

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, 2023

**CITY OF ALLENTOWN, PENNSYLVANIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**



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 Stroehler, Treasury and Accounting Manager

Maher Duessel, Certified Public Accountants

**This Report was prepared by
The Department of Finance
Erika Stroehler, 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, satellite locations on Hamilton Street for three more universities, 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 continues to maintain 2,000 acres of park land, well above the national average.

CITY OF ALLENTOWN

THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION



Bina Patel

Director of Finance

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www.AllentownPA.gov

October 16, 2024

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, 2023. 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 2023.

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 \$10,000 between accounts within a fund, thereby lowering the practical level of budgetary control to the account level. As an additional level of control, transfer amounts from \$5,001 to \$9,999.99 are reviewed and approved the City Controller. Transfers exceeding \$10,000 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 2023, the City continued to amass free cash flow in the General Fund and the Golf Fund. The receipt of the federal stimulus funds of \$57,132,604 through the American Recovery Plan Act has contributed to the financial strength. The General Fund revenues were stronger than budgeted due to contributions from the City's Earned Income Tax, Business Privilege Tax, Local Services Tax, Permits & Licenses, Charges for Services, and Investment Income. Despite increase in costs to do the City business, the City department heads have effectively managed expenses with their

dedication and strategic focus, resulting in the General Fund expenditure savings of 9%. Our long-standing practice of monitoring performance of budgeted versus actual expenditures and revenues on a monthly basis has helped in adjusting current year expenditures to preserve cash for the future years. We have taken steps to achieve a more structurally balanced budget.

As of December 31, 2023, 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.

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, employee benefits, safety, workman's comp, property taxes, solid waste and stormwater utility fee collection, accounts receivable, pension management, business regulation and taxation, cashiering, delinquent collections, property levies, municipal liens, bankruptcy processing, capital planning, 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,



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

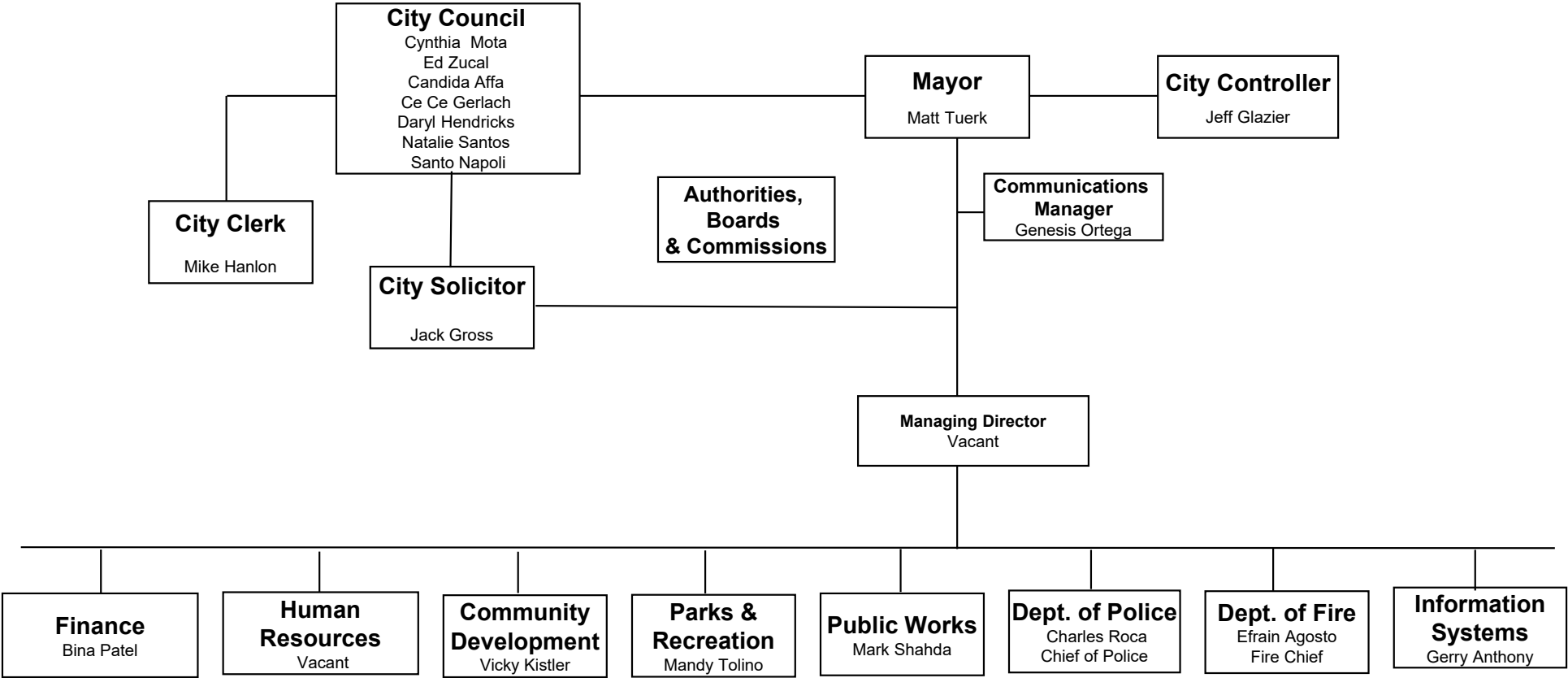
December 31, 2022

Christopher P. Morrill

Executive Director/CEO

City of Allentown

2023 Organizational Chart



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, 2023, 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, 2023, 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 Allentown Parking Authority, which represent 97 percent, 91 percent, and 92 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 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*.

Emphasis of Matter – Restatement of Net Position for Aggregate Discretely Presented Component Units

As described in Note 18 to the financial statements, the Redevelopment Authority of the City of Allentown restated its net position as of January 1, 2023, to correct errors. 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 generally accepted auditing standards 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 16, 2024 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 16, 2024

**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, 2023. 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, 2023. Additional information is provided in the Transmittal Letter preceding this MD&A which can be found on pages i-iii 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 2023, City Council passed Ordinance No. 15890 funding total of \$6,750,000 from the second tranche: additional \$2,100,000 for water mains, and \$4,650,000 for the water filters projects. 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 2023 Ordinance No. 15874 allocated \$1,200,000 to Irving Swimming Pool project, and Ordinance No. 15954 allocated \$275,000 to the Dixon Street Pedestrian Bridge project. Additional \$4,000,000 were allocated to non-profit organization (subrecipient). \$1,000,000 to the Allentown Economic Development Corporation (AEDC), Marcon Properties LLC to mitigate increase in manufacturing facility construction costs, \$1,000,000 to HDC-Mid Atlantic's 1528 West Hamilton Street affordable housing project via Ordinance No. 15886, and \$2,000,000 to Cortex Residential project for affordable housing in the Walnut Square Apartments at 40 South 8th Street via Ordinance No. 15927.

Finally, among these other investments, City Council allocated \$1,600,00 in 2021, \$1,450,000 in 2022, and \$6,800,000 in 2023 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, 2023 total of \$42,331,216 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, and \$19,025,000 in 2023 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 2023, 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, Investment Income and receipt of operating and capital grants.

The Real estate property tax rates remained the same in 2023. The City's assessed land value for property taxes at the close of 2023 was \$793,396,800 taxable at a rate of 23.5376 mills. The assessed building value was \$4,559,871,500 taxable at a rate of 4.4528 mills. The gross tax levy entering 2023 was, therefore, 7.28 mills on real property in the City.

The resident EIT rate for 2023 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.

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 governmental revenues finalized at \$182,578,059 while governmental expenditures were \$168,278,300 to close 2023. This surplus added \$15 million to the General Fund balance.

The City's proprietary funds performed well during 2023. 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. 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

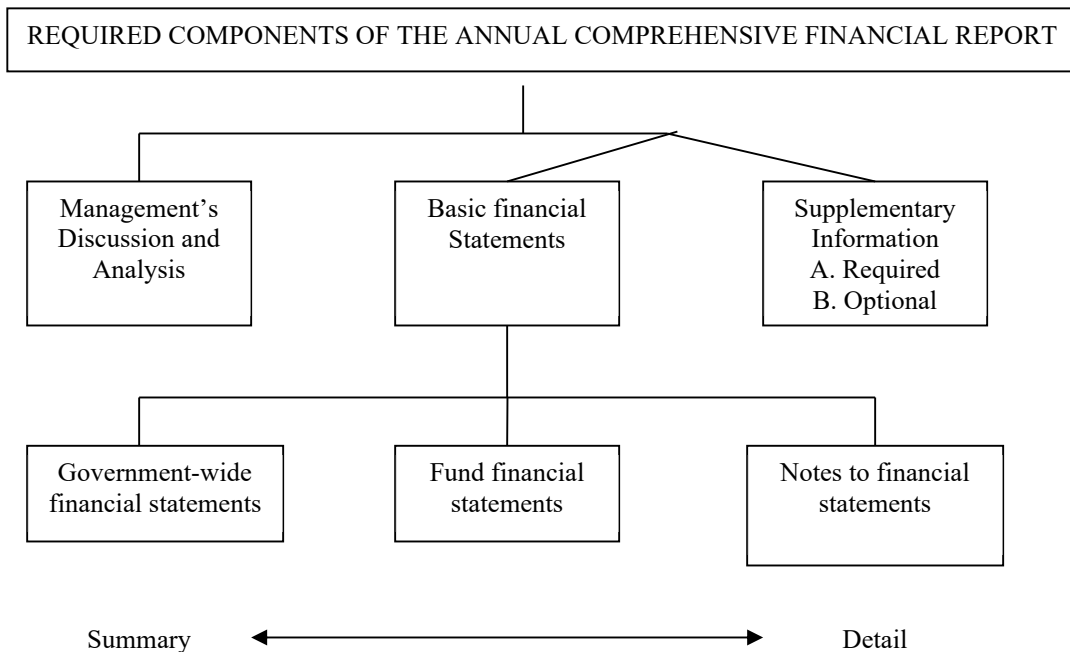


Table A-2 summarizes the major features of the City’s financial statements, including the area of the City’s activities they cover and the types of information they contain.

