposes	10,290,239	11,484,314	12,631,023	12,970,519	14,592,416	11,798,217	12,294,357	9,359,985	11,460,534	11,834,312
Investment earnings	69,236	28,820	19,919	61,158	88,062	609,832	579,507	139,840	89,940	727,017
Gain on sale of asset	-	-	-	-	-	-	85,238	11,731	21,349	152,533
Transfers	71,674,238	1,029,924	954,004	876,988	1,154,762	1,364,031	1,350,430	1,450,369	1,423,713	1,464,605
Total governmental activities	<u>140,065,501</u>	<u>70,555,549</u>	<u>73,564,651</u>	<u>77,520,158</u>	<u>89,421,002</u>	<u>92,653,150</u>	<u>99,760,769</u>	<u>85,685,462</u>	<u>102,873,210</u>	<u>109,980,052</u>
Business - type activities:										
Rental Income	43,680	43,680	43,680	43,680	43,680	43,680	43,680	43,680	43,680	43,680
Investment earnings	132,218	-	-	-	-	-	74,784	14,580	7,336	30,192
Gain on sale of asset	-	-	-	-	-	-	-	-	13,968	-
Transfers	(71,674,238)	(1,029,924)	(954,004)	(876,988)	(1,154,762)	(1,364,031)	(1,350,430)	(1,450,369)	(1,423,713)	(1,464,605)
Total business - type activities	<u>(71,542,020)</u>	<u>(1,029,924)</u>	<u>(954,004)</u>	<u>(876,988)</u>	<u>(1,154,762)</u>	<u>(1,364,031)</u>	<u>(1,275,646)</u>	<u>(1,435,789)</u>	<u>(1,402,409)</u>	<u>(1,390,733)</u>
Total primary government	<u>\$ 68,523,481</u>	<u>\$ 69,525,625</u>	<u>\$ 72,610,647</u>	<u>\$ 76,643,170</u>	<u>\$ 88,266,240</u>	<u>\$ 91,289,119</u>	<u>\$ 98,485,123</u>	<u>\$ 84,249,673</u>	<u>\$ 101,470,801</u>	<u>\$ 108,589,319</u>
Special items:										
Gain on cancellation of post-employment benefits	\$ 660,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on on disposal of capital assets	(1,959,898)	-	-	(4,250,092)	-	-	-	-	-	-
Tax settlement	-	(372,895)	-	-	-	-	-	-	-	-
Total special items	<u>\$ (1,299,079)</u>	<u>\$ (372,895)</u>	<u>\$ -</u>	<u>\$ (4,250,092)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position										
Governmental activities	\$ 97,897,413	\$ 6,397,597	\$ 2,030,203	\$ (13,607,401)	\$ (9,940,429)	\$ 5,673,636	\$ 11,069,995	\$ 4,097,997	\$ 30,789,372	\$ 24,696,698
Business - type activities	(72,285,139)	(315,354)	(567,163)	(421,820)	1,064,630	(242,013)	(1,536,303)	(662,291)	727,848	383,703
Total primary government	<u>\$ 25,612,274</u>	<u>\$ 6,082,243</u>	<u>\$ 1,463,040</u>	<u>\$ (14,029,221)</u>	<u>\$ (8,875,799)</u>	<u>\$ 5,431,623</u>	<u>\$ 9,533,692</u>	<u>\$ 3,435,706</u>	<u>\$ 31,517,220</u>	<u>\$ 25,080,401</u>

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 3

**Governmental Activities Tax Revenues By Source
Last Ten Years
(accrual basis of accounting)**

<u>Year</u>	<u>Total Taxes</u>	<u>General Property Tax</u>	<u>Earned Income Tax</u>	<u>Business Privilege Tax</u>	<u>Other Local Taxes</u>
2013	58,031,788	29,711,628	19,148,315	6,307,675	2,864,170
2014	58,012,491	29,604,712	18,411,370	6,805,224	3,191,185
2015	59,959,705	30,121,707	19,429,021	6,939,406	3,469,571
2016	64,969,817	30,800,125	23,840,629	6,571,105	3,757,958
2017	73,709,271	32,519,646	29,802,821	7,483,984	3,902,820
2018	76,648,713	31,353,086	33,789,071	7,904,804	3,601,752
2019	84,529,132	36,860,819	35,592,554	8,082,551	3,993,208
2020	84,393,026	38,365,253	34,419,934	7,263,912	4,343,927
2021	89,845,354	39,572,785	36,674,171	8,921,652	4,676,746
2022	95,042,096	39,538,469	40,615,973	9,620,092	5,267,562