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 \$463,283,139 on December 31, 2023. Of this amount, \$279,749,483 were capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|------------------------|--------------------------|---------------------|------------------------|------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 146,467,889 | \$ 136,493,195 | \$ 5,925,587 | \$ 6,802,447 | \$ 152,393,476 | \$ 143,295,642 |
| Capital assets, net | 274,196,650 | 259,531,323 | 5,552,833 | 5,063,507 | 279,749,483 | 264,594,830 |
| Other non-current assets | 31,091,914 | 51,024,813 | 48,266 | 2,449,544 | 31,140,180 | 53,474,357 |
| Total Assets | 451,756,453 | 447,049,331 | 11,526,686 | 14,315,498 | 463,283,139 | 461,364,829 |
| Deferred Outflows of Resources: | | | | | | |
| Deferred outflows of resources for pensions | 35,211,788 | 45,440,984 | 1,630,151 | 742,855 | 36,841,939 | 46,183,839 |
| Deferred outflows of resources for OPEB | 11,966,942 | 16,459,207 | 648,083 | 968,936 | 12,615,025 | 17,428,143 |
| Deferred charge on refunding | 240,938 | 261,015 | - | - | 240,938 | 261,015 |
| Total Deferred Outflows of Resources | 47,419,668 | 62,161,206 | 2,278,234 | 1,711,791 | 49,697,902 | 63,872,997 |
| Current and other liabilities | 33,141,329 | 31,227,024 | 1,789,707 | 1,523,875 | 34,931,036 | 32,750,899 |
| Long-term liabilities | 290,641,863 | 328,484,174 | 7,194,105 | 6,272,697 | 297,835,968 | 334,756,871 |
| Total Liabilities | 323,783,192 | 359,711,198 | 8,983,812 | 7,796,572 | 332,767,004 | 367,507,770 |
| Deferred Inflows of Resources: | | | | | | |
| Utility system concession lease | 204,373,531 | 201,456,547 | - | - | 204,373,531 | 201,456,547 |
| Deferred inflows of resources for OPEB | 15,033,440 | 4,968,367 | 814,153 | 292,482 | 15,847,593 | 5,260,849 |
| Deferred inflows of resources for pensions | 2,796,699 | 28,008,205 | - | 2,984,872 | 2,796,699 | 30,993,077 |
| Deferred inflows of resources for leases | - | - | 82,966 | 124,399 | 82,966 | 124,399 |
| Total Deferred Inflows of Resources | 222,203,670 | 234,433,119 | 897,119 | 3,401,753 | 223,100,789 | 237,834,872 |
| Net position: | | | | | | |
| Net investment in capital assets | 222,864,048 | 208,494,648 | 4,663,515 | 4,790,708 | 227,527,563 | 213,285,356 |
| Restricted | 19,587,992 | 38,179,493 | - | 2,356,451 | 19,587,992 | 40,535,944 |
| Unrestricted | (289,262,781) | (331,607,921) | (739,526) | (2,318,195) | (290,002,307) | (333,926,116) |
| Total Net Position (Deficit) | \$ (46,810,741) | \$ (84,933,780) | \$ 3,923,989 | \$ 4,828,964 | \$ (42,886,752) | \$ (80,104,816) |

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, 2023 and 2022. 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 | |
|---|-------------------------|------------------------|--------------------------|---------------------|------------------------|------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Program revenues: | | | | | | |
| Charges for services | \$ 29,922,499 | \$ 27,583,022 | \$ 17,082,134 | \$ 17,208,005 | \$ 47,004,633 | \$ 44,791,027 |
| Operating grants and contributions | 28,948,677 | 17,063,362 | 586,378 | 225,267 | 29,535,055 | 17,288,629 |
| Capital grants | 9,077,019 | 10,635,432 | - | - | 9,077,019 | 10,635,432 |
| General revenues: | | | | | | |
| Taxes | 104,887,074 | 95,801,585 | - | - | 104,887,074 | 95,801,585 |
| Investment earnings | 5,340,044 | 727,017 | 251,556 | 43,680 | 5,591,600 | 770,697 |
| Gain on sale of asset | - | 152,533 | 7,285 | 30,192 | 7,285 | 182,725 |
| Unrestricted grants/contributions | 12,640,045 | 11,834,312 | - | - | 12,640,045 | 11,834,312 |
| Total revenues | 190,815,358 | 163,797,263 | 17,927,353 | 17,507,144 | 208,742,711 | 181,304,407 |
| Expenses: | | | | | | |
| General government | 19,774,490 | 7,941,408 | - | - | 19,774,490 | 7,941,408 |
| Public safety | 75,340,455 | 76,935,181 | - | - | 75,340,455 | 76,935,181 |
| Community development | 12,105,757 | 11,976,945 | - | - | 12,105,757 | 11,976,945 |
| Public works | 27,886,830 | 25,762,632 | - | - | 27,886,830 | 25,762,632 |
| Health and sanitation | 5,390,518 | 5,041,372 | - | - | 5,390,518 | 5,041,372 |
| Parks and recreation | 8,804,127 | 7,565,946 | - | - | 8,804,127 | 7,565,946 |
| Water and sewer | - | - | - | - | - | - |
| Interest on long-term debt | 4,893,201 | 5,341,686 | - | - | 4,893,201 | 5,341,686 |
| Municipal golf course | - | - | 1,624,036 | 1,151,143 | 1,624,036 | 1,151,143 |
| Solid waste fund | - | - | 15,705,233 | 14,507,693 | 15,705,233 | 14,507,693 |
| Total expenses | 154,195,378 | 140,565,170 | 17,329,269 | 15,658,836 | 171,524,647 | 156,224,006 |
| Change in net position before transfers | 36,619,980 | 23,232,093 | 598,084 | 1,848,308 | 37,218,064 | 25,080,401 |
| Transfers | 1,503,059 | 1,464,605 | (1,503,059) | (1,464,605) | - | - |
| Change in net position | 38,123,039 | 24,696,698 | (904,975) | 383,703 | 37,218,064 | 25,080,401 |
| Net position (deficit) beginning | (84,933,780) | (109,630,478) | 4,828,964 | 4,445,261 | (80,104,816) | (105,185,217) |
| Net position (deficit) ending | \$ (46,810,741) | \$ (84,933,780) | \$ 3,923,989 | \$ 4,828,964 | \$ (42,886,752) | \$ (80,104,816) |

Total government-wide revenues in 2023 were \$208.7 million, an increase of 15.1 percent from 2022. The primary source of revenue was from taxes of \$104.9 million, representing 50.2 percent of the total which was a result of better in house collection for current year tax billing. The City now collects roughly 96% of current year taxes in the year they are due. Return on investment increased to \$5.5 million do to a more mindful investment strategy. The operating grants and contributions totaled \$29.5 million, increased from 2022, which is mostly due to the recognition of American Rescue Plan (ARPA) funds.

Total expenses for all programs in 2023 were \$171.5 million, an increase of 9.8 percent from 2022. The expenses cover a range of services, with the largest being public safety at \$75.3 million or 43.9 percent. The next largest program areas were public works at \$27.9 million or 16.3 percent, the general government at \$19.8 million or 11.5 percent and the solid waste fund at \$15.7 million or 9.2 percent. The most significant increase in expenses came from general government expenditures which was due to an increased investment in human capital.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Net cost of services

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

| | Total cost of services | | Net cost of services | |
|----------------------------|------------------------|-----------------------|------------------------|------------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Program: | | | | |
| General government | \$ 19,774,490 | \$ 7,941,408 | \$ (13,212,963) | \$ (1,840,434) |
| Public safety | 75,340,455 | 76,935,181 | (68,350,674) | (73,238,632) |
| Community development | 12,105,757 | 11,976,945 | 4,387,255 | 460,312 |
| Public works | 27,886,830 | 25,762,632 | (4,825,594) | (7,690,589) |
| Health and sanitation | 5,390,518 | 5,041,372 | (1,712,302) | (1,598,292) |
| Parks and recreation | 8,804,127 | 7,565,946 | (3,190,974) | (1,454,061) |
| Water and sewer | - | - | 5,551,270 | 5,420,028 |
| Interest on long-term debt | 4,893,201 | 5,341,686 | (4,893,201) | (5,341,686) |
| Municipal golf course | 1,624,036 | 1,151,143 | (491,173) | 806,300 |
| Solid waste fund | 15,705,233 | 14,507,693 | 830,416 | 968,136 |
| Total expenses | \$ <u>171,524,647</u> | \$ <u>156,224,006</u> | \$ <u>(85,907,940)</u> | \$ <u>(83,508,918)</u> |

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, 2023 and 2022.

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 50.1 percent of its governmental and business-type activities in 2023. These revenues covered 17.3 percent of public works spending with the remainder coming from grants and fees for specific services. These revenues also covered 90.7 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

Table A-6: Capital assets, net at December 31, 2023 and 2022

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 9,809,945 | \$ 9,809,945 | \$ 1,134,759 | \$ 1,134,759 | \$ 10,944,704 | \$ 10,944,704 |
| Assets under concession lease - LCA | 100,666,867 | 92,651,611 | - | - | 100,666,867 | 92,651,611 |
| Assets under concession lease - COA | 11,504,675 | 10,138,456 | - | - | 11,504,675 | 10,138,456 |
| Right-to-use leased asset | 1,985,170 | 2,103,101 | | | 1,985,170 | 2,103,101 |
| Construction in progress | 4,743,269 | 3,961,442 | - | - | 4,743,269 | 3,961,442 |
| Buildings | 5,306,764 | 2,968,623 | 641,376 | 667,302 | 5,948,140 | 3,635,925 |
| Land and building improvements | 21,885,652 | 23,791,952 | 392,953 | 463,191 | 22,278,605 | 24,255,143 |
| Machinery and equipment | 10,250,727 | 8,769,748 | 2,495,524 | 2,016,537 | 12,746,251 | 10,786,285 |
| Vehicles | 9,477,847 | 9,271,323 | 862,296 | 755,415 | 10,340,143 | 10,026,738 |
| Infrastructure | 98,565,734 | 96,065,122 | - | - | 98,565,734 | 96,065,122 |
| Distribution and collection systems | - | - | 25,925 | 26,303 | 25,925 | 26,303 |
| Total | \$ 274,196,650 | \$ 259,531,323 | \$ 5,552,833 | \$ 5,063,507 | \$ 279,749,483 | \$ 264,594,830 |

The City's investment in capital assets at December 31, 2023, net of accumulated depreciation, was \$279.7 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, 2023 and 2022.

Debt administration

Long-term debt:

On December 31, 2023, the City had \$103.8 million of debt outstanding, including bonds, notes, financed purchases, and leases. This was a net decrease of \$5.5 million from the end of 2022 mostly due to the regularly scheduled principal payments. 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 | |
|-----------------------------|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Financed purchases & leases | \$ 3,518,048 | \$ 4,864,087 | \$ 889,318 | \$ 272,799 | \$ 4,407,366 | \$ 5,136,886 |
| Bonds and notes | 99,399,529 | 104,198,133 | - | - | 99,399,529 | 104,198,133 |
| Total | \$ 102,917,577 | \$ 109,062,220 | \$ 889,318 | \$ 272,799 | \$ 103,806,895 | \$ 109,335,019 |

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 \$347.4 million, which is 250% of its borrowing base of \$138.9. The total debt outstanding was \$103.8 million, which leaves the City with \$243.6 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, 2023.

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, 2023 and 2022 are as follows. Table A-8 also presents changes from 2022 to 2023.