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 4

Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Restricted	\$ 794,058	\$ 769,097	\$ 981,135	\$ 862,397	-	-	-	-	-	-
Assigned	21,588,122	15,534,027	8,872,191	6,434,577	-	-	\$ 1,634,591	-	\$ 2,352,171	\$ 2,716,763
Unassigned	24,022,470	17,715,206	18,038,567	12,237,375	\$ 13,251,806	\$ 18,896,146	21,829,026	\$ 25,594,283	32,989,087	42,596,305
Total general fund	<u>46,404,650</u>	<u>34,018,330</u>	<u>27,891,893</u>	<u>19,534,349</u>	<u>13,251,806</u>	<u>18,896,146</u>	<u>23,463,617</u>	<u>25,594,283</u>	<u>35,341,258</u>	<u>45,313,068</u>
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted	9,484,961	8,749,937	19,711,402	14,875,182	14,155,933	16,159,253	16,770,597	35,172,694	31,412,296	21,090,950
Assigned	-	-	-	46,047	-	-	-	-	17,414	160,710
Unassigned	(151,609)	(44,940)	-	(298,517)	(118,840)	(246,234)	-	-	-	-
Total all other governmental funds	<u>9,333,352</u>	<u>8,704,997</u>	<u>19,711,402</u>	<u>14,622,712</u>	<u>14,037,093</u>	<u>15,913,019</u>	<u>16,770,597</u>	<u>35,172,694</u>	<u>31,429,710</u>	<u>21,251,660</u>
TOTAL	<u>\$ 55,738,002</u>	<u>\$ 42,723,327</u>	<u>\$ 47,603,295</u>	<u>\$ 34,157,061</u>	<u>\$ 27,288,899</u>	<u>\$ 34,809,165</u>	<u>\$ 40,234,214</u>	<u>\$ 60,766,977</u>	<u>\$ 66,770,968</u>	<u>\$ 66,564,728</u>

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

The decrease in fund balance from 2015 and 2016 is primarily from the General and Capital Funds. The General Fund balance decreased by \$8.4 million largely attributed to a \$4.5 million advance from the Solid Waste Fund, \$2.5 million additional pension bond payment discussed previously, and the additional transfer of \$1.1 million to the Internal Service Fund. The Capital Fund decrease resulted from a \$6 million reduction of capital grants received

The increase in fund balance from 2018 to 2019 is due primarily to a \$3 million increase in cash due to the 2019 Real Estate Tax increase and a \$1.3 million in Receivables.