Table A-8: Revenues by source, governmental funds

| | 2023 | 2022 | Changes from 2022 to 2023 | Percent change |
|----------------------------|----------------|----------------|------------------------------|-------------------|
| Revenues: | | | | |
| Taxes | \$ 101,321,033 | \$ 94,850,708 | \$ 6,470,325 | 6.8% |
| Licenses and permits | 7,378,906 | 7,928,615 | (549,709) | -6.9% |
| Charges for services | 13,428,939 | 12,715,944 | 712,995 | 5.6% |
| Fines and forfeits | 210,630 | 199,767 | 10,863 | 5.4% |
| Investment earnings | 5,182,524 | 702,507 | 4,480,017 | 637.7% |
| Intergovernmental revenues | 49,712,067 | 38,482,600 | 11,229,467 | 29.2% |
| Other | 5,343,960 | 3,328,026 | 2,015,934 | 60.6% |
| Total revenues | \$ 182,578,059 | \$ 158,208,167 | \$ 24,369,892 | 15.4% |

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Governmental fund revenues totaled \$182.6 million for the year ended December 31, 2023. This is an increase of \$24.4 million from 2022, primarily due to an increase in inter-governmental revenues, grants, investment income, charges for services, and taxes.

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2023 and 2022 are as follows. Table A-9 also presents changes from 2022 to 2023.

Table A-9: Expenditures by function, governmental funds

| | 2023 | 2022 | Changes from 2022 to 2023 | Percent change |
|-----------------------|-----------------------|-----------------------|------------------------------|-------------------|
| Expenditures: | | | | |
| General government | \$ 18,050,272 | \$ 14,156,470 | \$ 3,893,802 | 27.5% |
| Public safety | 76,225,600 | 69,666,976 | 6,558,624 | 9.4% |
| Community development | 14,201,932 | 18,862,274 | (4,660,342) | -24.7% |
| Public works | 20,856,287 | 20,320,319 | 535,968 | 2.6% |
| Health and sanitation | 5,172,189 | 4,803,291 | 368,898 | 7.7% |
| Parks and recreation | 7,348,832 | 6,620,178 | 728,654 | 11.0% |
| Debt service: | | | | |
| Principal | 7,123,106 | 7,702,609 | (579,503) | -7.5% |
| Interest | 2,640,107 | 2,547,394 | 92,713 | 3.6% |
| Capital outlay | 16,659,975 | 23,025,687 | (6,365,712) | -27.6% |
| Total expenditures | <u>\$ 168,278,300</u> | <u>\$ 167,705,198</u> | <u>\$ 573,102</u> | <u>0.3%</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 \$168.2 million for the year ended December 31, 2023, an increase of .3 percent from 2022.

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, 2023 and 2022

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

| | 2023 | | 2022 | |
|-----------------------|----------------------|---------------------|----------------------|---------------------|
| | Governmental Funds | Enterprise Funds | Governmental Funds | Enterprise Funds |
| General | \$ 60,337,795 | \$ - | \$ 45,313,068 | \$ - |
| Liquid Fuels Fund | 3,057,089 | - | 2,702,886 | - |
| Community Development | | | | |
| Block Grant | 5,584,647 | - | 4,060,011 | - |
| Trexler | 1,429,585 | - | 1,000,429 | - |
| Capital Projects | 5,368,807 | - | 5,569,401 | - |
| American Rescue Plan | 2,183,420 | - | 160,710 | - |
| Grants | - | - | - | - |
| Revolving Loan | 1,375,758 | - | 1,343,635 | - |
| Debt Service Fund | - | - | - | - |
| Stormwater Fund | 4,460,306 | - | 4,404,205 | - |
| Lease A.O. Fund | 921,063 | - | 2,010,383 | - |
| Municipal Golf Course | - | 2,695,505 | - | 2,117,967 |
| Solid Waste Fund | - | 1,228,484 | - | 2,710,997 |
| Total | \$ 84,718,470 | \$ 3,923,989 | \$ 66,564,728 | \$ 4,828,964 |

The City's governmental funds reported a combined fund balance of \$84.7 million on December 31, 2023, up \$18.1 million from the previous year. The General Fund balance increased by \$15 million due to investment earnings and reimbursements from other funds. The American Rescue Plan fund balance increased by \$2 million due to increased investment earnings. \$5.6 million is restricted for Community Development Block Grant projects, \$5.4 million is restricted for capital acquisitions, \$3.1 million is restricted for the Liquid Fuels Fund, \$1.4 million is restricted for the Revolving Loan Fund, \$.9 million is restricted for the Lease A.O. Fund and \$1.4 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 many 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 and considerable residential units to the neighborhood. Allentown expects Waterfront Development to continue to grow, 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 2023 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 2023, with no need to balance expenditures on the back of cash reserves. One main reason for a strong financial year was due to a deliberate investment strategy and higher interest rates.

The City has no plans to incur any additional indebtedness in 2024 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 2022 and 2023 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.

CITY OF ALLENTOWN
STATEMENT OF NET POSITION

DECEMBER 31, 2023

| <u>Assets</u> | Primary Government | | Total | Component Units |
|--|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business-Type Activities | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 118,225,041 | \$ 4,045,152 | \$ 122,270,193 | \$ 1,546,887 |
| Cash - restricted | 757,815 | - | 757,815 | 56,588 |
| Investments | - | - | - | 1,723,648 |
| Receivables (net of allowance for uncollectible): | | | | |
| Taxes | 16,619,321 | - | 16,619,321 | - |
| Accounts | 3,164,529 | 1,505,791 | 4,670,320 | 539,956 |
| Grants | 7,546,735 | 319,253 | 7,865,988 | - |
| Lease receivable | - | 44,827 | 44,827 | 51,512 |
| Inventory | - | 10,564 | 10,564 | - |
| Prepaid expenses | - | - | - | 327,767 |
| Prepaid debt insurance | 154,448 | - | 154,448 | - |
| Internal balances | - | - | - | - |
| Total current assets | 146,467,889 | 5,925,587 | 152,393,476 | 4,246,358 |
| Noncurrent assets: | | | | |
| Capital assets, not being depreciated | 115,220,081 | 1,134,759 | 116,354,840 | 9,535,171 |
| Capital assets, net of depreciation | 158,976,569 | 4,418,074 | 163,394,643 | 67,702,532 |
| Loans and notes receivable | 12,070,350 | - | 12,070,350 | 300,661 |
| Lease receivable, net | - | 48,266 | 48,266 | 3,786,030 |
| Utility system concession lease receivable | 19,021,564 | - | 19,021,564 | - |
| Property held for development | - | - | - | 859,725 |
| Net pension asset | - | - | - | 317,083 |
| Total noncurrent assets | 305,288,564 | 5,601,099 | 310,889,663 | 82,501,202 |
| Total Assets | 451,756,453 | 11,526,686 | 463,283,139 | 86,747,560 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows of resources - pensions | 35,211,788 | 1,630,151 | 36,841,939 | 173,847 |
| Deferred outflows of resources - OPEB | 11,966,942 | 648,083 | 12,615,025 | 16,810 |
| Deferred charge of refunding | 240,938 | - | 240,938 | 392,073 |
| Total Deferred Outflows of Resources | 47,419,668 | 2,278,234 | 49,697,902 | 582,730 |

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 | 7,993,507 | 1,288,995 | 9,282,502 | 779,767 |
| Wages payable | 1,394,699 | 49,213 | 1,443,912 | - |
| Accrued interest payable | 496,501 | - | 496,501 | - |
| Claims liability | 307,342 | - | 307,342 | - |
| Other liabilities | 4,396,141 | 1,691 | 4,397,832 | 86,987 |
| Due to other governments | 3,635,744 | - | 3,635,744 | - |
| Unearned revenue | - | - | - | 188,549 |
| Compensated absences | 6,314,933 | 171,496 | 6,486,429 | - |
| Facility contractual obligation | 124,362 | - | 124,362 | - |
| Financed purchases payable | 998,618 | 278,312 | 1,276,930 | 31,410 |
| Notes and bonds payable, current maturities | 7,405,622 | - | 7,405,622 | 1,402,931 |
| Lease payable | 73,860 | - | 73,860 | - |
| Total current liabilities | 33,141,329 | 1,789,707 | 34,931,036 | 2,489,644 |
| Noncurrent liabilities: | | | | |
| Unearned revenue - grants | 36,346,719 | - | 36,346,719 | - |
| Unearned revenue | - | - | - | 370,500 |
| Other non current liabilities | - | - | - | 5,000,000 |
| Financed purchase payable | 2,519,430 | 611,006 | 3,130,436 | 8,049 |
| Compensated absences | 596,715 | 14,970 | 611,685 | - |
| Net pension liability | 64,049,944 | 1,549,290 | 65,599,234 | - |
| Other postemployment benefit liability | 92,673,439 | 5,018,839 | 97,692,278 | 43,375 |
| Notes and bonds payable, net | 91,993,907 | - | 91,993,907 | 44,934,660 |
| Lease payable | 2,461,709 | - | 2,461,709 | - |
| Total noncurrent liabilities | 290,641,863 | 7,194,105 | 297,835,968 | 50,356,584 |
| Total Liabilities | 323,783,192 | 8,983,812 | 332,767,004 | 52,846,228 |
| Deferred Inflows of Resources | | | | |
| Utility system concession lease | 204,373,531 | - | 204,373,531 | - |
| Deferred inflows of resources - pensions | 2,796,699 | - | 2,796,699 | - |
| Deferred inflows of resources - OPEB | 15,033,440 | 814,153 | 15,847,593 | - |
| Deferred inflows of resources - leases | - | 82,966 | 82,966 | 10,280,986 |
| Total Deferred Inflows of Resources | 222,203,670 | 897,119 | 223,100,789 | 10,280,986 |
| Net Position | | | | |
| Net investment in capital assets | 222,864,048 | 4,663,515 | 227,527,563 | 26,257,726 |
| Restricted for: | | | | |
| Capital projects | 1,055,690 | - | 1,055,690 | - |
| Public works | 10,142,312 | - | 10,142,312 | - |
| Community development | 6,960,405 | - | 6,960,405 | - |
| Parks and recreation | 1,429,585 | - | 1,429,585 | - |
| Unrestricted | (289,262,781) | (739,526) | (290,002,307) | (2,054,650) |
| Total Net Position | \$ (46,810,741) | \$ 3,923,989 | \$ (42,886,752) | \$ 24,203,076 |

(Concluded)

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

CITY OF ALLENTOWN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|----------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 19,774,490 | \$ 6,561,407 | \$ 120 | \$ - |
| Public safety | 75,340,455 | 2,262,982 | 3,237,940 | 1,488,859 |
| Community development | 12,105,757 | 7,690,210 | 8,802,802 | - |
| Public works | 27,886,830 | 6,763,582 | 11,787,540 | 4,510,114 |
| Health and sanitation | 5,390,518 | 376,159 | 3,302,057 | - |
| Parks and recreation | 8,804,127 | 716,889 | 1,818,218 | 3,078,046 |
| Water and sewer | - | 5,551,270 | - | - |
| Interest on long-term debt | 4,893,201 | - | - | - |
| Total governmental activities | 154,195,378 | 29,922,499 | 28,948,677 | 9,077,019 |
| Business-type activities: | | | | |
| Solid Waste Fund | 15,705,233 | 14,658,278 | 555,782 | - |
| Municipal Golf Course | 1,624,036 | 2,467,536 | 30,596 | - |
| Total business-type activities | 17,329,269 | 17,125,814 | 586,378 | - |
| Total Primary Government | \$ 171,524,647 | \$ 47,048,313 | \$ 29,535,055 | \$ 9,077,019 |
| Component units: | | | | |
| Redevelopment Authority of the | | | | |
| City of Allentown | \$ 774,885 | \$ 1,039,299 | \$ - | \$ - |
| Allentown Parking Authority | 12,929,542 | 11,668,530 | - | - |
| Total Component Units | \$ 13,704,427 | \$ 12,707,829 | \$ - | \$ - |

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

Total general revenues and transfers

Change in Net Position

Net Position:

Beginning of year, restated

End of year

Net (Expenses) Revenue and
Changes in Net Position

| Governmental Activities | Business-Type Activities | Total | Component Units |
|----------------------------|-----------------------------|------------------------|----------------------|
| \$ (13,212,963) | \$ - | \$ (13,212,963) | \$ - |
| (68,350,674) | - | (68,350,674) | - |
| 4,387,255 | - | 4,387,255 | - |
| (4,825,594) | - | (4,825,594) | - |
| (1,712,302) | - | (1,712,302) | - |
| (3,190,974) | - | (3,190,974) | - |
| 5,551,270 | - | 5,551,270 | - |
| (4,893,201) | - | (4,893,201) | - |
| <u>(86,247,183)</u> | <u>-</u> | <u>(86,247,183)</u> | <u>-</u> |
| - | (491,173) | (491,173) | - |
| - | 874,096 | 874,096 | - |
| - | 382,923 | 382,923 | - |
| <u>(86,247,183)</u> | <u>382,923</u> | <u>(85,864,260)</u> | <u>-</u> |
| - | - | - | 264,414 |
| - | - | - | <u>(1,261,012)</u> |
| - | - | - | <u>(996,598)</u> |
| 39,453,340 | - | 39,453,340 | - |
| 63,022,245 | - | 63,022,245 | - |
| 81,039 | - | 81,039 | - |
| 2,330,450 | - | 2,330,450 | - |
| 12,640,045 | - | 12,640,045 | - |
| 5,340,044 | 207,876 | 5,547,920 | 239,528 |
| - | 7,285 | 7,285 | (477,687) |
| 1,503,059 | (1,503,059) | - | - |
| <u>124,370,222</u> | <u>(1,287,898)</u> | <u>123,082,324</u> | <u>(238,159)</u> |
| 38,123,039 | (904,975) | 37,218,064 | (1,234,757) |
| <u>(84,933,780)</u> | <u>4,828,964</u> | <u>(80,104,816)</u> | <u>25,437,833</u> |
| <u>\$ (46,810,741)</u> | <u>\$ 3,923,989</u> | <u>\$ (42,886,752)</u> | <u>\$ 24,203,076</u> |

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

CITY OF ALLENTOWN
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2023

| | General Fund | Captial Projects | Community Development Block Grant | American Rescue Plan | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------|---|----------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 56,756,541 | \$ 9,740,940 | \$ 3,959,534 | \$ 33,242,564 | \$ 9,185,659 | \$ 112,885,238 |
| Restricted cash | - | - | - | - | 757,815 | 757,815 |
| Recievable, net: | | | | | | |
| Taxes | 16,619,321 | - | - | - | - | 16,619,321 |
| Loans | 98,470 | - | 3,024,568 | - | 22,312 | 3,145,350 |
| Accounts | 2,248,728 | - | - | - | 842,198 | 3,090,926 |
| Grants | 1,518,065 | 500,000 | 1,777,826 | - | 3,750,844 | 7,546,735 |
| Utility system concession lease | 19,021,564 | - | - | - | - | 19,021,564 |
| Due from other funds | 1,942,254 | 1,302,726 | - | 19,544 | - | 3,264,524 |
| Total Assets | \$ 98,204,943 | \$ 11,543,666 | \$ 8,761,928 | \$ 33,262,108 | \$ 14,558,828 | \$ 166,331,473 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 1,654,030 | \$ 1,090,066 | \$ 901,222 | \$ - | \$ 3,230,864 | \$ 6,876,182 |
| Wages payable | 1,308,085 | - | - | - | 82,843 | 1,390,928 |
| Due to other funds | 9,773 | - | 1,827,627 | 1,632,306 | 1,320 | 3,471,026 |
| Due to other governments | 3,635,744 | - | - | - | - | 3,635,744 |
| Unearned revenues - grants | 1,810,596 | 4,823,184 | 266,557 | 29,446,382 | - | 36,346,719 |
| Other liabilities | 3,952,657 | 261,609 | 181,875 | - | - | 4,396,141 |
| Total Liabilities | 12,370,885 | 6,174,859 | 3,177,281 | 31,078,688 | 3,315,027 | 56,116,740 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue - taxes | 6,474,699 | - | - | - | - | 6,474,699 |
| Unavailable revenue - utility system concession lease | 19,021,564 | - | - | - | - | 19,021,564 |
| Total Deferred Inflows of Resources | 25,496,263 | - | - | - | - | 25,496,263 |
| Fund Balance: | | | | | | |
| Restricted | 1,703,854 | 5,368,807 | 5,584,647 | - | 11,243,801 | 23,901,109 |
| Assigned | 6,889,225 | - | - | 2,183,420 | - | 9,072,645 |
| Unassigned | 51,744,716 | - | - | - | - | 51,744,716 |
| Total Fund Balance | 60,337,795 | 5,368,807 | 5,584,647 | 2,183,420 | 11,243,801 | 84,718,470 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 98,204,943 | \$ 11,543,666 | \$ 8,761,928 | \$ 33,262,108 | \$ 14,558,828 | \$ 166,331,473 |

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, 2023

Total Fund Balance - Governmental Funds \$ 84,718,470

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. 274,196,650

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in governmental funds. 25,496,263

Certain loans receivable are not reported as assets in the governmental funds, but are reported on the statement of net position. 8,925,000

Prepaid debt insurance is reported as an asset and amortized on the statement of net position. 154,448

Utility system concession lease is required to be amortized over the life of the lease for the governmental activities. (204,373,531)

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 | \$ (496,501) | |
| Facility contractual obligation | (124,362) | |
| Notes and bonds payable, net | (99,399,529) | |
| Less: deferred charge on refunding | 240,938 | |
| Financed purchases payable | (3,518,048) | |
| Compensated absences | (6,870,592) | |
| Lease payable | (2,535,569) | |
| Other postemployment benefits liability, net of related deferred inflows and outflows of resources | (95,739,937) | |
| Net pension asset/liability, net of related deferred inflows and outflows of resources | <u>(31,634,855)</u> | (240,078,455) |

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. 4,150,414

Total Net Position - Governmental Activities \$ (46,810,741)

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, 2023

| | General Fund | Capital Projects | Community Development Block Grant | American Rescue Plan | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|---|----------------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes | \$ 101,321,033 | \$ - | \$ - | \$ - | \$ - | \$ 101,321,033 |
| Licenses and permits | 7,378,906 | - | - | - | - | 7,378,906 |
| Charges for services | 7,381,903 | 235,153 | - | - | 5,811,883 | 13,428,939 |
| Fines and forfeits | 210,630 | - | - | - | - | 210,630 |
| Investment earnings | 2,566,148 | 233,090 | 67,705 | 2,022,710 | 292,871 | 5,182,524 |
| Intergovernmental revenues | 17,771,369 | 1,478,046 | 5,577,185 | 16,201,580 | 8,683,887 | 49,712,067 |
| Other | 2,373,037 | 41,613 | 2,106,960 | - | 822,350 | 5,343,960 |
| Total revenues | 139,003,026 | 1,987,902 | 7,751,850 | 18,224,290 | 15,610,991 | 182,578,059 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 13,492,677 | - | - | 1,331,978 | 3,225,617 | 18,050,272 |
| Public safety | 76,225,600 | - | - | - | - | 76,225,600 |
| Community development | 8,037,215 | - | 6,055,605 | 109,112 | - | 14,201,932 |
| Public works | 11,716,622 | 1,515,564 | - | 403,542 | 7,220,559 | 20,856,287 |
| Health and sanitation | 5,172,189 | - | - | - | - | 5,172,189 |
| Parks and recreation | 5,844,486 | - | - | 156,029 | 1,348,317 | 7,348,832 |
| Debt service: | | | | | | |
| Principal | 68,106 | - | - | - | 7,055,000 | 7,123,106 |
| Interest | 77,186 | - | 295,269 | - | 2,267,652 | 2,640,107 |
| Capital outlay | 4,245,187 | 10,073,982 | 498,936 | 374,702 | 1,467,168 | 16,659,975 |
| Total expenditures | 124,879,268 | 11,589,546 | 6,849,810 | 2,375,363 | 22,584,313 | 168,278,300 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 14,123,758 | (9,601,644) | 902,040 | 15,848,927 | (6,973,322) | 14,299,759 |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds from financed purchase: | 1,997,848 | - | - | - | - | 1,997,848 |
| Sale of capital assets | 130,905 | - | - | - | - | 130,905 |
| Transfers in | 6,660,310 | 9,401,050 | 622,596 | - | 8,799,788 | 25,483,744 |
| Transfers out | (7,888,094) | - | - | (13,826,217) | (2,044,203) | (23,758,514) |
| Total other financing sources (uses) | 900,969 | 9,401,050 | 622,596 | (13,826,217) | 6,755,585 | 3,853,983 |
| Net Change in Fund Balance | 15,024,727 | (200,594) | 1,524,636 | 2,022,710 | (217,737) | 18,153,742 |
| Fund Balance: | | | | | | |
| Beginning of year | 45,313,068 | 5,569,401 | 4,060,011 | 160,710 | 11,461,538 | 66,564,728 |
| End of year | \$ 60,337,795 | \$ 5,368,807 | \$ 5,584,647 | \$ 2,183,420 | \$ 11,243,801 | \$ 84,718,470 |

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, 2023

Net Change in Fund Balances - Governmental Funds \$ 18,153,742

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. 16,659,975

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. (9,811,366)

Loss on disposal of capital assets are net against the sale proceeds recognized on the modified accrual basis (198,538)

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 2,478,930

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. 3,566,041

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. (471,849)

Activities of the internal service fund are reported as net revenue in the statement of activities. 81,029