CITY OF ALLENTOWN, PENNSYLVANIA

Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$ 57,865,676	\$ 57,874,403	\$ 59,786,702	\$ 64,853,652	\$ 71,512,921	\$ 76,085,821	\$ 86,200,830	\$ 84,325,272	\$ 89,893,149	\$ 94,850,708
Licenses and permits	5,781,973	6,309,428	5,845,880	5,907,269	6,095,884	8,768,619	7,648,361	7,512,497	8,092,586	7,928,615
Charges for services	6,615,357	8,271,223	6,312,663	5,422,775	4,450,086	6,094,400	6,582,276	5,228,472	6,099,831	12,715,944
Fines and forfeits	672,105	748,687	690,926	1,180,590	593,368	623,181	377,686	263,588	254,657	199,767
Investment earnings	69,236	28,820	19,919	61,159	87,816	609,832	579,507	123,953	78,549	702,507
Intergovernmental revenues	49,185,888	39,416,740	36,574,646	30,798,475	24,512,139	32,875,745	26,192,040	27,104,518	34,619,828	38,482,600
Other	3,961,421	3,766,919	1,610,936	2,910,028	2,989,734	8,842,875	9,348,091	7,400,008	9,142,527	3,328,026
Total revenues	124,151,656	116,416,220	110,841,672	111,133,948	110,241,948	133,900,473	136,928,791	131,958,308	148,181,127	158,208,167
Expenditures										
General government	18,108,503	16,352,843	14,227,338	9,925,924	10,073,023	17,015,637	12,330,677	11,622,331	12,635,923	14,156,470
Public safety	196,455,831	47,934,281	49,929,150	58,337,847	61,595,723	64,725,057	65,667,143	66,463,915	66,930,799	69,666,976
Community development	7,669,312	7,047,296	6,199,566	9,625,276	8,523,967	11,500,007	11,194,135	10,843,958	12,753,124	18,862,274
Public works	12,262,727	12,413,386	13,658,527	14,558,597	15,009,623	16,589,541	14,469,632	17,860,252	26,928,971	20,320,319
Health and sanitation	3,420,443	2,877,343	3,095,730	3,301,982	3,543,585	3,489,864	3,712,218	4,150,877	5,087,754	4,803,291
Parks and recreation	3,963,487	5,008,229	5,427,035	5,833,745	5,939,343	5,889,408	6,225,680	5,923,640	6,489,456	6,620,178
Other	-	1,033,067	-	-	-	-	-	-	-	-
Debt service:										
Principal	3,874,400	8,898,300	14,310,040	7,933,320	17,121,284	13,686,108	18,967,566	10,568,245	6,152,305	7,702,609
Interest	3,827,906	3,733,786	3,841,537	3,271,606	2,899,745	2,459,911	2,523,288	2,372,007	3,927,860	2,547,394
Capital outlay	28,386,348	24,851,039	18,815,450	14,164,247	10,728,546	5,834,064	10,421,825	8,603,945	9,919,993	23,025,687
Total expenditures	277,968,957	130,149,570	129,504,373	126,952,544	135,434,839	141,189,597	145,512,164	138,409,170	143,826,185	167,705,198
Excess (deficiency) of revenues over (under) expenditures	(153,817,301)	(13,733,350)	(18,662,701)	(15,818,596)	(25,192,891)	(7,289,124)	(8,583,373)	(6,450,862)	4,354,942	(9,497,031)
Other Financing Sources (uses):										
Issuance of long term debt	-	-	17,003,395	1,427,418	13,491,272	11,973,631	12,649,529	22,810,000	-	5,605,000
Refunding of bonds issued	-	-	11,425,000	-	-	-	-	-	-	-
Premium on refunded bonds	-	-	745,551	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	(6,634,456)	-	-	-	-	-	-	-
Bond premium	-	-	-	-	232,667	184,212	-	1,943,521	-	-
Bond discount	-	-	-	-	-	-	-	-	-	-
Financed purchases	102,950	-	-	-	3,295,820	1,174,098	-	585,074	-	1,934,439
Sale of capital assets	-	-	-	-	-	-	92,525	72,925	97,514	152,533
Transfers in	213,779,083	19,680,797	20,551,091	15,826,665	26,303,545	20,508,704	25,754,047	11,001,453	21,634,613	24,769,417
Transfers out	(14,437,074)	(18,589,227)	(19,547,912)	(14,881,721)	(24,998,575)	(19,031,255)	(24,287,679)	(9,429,348)	(20,083,078)	(23,170,598)
Total other financing sources and uses	199,444,959	1,091,570	23,542,669	2,372,362	18,324,729	14,809,390	14,208,422	26,983,625	1,649,049	9,290,791
Special Item	-	(372,895)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 45,627,658	\$ (13,014,675)	\$ 4,879,968	\$ (13,446,234)	\$ (6,868,162)	\$ 7,520,266	\$ 5,625,049	\$ 20,532,763	\$ 6,003,991	\$ (206,240)
Debt service as a percentage of noncapital expenditures	3.1%	12.0%	16.4%	9.9%	16.1%	11.9%	15.9%	10.0%	7.6%*	7.1%

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 6

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

Fiscal Year Ended	Real Property					Total Taxable Assessed Value	Tax Exempt Real Property	Total Direct Tax Rate (2)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value (1)
	Residential Property	Commercial Property	Multi-Family Property	Combination Property	Vacant Lots					
<u>December 31</u>										
2013	3,000,528,700	1,137,984,800	772,716,200	177,743,400	43,352,100	5,132,325,200	1,503,378,200	0.00580	5,132,325,200	100%
2014	2,992,534,800	1,167,818,000	771,111,300	176,876,300	47,110,300	5,155,450,700	1,518,849,200	0.00581	5,155,450,700	100%
2015	2,989,816,700	1,409,920,500	772,448,100	178,204,100	47,602,100	5,397,991,500	1,526,983,200	0.00581	5,397,991,500	100%
2016	2,988,820,300	1,282,432,100	775,529,400	175,946,800	50,594,800	5,273,323,400	1,663,243,900	0.00581	5,273,323,400	100%
2017	2,989,073,100	1,233,981,000	785,079,000	181,837,400	51,656,800	5,241,627,300	1,699,800,400	0.00581	5,241,627,300	100%
2018	2,990,553,500	1,281,765,900	782,654,900	185,016,600	58,322,200	5,298,313,100	1,707,931,600	0.00581	5,298,313,100	100%
2019	2,871,421,345	1,445,225,744	686,999,649	173,009,480	112,139,182	5,288,795,400	1,696,212,500	0.00731	5,288,795,400	100%
2020	2,990,646,200	1,334,679,300	783,615,400	185,644,800	55,779,500	5,350,365,200	1,711,705,200	0.00728	5,350,365,200	100%
2021	2,994,047,900	1,333,232,700	786,351,500	185,215,000	54,421,200	5,353,268,300	1,704,733,500	0.00728	5,353,268,300	100%
2022	2,996,872,200	1,342,466,200	793,521,400	184,643,600	63,892,800	5,381,396,200	1,708,193,200	0.00728	5,353,268,300	100%

Notes:

For the 2013 tax year, the County reassessed all real property values.