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 (1,997,848)

Principal payments on financed purchases 740,212

Principal of long-term debt 7,055,000

Accretion of capital appreciation bonds (2,442,018)

Principal payments on leases payable 68,106

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. 36,126

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. 3,459,726

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. (3,903,281)

The deferred inflow of resources from the utility system concession lease is amortized over the life of the lease in the statement of activities. 4,496,254

Change in Net Position - Governmental Activities \$ 38,123,039

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

CITY OF ALLENTOWN

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2023

| <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 | \$ 2,720,950 | \$ 1,324,202 | \$ 4,045,152 | \$ 5,339,803 |
| Receivables: | | | | |
| Accounts | 1,516,412 | 4,543 | 1,520,955 | 73,603 |
| Grants | 319,253 | - | 319,253 | - |
| Total accounts receivable | 1,835,665 | 4,543 | 1,840,208 | 73,603 |
| Allowance for doubtful accounts | 15,164 | - | 15,164 | - |
| Net accounts receivable | 1,820,501 | 4,543 | 1,825,044 | 73,603 |
| Lease receivable | - | 44,827 | 44,827 | - |
| Due from other funds | - | - | - | 206,502 |
| Inventories | - | 10,564 | 10,564 | - |
| Total current assets | 4,541,451 | 1,384,136 | 5,925,587 | 5,619,908 |
| Noncurrent assets: | | | | |
| Lease receivable | - | 48,266 | 48,266 | - |
| Capital assets, not being depreciated | - | 1,134,759 | 1,134,759 | - |
| Capital assets, net of depreciation | 3,252,928 | 1,165,146 | 4,418,074 | - |
| Total noncurrent assets | 3,252,928 | 2,348,171 | 5,601,099 | - |
| Total Assets | 7,794,379 | 3,732,307 | 11,526,686 | 5,619,908 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows of resources - pension | 1,439,834 | 190,317 | 1,630,151 | - |
| Deferred outflows of resources - OPEB | 572,725 | 75,358 | 648,083 | - |
| Total Deferred Outflows of Resources | 2,012,559 | 265,675 | 2,278,234 | - |

(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 | \$ 1,262,003 | \$ 26,992 | \$ 1,288,995 | \$ 1,117,325 |
| Wages payable | 41,521 | 7,692 | 49,213 | 3,771 |
| Claims liability | - | - | - | 307,342 |
| Other liabilities | - | 1,691 | 1,691 | - |
| Compensated absences | 142,676 | 28,820 | 171,496 | 37,511 |
| Financed purchase | 186,494 | 91,818 | 278,312 | - |
| Total current liabilities | <u>1,632,694</u> | <u>157,013</u> | <u>1,789,707</u> | <u>1,465,949</u> |
| Noncurrent liabilities: | | | | |
| Financed purchase, net | 418,987 | 192,019 | 611,006 | - |
| Compensated absences | 12,454 | 2,516 | 14,970 | 3,545 |
| Net pension liability | 1,359,581 | 189,709 | 1,549,290 | - |
| Other postemployment benefit liability | 4,435,253 | 583,586 | 5,018,839 | - |
| Total noncurrent liabilities | <u>6,226,275</u> | <u>967,830</u> | <u>7,194,105</u> | <u>3,545</u> |
| Total Liabilities | <u>7,858,969</u> | <u>1,124,843</u> | <u>8,983,812</u> | <u>1,469,494</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of resources - OPEB | 719,485 | 94,668 | 814,153 | - |
| Deferred inflows of resources - leases | - | 82,966 | 82,966 | - |
| Total Deferred Inflows of Resources | <u>719,485</u> | <u>177,634</u> | <u>897,119</u> | <u>-</u> |
| Net Position | | | | |
| Net investment in capital assets | 2,647,447 | 2,016,068 | 4,663,515 | - |
| Unrestricted | (1,418,963) | 679,437 | (739,526) | 4,150,414 |
| Total Net Position | <u>\$ 1,228,484</u> | <u>\$ 2,695,505</u> | <u>\$ 3,923,989</u> | <u>\$ 4,150,414</u> (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, 2023

| | 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 | \$ 14,097,632 | \$ - | \$14,097,632 | \$ - |
| Recycling | 114,111 | - | 114,111 | - |
| Miscellaneous | 446,535 | 2,423,856 | 2,870,391 | 26,872,506 |
| | <u>14,658,278</u> | <u>2,423,856</u> | <u>17,082,134</u> | <u>26,872,506</u> |
| Operating Expenses: | | | | |
| <hr/> | | | | |
| Personnel services | 3,854,140 | 844,965 | 4,699,105 | - |
| Utility services | 1,601 | 1,131 | 2,732 | - |
| Contracted services | 10,992,544 | 85,444 | 11,077,988 | - |
| Materials and supplies | 360,457 | 415,594 | 776,051 | - |
| Claims and benefits | - | - | - | 26,744,310 |
| Depreciation expense | 409,544 | 176,532 | 586,076 | - |
| Miscellaneous | 86,947 | 100,370 | 187,317 | - |
| | <u>15,705,233</u> | <u>1,624,036</u> | <u>17,329,269</u> | <u>26,744,310</u> |
| Operating Income (Loss) | <u>(1,046,955)</u> | <u>799,820</u> | <u>(247,135)</u> | <u>128,196</u> |
| Non-Operating Revenues (Expenses): | | | | |
| <hr/> | | | | |
| Lease principal revenue | - | 39,862 | 39,862 | - |
| Lease interest revenue | - | 3,818 | 3,818 | - |
| Gain on capital asset disposal | 4,798 | 2,487 | 7,285 | - |
| Grants | 555,782 | 30,596 | 586,378 | 17,484 |
| Investment income | 176,099 | 31,777 | 207,876 | 157,520 |
| | <u>736,679</u> | <u>108,540</u> | <u>845,219</u> | <u>175,004</u> |
| Change in net position before transfers | (310,276) | 908,360 | 598,084 | 303,200 |
| Transfers in | - | - | - | - |
| Transfers out | (1,172,237) | (330,822) | (1,503,059) | (222,171) |
| | <u>(1,482,513)</u> | <u>577,538</u> | <u>(904,975)</u> | <u>81,029</u> |
| Change in Net Position | <u>(1,482,513)</u> | <u>577,538</u> | <u>(904,975)</u> | <u>81,029</u> |
| Net Position: | | | | |
| <hr/> | | | | |
| Beginning of year | 2,710,997 | 2,117,967 | 4,828,964 | 4,069,385 |
| End of year | <u>\$ 1,228,484</u> | <u>\$ 2,695,505</u> | <u>\$ 3,923,989</u> | <u>\$ 4,150,414</u> |

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

CITY OF ALLENTOWN
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

| | 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 | \$ 14,584,307 | \$ 2,423,673 | \$ 17,007,980 | \$ 26,930,628 |
| Payments to suppliers for services | (11,307,340) | (634,824) | (11,942,164) | (27,132,812) |
| Payments to employees | (4,052,453) | (844,908) | (4,897,361) | - |
| Net cash provided by (used in) operating activities | (775,486) | 943,941 | 168,455 | (202,184) |
| Cash Flows From Non-Capital Financing Activities: | | | | |
| Operating grants received | 560,967 | 30,596 | 591,563 | 17,484 |
| Net transfers in (out) | (1,172,237) | (330,822) | (1,503,059) | (222,171) |
| Net cash provided by (used in) non-capital financing activities | (611,270) | (300,226) | (911,496) | (204,687) |
| Cash Flows From Investing Activities | | | | |
| Investment income | 177,281 | 36,519 | 213,800 | 157,520 |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (159,717) | (13,256) | (172,973) | - |
| Advance from/to other funds | 642,858 | (125,000) | 517,858 | (206,502) |
| Payments received on lease receivable | - | 39,862 | 39,862 | - |
| Payments of financed purchase | (200,695) | (85,216) | (285,911) | - |
| Net cash provided by (used in) capital and related financing activities | 282,446 | (183,610) | 98,836 | (206,502) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (927,029) | 496,624 | (430,405) | (455,853) |
| Cash and Cash Equivalents: | | | | |
| Beginning of year | 3,647,979 | 827,578 | 4,475,557 | 5,795,656 |
| End of year | <u>\$ 2,720,950</u> | <u>\$ 1,324,202</u> | <u>\$ 4,045,152</u> | <u>\$ 5,339,803</u> |

(Continued)

CITY OF ALLENTOWN
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023
(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) | \$ (1,046,955) | \$ 799,820 | \$ (247,135) | \$ 128,196 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 409,544 | 176,532 | 586,076 | - |
| Changes in: | | | | |
| Receivables | (73,971) | (183) | (74,154) | 58,122 |
| Inventories | - | 6,140 | 6,140 | - |
| Net pension asset | 2,100,315 | 256,136 | 2,356,451 | - |
| Deferred outflows of resources for pension and OPEB | (492,703) | (73,740) | (566,443) | - |
| Accounts payable | 134,209 | (39,623) | 94,586 | (273,457) |
| Wages payable | (5,363) | 2,751 | (2,612) | 654 |
| Other liabilities | - | 1,198 | 1,198 | (131,938) |
| Compensated absences | (10,776) | 2,977 | (7,799) | 16,239 |
| Net pension liability | 1,359,581 | 189,709 | 1,549,290 | - |
| Other postemployment benefit liability | (949,504) | (114,438) | (1,063,942) | - |
| Deferred inflows of resources for pension and OPEB | (2,199,863) | (263,338) | (2,463,201) | - |
| Total adjustments | 271,469 | 144,121 | 415,590 | (330,380) |
| Net cash provided by (used in) operating activities | <u>\$ (775,486)</u> | <u>\$ 943,941</u> | <u>\$ 168,455</u> | <u>\$ (202,184)</u> |
| Schedule of Noncash Investing Capital and Financing Activities | | | | |
| Proceeds from financed purchase | <u>\$ 708,809</u> | <u>\$ 193,621</u> | <u>\$ 902,430</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, 2023

| | <u>Component Unit</u> <u>Pension</u> <u>Trust Funds</u> |
|------------------------------------|---|
| Assets | |
| <hr/> | |
| Cash and cash equivalents | \$ 16,575,782 |
| Interest receivable | 64,630 |
| Other receivables | 68,796 |
| Investments, at fair value: | |
| Equity mutual funds | 243,234,465 |
| Fixed income mutual funds | 51,978,625 |
| Real estate investment fund | 35,316,826 |
| Corporate bonds | 2,846,706 |
| U.S. government obligations | 11,534,754 |
| U.S. government agency obligations | 555,593 |
| Total investments | <u>345,466,969</u> |
| Total Assets | <u>362,176,177</u> |
| Liabilities | |
| <hr/> | |
| Accounts payable | <u>19,552</u> |
| Total Liabilities | <u>19,552</u> |
| Net Position | |
| <hr/> | |
| Restricted for pension benefits | <u>362,156,625</u> |
| Total Net Position | <u>\$ 362,156,625</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, 2023