(1) Starting 2013 the City assesses property at 100 percent of actual value for all types of real property (does not include tax exempt real property).

(2) In 2019 the Total Real Estate Tax Rate was increased from .00581 to .00731. The new millage assessment on land was 23.5376 and 4.4528 on improvements.

**Property Tax Rates
Direct and Overlapping Governments
Last Ten Years**

	Direct Rates	Overlapping Rates		
	<u>Allentown City</u>	<u>School District</u>	<u>County</u>	
Fiscal <u>Year</u>	Total City <u>Millage(1)</u>	Total School <u>Millage</u>	Total County <u>Millage</u>	Total Direct & Overlapping <u>Rates</u>
2013	5.81	17.316	3.790	26.92
2014	5.81	18.329	3.750	27.89
2015	5.81	18.329	3.680	27.82
2016	5.81	18.329	3.640	27.77
2017	5.81	19.025	3.640	28.47
2018	5.81	19.729	3.640	29.18
2019	7.31	20.074	3.780	31.16
2020	7.28	20.877	3.780	31.94
2021	7.28	21.504	3.780	32.56
2022	7.28	22.643	3.780	33.70

Notes:

City real estate taxes are payable on July 15 with a 2% discount available if paid prior to April 6. Taxes can also be paid in four equal installments on April 15, May 15, June 15, and July 15. Delinquent taxes are certified to a private collector for collection on January 1 of the following year.

The City's property tax rate limitation for general revenue purposes is 25 mills on market value with an additional 5 mills allowable with specific court approval and an unlimited amount for bonded debt.

Tax rate is mills per dollar (\$1) of assessment.

(1) 7.2814 is the base on which the land value tax is calculated (23.5376 - land and 4.4528 - improvements).

CITY OF ALLENTOWN, PENNSYLVANIA

Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2022</u>			<u>2013</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>
Five City Center OP LP	\$ 45,857,700	1	0.85%			
Two City Center OP LP	45,000,000	2	0.84%			
Home Properties Trexler Park LLC	34,614,100	3	0.64%	\$ 34,614,100	2	0.68%
One City Center OP LP	29,000,000	4	0.54%			
Three City Center OP LP	25,529,300	5	0.47%			
Congress Associates	25,200,000	6	0.47%	27,336,300	3	0.54%
EPC-Allentown LLC	22,354,200	7	0.42%			
IPX MF Lakes Apartment Assoc. LLC	21,834,500	8	0.41%	21,834,500	5	0.43%
Pennsylvania Power & Light Co.	21,507,192	9	0.40%	22,240,500	4	0.44%
Tower Six OP LP	21,474,000	10	0.40%			
Lehigh Valley Hospital Inc.				16,570,800	10	0.33%
Morris Allentown Associates LP ET				17,882,600	8	0.35%
Plaza at 835 W Hamilton Street LP				57,960,000	1	1.14%
Westmont LP				18,000,000	7	0.35%
Sharma Baldev Raj & Sudesh				20,200,000	6	0.40%
Bulldog Ventures I LP				16,885,100	9	0.33%
Total	<u>\$ 292,370,992</u>		<u>5.44%</u>	<u>\$ 253,523,900</u>		<u>4.99%</u>

Source:
City of Allentown Property Tax File

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 9

Property Tax Levies and Collections
Last Ten Years

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year	Percentage of Levy		Amount	Percentage of Levy
2013	29,788,671	28,335,558	95.1%	746,558	29,082,116	97.6%
2014	29,614,100	28,313,759	95.6%	323,354	28,637,113	96.7%
2015	30,427,086	28,803,546	94.7%	143,036	28,946,582	95.1%
2016	31,040,343	29,551,096	95.2%	80,680	29,631,776	95.5%
2017	30,594,033	29,187,108	95.4%	102,486	29,289,594	95.7%
2018	30,465,047	29,346,327	96.3%	443,505	29,789,832	97.8%
2019	38,647,946	37,285,155	96.5%	1,209,910	38,495,065	99.6%
2020	38,959,783	37,246,147	95.6%	1,195,346	38,441,493	98.7%
2021	38,978,854	38,159,972	97.9%	610,130	38,770,102	99.5%
2022	39,096,987	38,080,168	97.4%		38,080,168	97.4%

Note:

Prior to 2020, incorrect information was being used to calculate the Collections in Subsequent Years, corrections have been made to these numbers

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 10

Ratios of Outstanding Debt By Type
Last Ten Years

Fiscal Year	Governmental Activities		Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Facility Purchases & Leases	Water			Sewer					
			Revenue Bonds and Note	General Obligation Bonds	Other	Revenue Bonds	General Obligation Bonds	Facility Purchases & Leases			
2013	100,262,568	853,070	-	-	-	-	-	411,604	101,527,242	2.01%	860
2014	92,923,268	1,855,031	-	-	-	-	-	691,887	95,470,186	1.85%	809
2015	103,141,746	1,427,208	-	-	-	-	-	490,635	105,059,589	1.97%	890
2016	98,341,716	1,002,341	-	-	-	-	-	395,189	99,739,246	1.77%	845
2017	96,708,953	3,756,786	-	-	-	-	-	499,495	100,965,234	1.75%	855
2018	97,127,878	4,003,545	-	-	-	-	-	704,351	101,835,774	1.68%	863
2019	92,812,488	3,009,918	-	-	-	-	-	436,137	96,258,543	1.51%	816
2020	109,113,518	2,681,322	-	-	-	-	-	160,110	111,954,950	1.60%	890
2021	103,969,654	1,649,058	-	-	-	-	-	293,967	105,912,679	1.42%	842
2022	104,198,133	4,864,087	-	-	-	-	-	272,799	109,335,019	1.39%	869

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

**Ratios of General Bonded Debt Outstanding
Last Ten Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2013	100,262,568	1.95%	849
2014	92,923,268	1.81%	787
2015	103,141,746	2.00%	874
2016	98,341,716	1.86%	833
2017	96,708,953	1.85%	819
2018	97,127,878	1.83%	823
2019	92,812,488	1.75%	786
2020	109,113,518	2.04%	867
2021	103,969,654	1.94%	826
2022	104,198,133	1.95%	828

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

**Direct and Overlapping Governmental Activities Debt
As of December 31, 2022**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 193,155,425	100.0%	\$ 193,155,425
Lehigh County General Obligation Bonds	131,167,004	19.0%	<u>24,934,847</u>
Subtotal, overlapping debt			218,090,272
City of Allentown Direct Debt			<u>109,062,220</u>
Total direct and overlapping debt			<u><u>\$ 327,152,492</u></u>

Notes:

Water and Sewer Leases and General Obligation Bonds related to Water and Sewer, issued in 2011 are not included in the Direct Debt total.

Overlapping debt is calculated by using Allentown's percentage of Lehigh County's Total Assessments. This percentage is used to determine Allentown's percent of the debt. The debt for Allentown School District is included at 100%.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 13

Legal Debt Margin Information
Last Ten Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt limit	\$ 200,143,134	\$ 210,682,228	\$ 219,141,997	\$ 226,325,594	\$ 241,969,130	\$ 267,454,815	\$ 295,207,324	\$ 296,249,113	302,951,654	\$ 310,839,935
Total net debt applicable to limit	<u>70,321,572</u>	<u>68,331,922</u>	<u>83,859,877</u>	<u>81,837,886</u>	<u>82,992,950</u>	<u>83,778,507</u>	<u>79,327,274</u>	<u>87,385,404</u>	<u>83,512,162</u>	<u>79,426,263</u>
Legal debt margin	<u>\$ 129,821,562</u>	<u>\$ 142,350,306</u>	<u>\$ 135,282,120</u>	<u>\$ 144,487,708</u>	<u>\$ 158,976,180</u>	<u>\$ 183,676,308</u>	<u>\$ 215,880,050</u>	<u>\$ 208,863,709</u>	<u>\$ 219,439,492</u>	<u>\$ 231,413,672</u>
Total net debt applicable to the limit as a percentage of debt limit	35.14%	32.43%	38.27%	36.16%	34.30%	31.32%	26.87%	29.50%	27.57%	25.55%

Legal Debt Margin Calculation for Fiscal year 2022

Borrowing base (1)	\$ 124,335,974
Percentage limitation	250%
Debt limit	310,839,935
Debt applicable to limit:	
General obligation debt	89,996,263
Less: Amount set aside for pension funding liability	<u>(10,570,000)</u>
	<u>79,426,263</u>
	<u>\$ 231,413,672</u>

Notes:

(1) The Commonwealth of Pennsylvania has enacted the "Local Government Unit Debt Act" which limits debt to revenues. Briefly, revenues of the last three years are adjusted for various nonrecurring and excludable items. The average of the adjusted revenues for the respective years is then the borrowing base. Certain percentages are applied to the borrowing base to determine the debt limitations.