| | <u>Component Unit Pension Trust Funds</u> |
|---|---|
| Additions: | |
| <hr/> | |
| Contributions: | |
| Employer | \$ 13,344,407 |
| Plan members | 1,969,892 |
| Total contributions | <u>15,314,299</u> |
| Investment income (loss): | |
| Net appreciation in fair value of investments | 37,748,761 |
| Interest and dividends | 8,185,252 |
| Less investment expenses | <u>(176,099)</u> |
| Net investment income (loss) | <u>45,757,914</u> |
| Total additions | <u>61,072,213</u> |
| Deductions: | |
| <hr/> | |
| Benefits paid to recipients | 24,432,495 |
| Administrative and other fees | 39,334 |
| Total deductions | <u>24,471,829</u> |
| Change in Net Position | 36,600,384 |
| Net Position: | |
| <hr/> | |
| Beginning of year | <u>325,556,241</u> |
| End of year | <u><u>\$ 362,156,625</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, 2023

| | Redevelopment Authority of the City of Allentown | Allentown Parking Authority | Total |
|---|---|-----------------------------------|--------------|
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 933,033 | \$ 613,854 | \$ 1,546,887 |
| Restricted cash | 56,588 | - | 56,588 |
| Investments | - | 1,723,648 | 1,723,648 |
| Accounts receivables | 161,167 | 378,789 | 539,956 |
| Prepaid expenses | 3,249 | 324,518 | 327,767 |
| Lease receivable, current | - | 51,512 | 51,512 |
| Total current assets | 1,154,037 | 3,092,321 | 4,246,358 |
| Noncurrent assets, net: | | | |
| Construction in progress | - | 54,846 | 54,846 |
| Land | - | 9,480,325 | 9,480,325 |
| Land and building improvements | - | 120,493 | 120,493 |
| Machinery and equipment | - | 67,234,289 | 67,234,289 |
| Vehicles | - | 347,750 | 347,750 |
| Total capital assets, net | - | 77,237,703 | 77,237,703 |
| Loans receivable | 300,661 | - | 300,661 |
| Property held for development | 859,725 | - | 859,725 |
| Net pension asset | - | 317,083 | 317,083 |
| Lease receivable, net | - | 3,786,030 | 3,786,030 |
| Total noncurrent assets | 1,160,386 | 81,340,816 | 82,501,202 |
| Total Assets | 2,314,423 | 84,433,137 | 86,747,560 |
| Deferred Outflows of Resources | | | |
| Deferred outflows of resources - pension | - | 173,847 | 173,847 |
| Deferred outflows of resources - OPEB | - | 16,810 | 16,810 |
| Deferred charge on refunding | - | 392,073 | 392,073 |
| Total Deferred Outflows of Resources | - | 582,730 | 582,730 |

| Liabilities | Redevelopment Authority of the City of Allentown | Allentown Parking Authority | Total |
|--|---|-----------------------------------|---------------------|
| Current liabilities: | | | |
| Accounts payable and other current liabilities | \$ 73,250 | \$ 706,517 | \$ 779,767 |
| Other liabilities | 55,588 | 31,399 | 86,987 |
| Unearned revenue | - | 188,549 | 188,549 |
| Line of credit | - | 5,000 | 5,000 |
| Financed purchases | - | 31,410 | 31,410 |
| Notes and bonds payable, current maturities | - | 1,397,931 | 1,397,931 |
| Total current liabilities | <u>128,838</u> | <u>2,360,806</u> | <u>2,489,644</u> |
| Noncurrent liabilities: | | | |
| Unearned revenue, net | - | 370,500 | 370,500 |
| Construction loan payable | - | 18,236,909 | 18,236,909 |
| Other postemployment benefit liability | - | 43,375 | 43,375 |
| Other long term liabilities | - | 5,000,000 | 5,000,000 |
| Financed purchases, net | - | 8,049 | 8,049 |
| Bonds payable, net | - | 26,697,751 | 26,697,751 |
| Total noncurrent liabilities | <u>-</u> | <u>50,356,584</u> | <u>50,356,584</u> |
| Total Liabilities | <u>128,838</u> | <u>52,717,390</u> | <u>52,846,228</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows of resources - leases | - | 10,280,986 | 10,280,986 |
| Total Deferred Outflows of Resources | <u>-</u> | <u>10,280,986</u> | <u>10,280,986</u> |
| Net Position | | | |
| Net investment in capital assets | - | 26,257,726 | 26,257,726 |
| Unrestricted | 2,185,585 | (4,240,235) | (2,054,650) |
| Total Net Position | <u>\$ 2,185,585</u> | <u>\$22,017,491</u> | <u>\$24,203,076</u> |

CITY OF ALLENTOWN

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2023

| | 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 | |
| Component Units: | | | | | | |
| Redevelopment Authority of the City of Allentown | \$ 774,885 | \$ 1,039,299 | \$ - | \$ 264,414 | \$ - | \$ 264,414 |
| Allentown Parking Authority | 12,929,542 | 11,404,274 | - | - | (1,525,268) | (1,525,268) |
| Total component units | <u>\$13,704,427</u> | <u>\$12,443,573</u> | <u>\$ -</u> | <u>264,414</u> | <u>(1,525,268)</u> | <u>(1,260,854)</u> |
| General revenues: | | | | | | |
| Rental Income | | | - | 264,256 | 264,256 | |
| Investment earning | | | 97 | 239,431 | 239,528 | |
| Gain (loss) on sale of asset | | | - | (477,687) | (477,687) | |
| Total general revenues | | | <u>97</u> | <u>26,000</u> | <u>26,097</u> | |
| Change in Net Position | | | 264,511 | (1,499,268) | (1,234,757) | |
| Net Position: | | | | | | |
| Beginning of year, restated | | | <u>1,921,074</u> | <u>23,516,759</u> | <u>25,437,833</u> | |
| End of year | | | <u>\$ 2,185,585</u> | <u>\$22,017,491</u> | <u>\$24,203,076</u> | |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023

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, 2023 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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023 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, 2023

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 \$27,000 at December 31, 2023. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$1.05 million at December 31, 2023. The allowance for accounts receivable presented in the Stormwater Fund was approximately \$7,900 at December 31, 2023. The allowance for doubtful accounts, presented in the Solid Waste Fund, was approximately \$15,200 at December 31, 2023.

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, 2023.

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, 2023.

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, 2023

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, 2023 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, 2023

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, 2023

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 | \$ 6,964,742 | Golf Course | \$ 37,686 |
| Capital Fund | 1,859,136 | CDBG Fund | 1,779,114 |
| Liquid Fuels Fund | 308,800 | Solid Waste Fund | 315,529 |
| Stormwater Fund | 69,547 | Internal Service Fund | 408,293 |

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 a 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 the 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, 2023

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, 2023

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, 2023

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, 2023, 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 2023 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, 2023

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, 2023 was \$4.78 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, 2023

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, 2023, 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, 2023, 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, 2023

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 \$307,342 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, 2023

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:

The following GASB Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), 96 (Subscription-Based Information Technology Arrangements), and 99 (Omnibus 2022). These statements had no significant impact on the City, Redevelopment Authority, or Parking Authority's December 31, 2023 financial statements.

Pending Changes in Accounting Principles

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures), and 103 (Financial Reporting Model Improvements). 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).

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

2. Utility System Concession Lease (Continued)

The deferred inflow of resources resulting from the Agreement, in the amount of \$174,351,096, 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 \$30,022,435 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> |
|--------------------|-----------------------|
| 2024 | \$ 5,260,465 |
| 2025 | 5,260,465 |
| 2026 | 5,260,465 |
| 2027 | 5,260,465 |
| 2028 | 5,260,465 |
| Thereafter | <u>178,071,206</u> |
| Total | <u>\$ 204,373,531</u> |

For the year ended December 31, 2023, the City recognized \$4,496,254 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 \$47,244, and \$49,134 for the years ending December 31, 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 \$41,433 in lease revenue and \$3,818 in interest revenue during the year ended December 31, 2023 related to this lease. As of December 31, 2023, the City's receivable for lease payments is \$93,093. 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, 2023, the balance of the deferred inflow of resources was \$82,966.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

3. Lease Receivable (Continued)

As of December 31, 2023, 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> |
|-------------|------------------|-----------------|------------------|
| 2024 | \$ 44,827 | \$ 2,417 | \$ 47,244 |
| 2025 | 48,266 | 874 | 49,140 |
| | <u>\$ 93,093</u> | <u>\$ 3,291</u> | <u>\$ 96,384</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 Authority's incremental borrowing rate as of January 1, 2022 of 3.25%. As of December 31, 2023, the present value of the lease receivable is \$102,250. The Parking Authority recognized lease related revenue of \$21,823 during 2023. 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, 2023, the present value of the lease receivable is \$3,735,292. 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 2023.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

3. Lease Receivable (Continued)

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, 2023, the Parking Authority had a deferred inflow of future lease payments in the amount of \$6,686,870 related to this lease for payments already made but not recognized.

As of December 31, 2023, future principal and interest payments to be received under the leases are as follows:

| Year | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 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 | 100,694 | 113,711 | 214,405 |
| 2029-2033 | 630,927 | 514,689 | 1,145,616 |
| 2034-2038 | 1,154,086 | 371,900 | 1,525,986 |
| 2039-2043 | 1,676,832 | 128,598 | 1,805,430 |
| | <u>\$ 3,837,542</u> | <u>\$ 1,610,170</u> | <u>\$ 5,447,712</u> |

4. Deposits and Investments

The carrying amounts of cash and investments at December 31, 2023 consist of the following:

| | |
|-------------|-----------------------|
| Deposits | \$ 139,603,790 |
| Investments | <u>345,466,969</u> |
| | <u>\$ 485,070,759</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

4. Deposits and Investments (Continued)

Reconciliation to Statement of Net Position

| | |
|----------------------------|-----------------------|
| Cash and cash equivalents: | |
| Governmental activities | \$ 118,982,856 |
| Business-type activities | 4,045,152 |
| Fiduciary funds | 16,575,782 |
| | <u>139,603,790</u> |
| Investments: | |
| Fiduciary funds | 345,466,969 |
| | <u>345,466,969</u> |
| | <u>\$ 485,070,759</u> |

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, 2023, the City's book balance was \$139,603,790 and the bank balance was \$141,493,979. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$158,392 was covered by National Credit Union Administration deposit insurance, \$76,412,989 was held in an external investment pool, and \$47,346,816 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 \$16,575,782 held in the fiduciary funds is invested in money market funds.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