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Adjustments were made to the Debt Limit for years 2018 & 2019. The incorrect percentage had been used for those years.

Years 2018-2020 have been adjusted to properly present the legal debt margin.

**Demographic and Economic Statistics
Last Ten Years**

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2013	118,032	5,059,441,680	42,865	17,362	6.5%
2014	118,032	5,171,808,144	43,817	19,974	4.8%
2015	118,032	5,334,220,176	45,193	20,287	3.9%
2016	118,032	5,638,388,640	47,770	20,804	4.6%
2017	118,032	5,766,807,456	48,858	20,939	4.3%
2018	118,032	6,075,579,168	51,474	21,813	3.9%
2019	118,032	6,387,891,840	54,120	20,725	4.5%
2020	125,845	7,006,420,375	55,675	21,277	6.6%
2021	125,845	7,449,143,085	59,193	21,216	4.3%
2022	125,845	7,880,162,210	62,618	20,637	3.7%

Source:

- (1) US Department of Commerce, Bureau of the Census
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Allentown School District, starting 2014, also includes Charter School Enrollment
- (4) US Department of Labor, Bureau of Labor Statistics

**Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2022</u>			<u>2013</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Lehigh Valley Hospital/Health Services	3,458	1	5.92%	1,402	5	3.04%
St Lukes Hospital/Health Care	2,681	2	4.59%	823	9	1.78%
Allentown School District	2,312	3	3.96%	2,372	1	5.14%
ADP Inc	1,582	4	2.71%			
Lehigh County & Institutions	1,485	5	2.54%	1,569	3	3.40%
PPL Co.	954	6	1.63%	1,694	2	3.67%
City of Allentown	942	7	1.61%	888	7	1.92%
Good Shepherd Rehabilitation Network	791	8	1.35%	815	10	1.77%
Muhlenberg College	673	9	1.15%	1,528	4	3.31%
Allied Personnel Services	654	10	1.12%	887	8	1.92%
Sacred Heart Hospital/Health Care			0.00%	976	6	2.11%
	<u>15,532</u>		<u>26.57%</u>	<u>12,954</u>		<u>28.06%</u>

Source:
Berkheimer Associates

Note:
Starting 2012, a New Pennsylvania Law, Act 32, allows employers to report Local Earned Income Tax to any Tax Collection District. As a result, accurate numbers can no longer be obtained.

In 2018, St. Luke's Hospital and Sacred Heart Hospital combined to form one entity.

CITY OF ALLENTOWN, PENNSYLVANIA

**Full-Time Equivalent Employees By Function
Last Ten Years**

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Government	96	96	97	95	88	93	106	117	139	136
Public Safety										
Police										
Officers	214	216	222	222	222	222	222	222	217	214
Civilians	21	27	28	27	22	22	22	22	19	20
E-911	33	33	33	33	31	30	-	-	-	-
Fire										
Firefighters and officers	126	125	125	125	126	126	125	129	125	128
Civilians	1	1	1	1	1	1	2	2	2	3
EMS	32	32	32	34	34	34	34	38	40	47
Highways and Streets	86	82	80	79	83	63	62	58	48	40
Sanitation/Recycling	34	36	38	38	41	42	43	42	32	22
Building Maintenance	16	15	15	15	15	15	15	15	17	20
Building Standards & Safety	36	33	31	31	34	38	41	41	39	38
Culture and Recreation	50	56	55	56	56	56	58	57	55	55
Golf	6	6	6	6	5	5	5	4	5	18
Health	35	32	35	35	35	36	36	36	30	41
Water	-	-	-	-	-	-	-	-	-	-
Sewer	-	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	26	26	26	28	28
Total	786	790	798	797	793	809	797	809	796	810

Notes:

The data above was obtained from the City's payroll system and reflects the restructuring due to the Water\Sewer concession lease in 2013 and the setting up of the Stormwater fund in 2018.