4. Deposits and Investments (Continued)

As of December 31, 2023, the City's investments were comprised of the following:

| | |
|------------------------------------|-----------------------|
| Equity mutual funds | \$ 243,234,464 |
| Fixed Income mutual funds | 51,978,626 |
| Real estate investment fund | 35,316,826 |
| Corporate bonds | 2,846,706 |
| U.S. government obligations | 11,534,754 |
| U.S. government agency obligations | 555,593 |
| Total | <u>\$ 345,466,969</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 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, 2023, the carrying amount of the Redevelopment Authority's bank deposits was \$989,621. The corresponding bank balance at December 31, 2023 was \$989,758, of which \$250,000 is covered by federal deposit insurance. The remaining deposits are exposed to custodial risk because they are 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.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

4. Deposits and Investments (Continued)

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, 2023, \$250,000 of the Parking Authority's bank balance was insured by the FDIC and \$863,539 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, 2023

4. Deposits and Investments (Continued)

As of December 31, 2023, the City had the following investments in money market funds, and debt and equity securities:

| | 12/31/2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|------------------------------------|----------------|--|---|--|
| Money market funds | \$ 16,575,782 | \$ 16,575,782 | \$ - | \$ - |
| Investments by fair value level | | | | |
| Debt securities | | | | |
| Corporate bonds | \$ 2,846,706 | \$ - | \$ 2,846,706 | \$ - |
| U.S. government obligations | 11,534,754 | 11,534,754 | - | - |
| U.S. government agency obligations | 555,593 | 555,593 | - | - |
| Total debt securities | 14,937,053 | 12,090,347 | 2,846,706 | - |
| Equity securities | | | | |
| Equity mutual funds | 243,234,465 | 243,234,465 | - | - |
| Fixed Income mutual funds | 51,978,625 | 51,978,625 | - | - |
| Real estate investment fund | 35,316,826 | - | - | 35,316,826 |
| Total equity securities | 330,529,916 | 295,213,090 | - | 35,316,826 |
| Total investments at fair value | \$ 345,466,969 | \$ 307,303,437 | \$ 2,846,706 | \$ 35,316,826 |

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, 2023

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, 2023:

| Investment Type | Fair Value | Investment Maturities | | | Rating |
|------------------------------------|-----------------------|-----------------------|---------------------|----------------------|--------|
| | | 2024 | 2025-2029 | 2030-2034 | |
| Money Market | \$ 16,575,782 | \$ 16,575,782 | | \$ - | AAAm |
| Fixed income mutual fund | 51,978,625 | - | - | 51,978,625 | N/A |
| Corporate bonds | 1,067,731 | 450,210 | 617,521 | - | A1 |
| Corporate bonds | 321,776 | 321,776 | - | - | A2 |
| Corporate bonds | 569,528 | 525,337 | 44,191 | - | A3 |
| Corporate bonds | 528,629 | 148,028 | 380,601 | - | Aa3 |
| Corporate bonds | 39,190 | | 39,190 | - | Aaa |
| Corporate bonds | 319,852 | 319,852 | - | - | WR |
| Real estate investment fund | 35,316,826 | - | - | 35,316,826 | N/A |
| U.S. government obligations | 10,971,296 | 7,892,069 | 3,079,227 | - | Aaa |
| U.S. government obligations | 563,458 | 563,458 | - | - | WR |
| U.S. government agency obligations | 555,593 | 282,435 | 273,158 | - | Aaa |
| Total | <u>\$ 118,808,286</u> | <u>\$ 27,078,947</u> | <u>\$ 4,433,888</u> | <u>\$ 87,295,451</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, 2023

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, 2023, the City held PLGIT/PRIME shares in the amount of \$45,626,587. 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, 2023, the City held PLGIT Class shares in the amount of \$1,481. PLGIT-Class requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. At December 31, 2023, the City held PLGIT/Reserve-Class shares of \$784,921. 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, 2023, the City held PLGIT/Term shares of \$30,000,000. 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, 2023

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. 100% of the Authority's investments are in Pennsylvania School District Liquid Asset Fund (PSDLAF) Max accounts at December 31, 2023.

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 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, 2023

4. Deposits and Investments (Continued)

As of December 31, 2023, the carrying amount of external investment pool assets was \$1,723,648. The fair value of external investment pool assets approximates their carrying values as of December 31, 2023. 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, 2023:

| 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 | \$ 1,723,648 | \$ 1,723,648 | \$ - | \$ - | N/A |
| | <u>\$ 1,723,648</u> | <u>\$ 1,723,648</u> | <u>\$ -</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, 2023.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

5. Loans and Notes Receivable (Continued)

Component Units

Redevelopment Authority

Loans receivable as of December 31, 2023 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, 2023, the remaining balance of the loan is \$300,661.

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. During the year ended December 31, 2023, \$200,000 was received and deemed payment of the loan in full and the remaining \$50,000 was mutually agreed to be written off as bad debt. As of December 31, 2023, the remaining balance of the loan is \$0.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

| | January 1, 2023 | Additions/ Transfers in | Disposals/ Transfers out | December 31, 2023 |
|---|-----------------------|----------------------------|-----------------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 9,809,945 | \$ - | \$ - | \$ 9,809,945 |
| Assets under concession lease - LCA* | 92,651,611 | 8,015,256 | - | 100,666,867 |
| Construction in progress | 3,961,442 | 10,572,918 | (9,791,091) | 4,743,269 |
| Total capital assets, not being depreciated | 106,422,998 | 18,588,174 | (9,791,091) | 115,220,081 |
| Capital assets, being depreciated: | | | | |
| Right-to-use leased asset | 2,948,272 | - | - | 2,948,272 |
| Assets under concession lease - City | 11,585,335 | 1,756,092 | - | 13,341,427 |
| Buildings | 24,870,272 | 2,641,208 | - | 27,511,480 |
| Land and building improvements | 52,108,843 | 25,235 | - | 52,134,078 |
| Machinery and equipment | 41,805,714 | 3,081,933 | - | 44,887,647 |
| Vehicles | 29,751,338 | 2,136,343 | (452,598) | 31,435,083 |
| Infrastructure | 157,608,454 | 6,237,337 | - | 163,845,791 |
| Total capital assets, being depreciated | 320,678,228 | 15,878,148 | (452,598) | 336,103,778 |
| Less accumulated depreciation for: | | | | |
| Right-to-use leased asset | 845,171 | 117,931 | - | 963,102 |
| Assets under concession lease - City | 1,446,879 | 389,872 | - | 1,836,751 |
| Buildings | 21,901,649 | 303,067 | - | 22,204,716 |
| Land and building improvements | 28,316,891 | 1,931,535 | - | 30,248,426 |
| Machinery and equipment | 33,035,966 | 1,600,954 | - | 34,636,920 |
| Vehicles | 20,480,015 | 1,731,281 | (254,060) | 21,957,236 |
| Infrastructure | 61,543,332 | 3,736,726 | - | 65,280,058 |
| Total accumulated depreciation | 167,569,903 | 9,811,366 | (254,060) | 177,127,209 |
| Total capital assets, being depreciated, net | 153,108,325 | 6,066,782 | (198,538) | 158,976,569 |
| Governmental activities, capital assets, net | \$ 259,531,323 | \$ 24,654,956 | \$ (9,989,629) | \$ 274,196,650 |

* 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, 2023

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, 2023 | Additions/ Transfers in | Disposals/ Transfers out | December 31, 2023 |
|---|---------------------|----------------------------|-----------------------------|----------------------|
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,134,759 | \$ - | \$ - | \$ 1,134,759 |
| Total capital assets, not being depreciated | 1,134,759 | - | - | 1,134,759 |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,392,322 | - | - | 1,392,322 |
| Land and building improvements | 4,891,218 | - | - | 4,891,218 |
| Machinery and equipment | 6,559,993 | 799,470 | (31,003) | 7,328,460 |
| Vehicles | 4,181,056 | 275,932 | (22,898) | 4,434,090 |
| Distribution and collection systems | 37,465 | - | - | 37,465 |
| Total capital assets, being depreciated | 17,062,054 | 1,075,402 | (53,901) | 18,083,555 |
| Less accumulated depreciation for: | | | | |
| Buildings | 725,020 | 25,926 | - | 750,946 |
| Land and building improvements | 4,428,027 | 70,238 | - | 4,498,265 |
| Machinery and equipment | 4,543,456 | 320,483 | (31,003) | 4,832,936 |
| Vehicles | 3,425,641 | 169,051 | (22,898) | 3,571,794 |
| Distribution and collection systems | 11,162 | 378 | - | 11,540 |
| Total accumulated depreciation | 13,133,306 | 586,076 | (53,901) | 13,665,481 |
| Total capital assets, being depreciated, net | 3,928,748 | 489,326 | - | 4,418,074 |
| Business-type activities, capital assets, net | <u>\$ 5,063,507</u> | <u>\$ 489,326</u> | <u>\$ -</u> | <u>\$ 5,552,833</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------|---------------------|
| General government | \$ 1,491,558 |
| Public safety | 666,257 |
| Community development | 236,897 |
| Public works | 6,266,307 |
| Parks and recreation | <u>1,150,347</u> |
| Total | <u>\$ 9,811,366</u> |

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

| | |
|----------------------------|-------------------|
| Solid Waste Fund | \$ 409,544 |
| Municipal Golf Course Fund | <u>176,532</u> |
| Total | <u>\$ 586,076</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Capital Assets (Continued)

Component Units

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2023 is as follows:

| | January 1, 2023 | Additions/ Transfers in | Disposals/ Transfers out | December 31, 2023 |
|---|----------------------|----------------------------|-----------------------------|----------------------|
| <u>Parking Authority</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,253,852 | \$ 1,226,473 | \$ - | \$ 9,480,325 |
| Construction in progress | 26,648,109 | 764,108 | (27,357,371) | 54,846 |
| Total capital assets, not being depreciated | <u>34,901,961</u> | <u>1,990,581</u> | <u>(27,357,371)</u> | <u>9,535,171</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,685,751 | 8,160 | - | 1,693,911 |
| Leasehold improvements | 507,650 | - | - | 507,650 |
| Parking garages and lots | 67,431,107 | 26,081,150 | (3,521,960) | 89,990,297 |
| Furniture and equipment | 4,914,769 | 361,287 | (330,000) | 4,946,056 |
| Vehicles | 793,679 | 89,149 | (8,937) | 873,891 |
| Total capital assets, being depreciated | <u>75,332,956</u> | <u>26,539,746</u> | <u>(3,860,897)</u> | <u>98,011,805</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,507,149 | 66,269 | - | 1,573,418 |
| Leasehold improvements | 482,267 | 25,383 | - | 507,650 |
| Parking garages and lots | 26,783,100 | 1,420,233 | (3,043,254) | 25,160,079 |
| Furniture and equipment | 2,455,977 | 413,296 | (327,288) | 2,541,985 |
| Vehicles | 404,142 | 122,445 | (446) | 526,141 |
| Total accumulated depreciation | <u>31,632,635</u> | <u>2,047,626</u> | <u>(3,370,988)</u> | <u>30,309,273</u> |
| Total capital assets, being depreciated, net | <u>43,700,321</u> | <u>24,492,120</u> | <u>(489,909)</u> | <u>67,702,532</u> |
| Parking Authority activities, capital assets, net | <u>\$ 78,602,282</u> | <u>\$ 26,482,701</u> | <u>\$ (27,847,280)</u> | <u>\$ 77,237,703</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

7. Interfund Receivable and Payable Balances

A summary of the total amounts due from and due to other funds, by fund, at December 31, 2023 is as follows:

| | Due From Other Funds | Due To Other Funds |
|------------------------------------|-------------------------|-----------------------|
| Governmental funds: | | |
| General Fund | \$ 1,942,254 | \$ 9,773 |
| Capital Projects Fund | 1,302,726 | - |
| Community Development Block Grant | - | 1,827,627 |
| American Rescue Plan | 19,544 | 1,632,306 |
| Other Non-Major Governmental Funds | - | 1,320 |
| Proprietary funds: | | |
| Internal Services Fund | 206,502 | - |
| Total | \$ 3,471,026 | \$ 3,471,026 |

Interfund balances are primarily for reimbursement of expenses paid on behalf of another fund, with the exception of the amount due to/from between the CDBG and General funds in the amount of \$1,827,627 of which is a short-term loan for cash flow purposes.