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

As of January 1, 2019, the 911 responsibility was transferred to Lehigh County. The City 911 employees became County employees.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Law violations	13,844	13,022	11,269	11,742	11,839	10,406	10,068	9,553	9,071	9,433
Traffic violations (4)	10,466	11,225	8,258	8,500	9,000	4,768	2,403	2,795	3,609	2,830
Fire										
Number of calls answered	11,685	11,606	12,036	11,497	10,445	9,930	10,982	11,809	13,293	14,680
Inspections and investigations	950	901	1,364	954	862	836	940	851	857	879
Highways and Streets										
Street reconstruction (miles)	0.28	1.83	0.16	0.09	0.80	0.18	0.13	0.00	0.40	1.16
Overlays (miles)	2.1	3.2	4.3	2.8	1.7	0.8	1.9	1.9	3.7	8.5
Potholes repaired	6,236	10,923	14,186	7,223	11,286	18,971	9,566	9,009	9,550	9,625
Sanitation										
Refuse collected (tons/year)	33,143	37,355	35,511	35,780	40,536	39,461	39,860	42,596	44,644	40,879
Recyclables collected (tons/year)	10,104	9,735	10,510	10,730	12,177	10,277	12,532	13,265	10,618	12,076
Sweep tickets issued	6,997	4,809	6,877	5,719	5,317	8,025	9,706	6,100	8,378	11,272
Animal related complaints	1,286	1,378	1,482	1,556	1,706	1,638	1,680	1,086	662	535
Health										
Home hazard surveys (6)	277	443	215	173	37	24	19	6	7	53
Food service inspections	1,712	1,615	1,853	1,693	1,675	1,703	1,875	920	1,397	1,385
Number of home visits	593	393	284	437	379	336	295	281	211	348
Total lead screenings/Healthy home visits (1)	227	0	17	5	240	207	219	71	72	42
Persons tested & counseled for HIV infection	2,290	2,036	2,077	2,032	2,071	2,009	2,085	661	682	1,049
Recreation										
Pavilion permits	523	648	629	503	703	678	373	246	592	462
Swimming pool season passes (7)	680	263	294	256	355	1,019	112	0	273	338
Swimming pool patrons (non season pass) (7)	50,895	31,509	33,081	25,458	32,449	37,488	45,383	0	26,872	36,018
Water (2)										
Water connection permits	3	0	0	0	0	0	0	0	0	0
Water main breaks	6	0	0	0	0	0	0	0	0	0
Average daily consumption (millions of gallons)	18.36	0	0	0	0	0	0	0	0	0
Wastewater (2)										
Average daily sewage treatment (millions of gallons)	31.17	0	0	0	0	0	0	0	0	0

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Golf										
Number of patrons (3)	45,600	64,396	64,956	61,500	59,500	50,000	66,053	73,123	95,038	83,600
Number of days of service	285	251	266	270	256	247	250	208	262	231
E-911 (5)										
Number of calls:										
Police	120,355	123,840	119,647	110,260	113,749	98,063	0	0	0	0
EMS	13,998	14,583	15,542	15,595	15,531	15,814	0	0	0	0
Fire	11,685	11,607	12,036	11,497	10,452	9,930	0	0	0	0
Other	7,843	8,630	9,455	11,497	11,397	10,366	0	0	0	0

Source:
Various City departments.

- Notes:
- (1) The Lead Screening part of the program ended in June 2013. The focus has shifted to assessing the homes of children with lead poisoning.
 - (2) Reflects activity up to August 7, 2013.
 - (3) Starting 2014 number includes golf course and driving range patrons.
 - (4) 2015 number changed to actual, originally used estimate, 2016 is also estimated
 - (5) As of January 1, 2019, the 911 responsibility was transferred to Lehigh County.
 - (6) The 2014 amount included 207 Home Healthy Visits in error.
 - (7) Due to COVID-19, the swimming pools were not open in 2020.

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Capital Asset Statistics By Function
Last Ten Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021	2022
Public Safety											
Police:											
Stations	2	2	2	2	2	2	2	2	2	2	2
Police officers	200	208	211	218	210	208	210	213	217	214	214
Patrol units	114	114	107	108	124	120	123	120	119	127	127
Fire:											
Stations	6	6	6	6	6	6	6	6	6	6	6
Fire fighters	123	120	118	122	121	121	123	120	120	131	131
Sanitation											
Collection trucks	4	4	3	3	5	3	5	5	4	4	4
Highways and Streets											
Streets (miles)	427.5	427.5	427.5	427.5	433.9	433.9	433.9	433.9	433.9	434.9	434.9
Streetlights	8,106	8,106	8,136	8,461	8,461	8,476	8,622	8,622	8,622	8,677	8,677
Traffic signals (1)	1,622	195	198	196	196	196	196	196	196	197	197
Recreation											
Parks acreage	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022
Parks (2)	32	32	45	45	45	45	45	45	45	45	45
Swimming pools (3)	4	4	4	4	4	4	4	4	4	4	4
Playgrounds	19	19	19	21	21	21	21	21	21	21	21
Water											
Water mains (miles)	310	310	310	310	310	310	310	310	310	310	310
Fire hydrants	1,817	1,817	1,817	1,817	1,817	1,817	1,817	1,817	1,817	1,817	1,817
Maximum daily capacity (millions of gallons)	35	35	35	35	35	35	35	35	35	35	35
Sewer											
Sanitary sewers (miles)	283	283	283	283	283	283	283	283	283	283	283
Storm sewers (miles)	165	165	165	165	165	165	165	165	165	165	165
Maximum daily treatment capacity (millions of gallons)	40	40	40	40	40	40	40	40	40	40	40
Golf											
Number of courses	1	1	1	1	1	1	1	1	1	1	1

Source:
Various city departments.

- Notes:
- (1) Prior to 2014 the number included any type of traffic signals, starting 2014, the number only includes traffic light signals.
 - (2) Starting 2015, the number also includes pocket parks.
 - (3) In 2021 and 2022, only two of the pools were operational.

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

City of Allentown

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended December 31, 2022

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**The Honorable Matt Tuerk, Mayor and Honorable Members of City Council
City of Allentown, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Allentown, Pennsylvania (City), 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, and have issued our report thereon dated October 11, 2023. Our report includes a reference to other auditors who audited the financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority, as described in our report on the City’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

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*.

The City's Response to Findings

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

Purpose of this Report

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

Maher Duessel

Harrisburg, Pennsylvania
October 11, 2023

CITY OF ALLENTOWN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

- I. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2022-001 Financial Reporting – Capital Fund

Condition: The City did not have sufficient controls in place to ensure the grant revenues in the Capital Fund were properly stated as of December 31, 2022. During the audit process, material adjustments were proposed by the auditors in order that the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Audit adjustments of \$3,666,000 were proposed related to the City's Capital Fund. Management reviews and accepts the financial statements prior to final issuance. Proposed audit adjustments are approved with the review of the financial statements.

Criteria: Auditing standards place emphasis on an entity's ability to have the internal controls over financial reporting in place to fully prepare its own external financial statements, including the posting of all adjustments necessary to present financial statements in accordance with GAAP and evaluating the need for all necessary financial statement disclosures. Reliance on auditors to ensure comprehensive financial reporting is an internal control deficiency.

Cause: The City's internal control structure did not facilitate the reporting of GAAP basis financial statements.

Effect: The City overstated revenue for the Capital Fund by \$3,666,000 for the year ended December 31, 2022 due to reporting revenue for which eligible expenditures had not been incurred. Material adjustments were required to be recorded for the financial statements to be prepared in accordance with GAAP.

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that only revenue that is considered measurable and available is reported in the governmental funds.

Management's Response: Management agrees with the finding. See Corrective Action Plan.

CITY OF ALLENTOWN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

Finding 2022-002 Financial Reporting – Community Development Block Grant Fund

Condition: The City did not have sufficient controls in place to ensure the proceeds from debt issuance, grants receivable, grant revenue, accounts payable, due to the General Fund, and expenses in the Community Development Block Grant Fund (CDBG) were properly stated as of December 31, 2022. During the audit process, material adjustments were proposed by the auditors in order that the financial statements could be prepared in accordance with GAAP. Audit adjustments of approximately \$4 million were proposed related to the City's CDBG Fund. Management reviews and accepts the financial statements prior to final issuance. Proposed audit adjustments are approved with the review of the financial statements.

Criteria: Auditing standards place emphasis on an entity's ability to have the internal controls over financial reporting in place in order to fully prepare its own external financial statements, including the posting of all adjustments necessary to present financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and evaluating the need for all necessary financial statement disclosures. Reliance on auditors to ensure comprehensive financial reporting is an internal control deficiency.

Cause: The City's internal control structure did not facilitate the reporting of GAAP basis financial statements.

Effect: The City's CDBG Fund understated proceeds from debt issuance and payments to subrecipients by not recording \$680,000 received from the Department of Housing and Urban Development (HUD) and \$98,640 of loan fees associated with the two initial draws on the HUD Section 108 loan. The CDBG Fund also understated grants receivable by approximately \$4 million due to the incorrect recording of a year-end journal entry. In addition, grants receivable, grant revenue, accounts payable and expenses were understated by approximately \$200,000 due to not recording expenses and payable and the associated grant revenue and grant receivable from the funding source for services performed as of December 31, 2022. Finally, the CDBG Fund did not properly reconcile the amounts due to the General Fund for amounts paid on behalf of the CDBG Fund. Material adjustments were required to be recorded for the financial statements to be prepared in accordance with GAAP.

CITY OF ALLENTOWN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that all draws on loans are properly recorded when received, that year-end journal entries are properly recorded, and that amounts payable to the General Fund are reconciled to transactional activity.

Management's Response: Management agrees with the finding. See Corrective Action Plan.

CITY OF ALLENTOWN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2022

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.