8. Individual and Fund Interfund Transfers

Interfund transfers for the year ended December 31, 2023 consisted of the following:

| | Transfers In | Transfers Out |
|--------------------------------------|---------------|---------------|
| Governmental funds: | | |
| General Fund | \$ 6,660,310 | \$ 7,888,094 |
| Capital Projects Fund | 9,401,050 | - |
| Community Development Block Grant | 622,596 | - |
| American Rescue Plan | - | 13,826,217 |
| Other Non-Major Governmental Funds | 8,799,788 | 2,044,203 |
| Proprietary funds: | | |
| Solid Waste Fund | - | 1,172,237 |
| Non-Major Municipal Golf Course Fund | - | 330,822 |
| Internal Service Fund | - | 222,171 |
| Total | \$ 25,483,744 | \$ 25,483,744 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

8. Individual and Fund Interfund Transfers (Continued)

Transfers from the General Fund and Liquid Fuels (other non-major governmental fund) to the Debt Service Fund (other non-major governmental fund) were made to cover Debt Service requirements.

Transfers to the Capital Projects Fund and Trexler Fund (other non-major governmental fund) were for construction and other capital projects.

The remaining transfers were initiated to fulfill budgetary transfer requirements.

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, 2023, the lease liability was \$2,535,569. The City is required to make annual payments ranging from \$148,925 in 2024 to \$158,252 in 2026 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, 2023 is \$1,985,170, net of accumulated amortization of \$963,102.

The future principal and interest payment on the lease payable as of December 31, 2023, were as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|-------------------|---------------------|
| 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 | 105,029 | 64,495 | 169,524 |
| 2029-2033 | 673,445 | 267,438 | 940,883 |
| 2034-2038 | 972,147 | 145,327 | 1,117,474 |
| 2039-2040 | 446,668 | 13,062 | 459,730 |
| Totals | <u>\$ 2,535,569</u> | <u>\$ 775,910</u> | <u>\$ 3,311,479</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

9. Lease Payable (Continued)

The change in lease payable for the year ended December 31, 2023 is as follows:

| | Balance January 1, 2023 | Additions | Reductions | Balance December 31, 2023 | Current Portion |
|---------------|-------------------------------|-------------|------------------|---------------------------------|--------------------|
| Lease payable | <u>\$ 2,603,675</u> | <u>\$ -</u> | <u>\$ 68,106</u> | <u>\$ 2,535,569</u> | <u>\$ 73,860</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 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

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

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 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, 2023

10. Pension Plans (Continued)

The combining information as of the year ended December 31, 2023 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 | \$ 8,472,379 | \$ 6,823,442 | \$ 1,279,961 | \$ 16,575,782 |
| Interest receivable | 28,876 | 26,461 | 9,293 | 64,630 |
| Other receivables | 42,241 | 25,734 | 821 | 68,796 |
| Investments, at fair value: | | | | |
| Equity mutual funds | 148,350,549 | 91,317,762 | 3,566,154 | 243,234,465 |
| Fixed income mutual funds | 35,226,469 | 16,752,156 | - | 51,978,625 |
| Real estate investment fund | 21,687,132 | 13,629,694 | - | 35,316,826 |
| Corporate bonds | 1,431,464 | 1,042,090 | 373,152 | 2,846,706 |
| U.S. government obligations | 4,925,923 | 4,796,743 | 1,812,088 | 11,534,754 |
| U.S. government agency obligations | 253,993 | 168,470 | 133,130 | 555,593 |
| Total Assets | 220,419,026 | 134,582,552 | 7,174,599 | 362,176,177 |
| Liabilities | | | | |
| Accounts payable | 9,826 | 7,557 | 2,169 | 19,552 |
| Total Liabilities | 9,826 | 7,557 | 2,169 | 19,552 |
| Net Position | | | | |
| Restricted for pension benefits | 220,409,200 | 134,574,995 | 7,172,430 | 362,156,625 |
| Total Net Position | \$220,409,200 | \$134,574,995 | \$ 7,172,430 | \$362,156,625 |

CITY OF ALLENTOWN

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

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

| | Component Unit Pension Trust Funds | | | Total |
|---|------------------------------------|-------------------------|---|----------------------|
| | Police Pension Fund | Firemen Pension Fund | Officers and Employees Pension Fund | |
| Additions: | | | | |
| Contributions: | | | | |
| Employer | \$ 9,254,353 | \$ 3,857,404 | \$ 232,650 | \$ 13,344,407 |
| Plan members | 1,230,499 | 738,443 | 950 | 1,969,892 |
| Total contributions | <u>10,484,852</u> | <u>4,595,847</u> | <u>233,600</u> | <u>15,314,299</u> |
| Investment income(loss): | | | | |
| Net appreciation in fair value of investments | 22,928,466 | 14,115,805 | 704,490 | 37,748,761 |
| Interest and dividends | 4,989,221 | 3,045,380 | 150,651 | 8,185,252 |
| Less investment expenses | <u>(103,631)</u> | <u>(66,590)</u> | <u>(5,878)</u> | <u>(176,099)</u> |
| Net investment income | <u>27,814,056</u> | <u>17,094,595</u> | <u>849,263</u> | <u>45,757,914</u> |
| Total additions | <u>38,298,908</u> | <u>21,690,442</u> | <u>1,082,863</u> | <u>61,072,213</u> |
| Deductions: | | | | |
| Benefits paid to recipients | 14,128,583 | 8,880,691 | 1,423,221 | 24,432,495 |
| Administrative and other fees | <u>21,563</u> | <u>11,689</u> | <u>6,082</u> | <u>39,334</u> |
| Total deductions | <u>14,150,146</u> | <u>8,892,380</u> | <u>1,429,303</u> | <u>24,471,829</u> |
| Change in Net Position | 24,148,762 | 12,798,062 | (346,440) | 36,600,384 |
| Net Position: | | | | |
| Beginning of year | <u>196,260,438</u> | <u>121,776,933</u> | <u>7,518,870</u> | <u>325,556,241</u> |
| End of year | <u>\$220,409,200</u> | <u>\$134,574,995</u> | <u>\$ 7,172,430</u> | <u>\$362,156,625</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

Plan Membership

Plan memberships consisted of the following per the January 1, 2023 actuarial valuation:

| | Police | Firemen | Officers and Employees | PMRS |
|--|--------|---------|---------------------------|------|
| Active employees | 212 | 127 | 1 | 425 |
| Inactive plan members entitled to but not yet receiving benefits | 18 | 3 | - | 56 |
| Inactive plan members or beneficiaries currently receiving benefits | 309 | 191 | 86 | 506 |

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, 2023

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, 2023

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.

Effective January 1, 2023, a vested benefit was added for members with at least 12 years of service but who were not eligible for normal retirement benefits.

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
-

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

- 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 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

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

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 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, 2023, the City contributed \$9,254,353 to the Police Pension Plan, \$3,857,404 to the Firemen Pension Plan, \$232,650 to the Officers and Employees Plan, and \$4,394,990 to the PMRS Pension Plan.

During the year ended December 31, 2023, active members contributed \$1,230,499 to the Police Pension Plan, \$738,443 to the Firemen Pension Plan, \$950 to the Officers and Employees Pension Plan. For 2022, members contributed \$2,112,959 to the PMRS Plan.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023 were as follows:

Police Pension Plan

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension (Asset)/Liability |
| Balances at December 31, 2022 | \$ 248,713,876 | \$ 196,260,438 | \$ 52,453,438 |
| Changes for the year: | | | |
| Service cost | 4,509,424 | - | 4,509,424 |
| Interest | 18,014,753 | - | 18,014,753 |
| Differences between expected and actual experience | (2,353,503) | - | (2,353,503) |
| Changes of assumptions | 2,847,507 | - | 2,847,507 |
| Contributions - employer | - | 9,254,353 | (9,254,353) |
| Contributions - member | - | 1,230,499 | (1,230,499) |
| Net investment income | - | 27,814,056 | (27,814,056) |
| Benefit payments, including refunds | (14,128,583) | (14,128,583) | - |
| Administrative expense | - | (21,563) | 21,563 |
| Net changes | 8,889,598 | 24,148,762 | (15,259,164) |
| Balances at December 31, 2023 | \$ 257,603,474 | \$ 220,409,200 | \$ 37,194,274 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 85.6% |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

Firemen Pension Plan

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension (Asset)/Liability |
| Balances at December 31, 2022 | \$ 142,033,435 | \$ 121,776,933 | \$ 20,256,502 |
| Changes for the year: | | | |
| Service cost | 2,072,281 | - | 2,072,281 |
| Interest | 10,223,171 | - | 10,223,171 |
| Changes of benefits | 178,046 | - | 178,046 |
| Differences between expected and actual experience | (1,375,429) | - | (1,375,429) |
| Changes of assumptions | 1,497,249 | - | 1,497,249 |
| Contributions - employer | - | 3,857,404 | (3,857,404) |
| Contributions - member | - | 738,443 | (738,443) |
| Net investment income (loss) | - | 17,094,595 | (17,094,595) |
| Benefit payments, including refunds | (8,880,691) | (8,880,691) | - |
| Administrative expense | - | (11,689) | 11,689 |
| Net changes | 3,714,627 | 12,798,062 | (9,083,435) |
| Balances at December 31, 2023 | \$ 145,748,062 | \$ 134,574,995 | \$ 11,173,067 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 92.3% |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2022 | \$ 9,107,846 | \$ 7,518,870 | \$ 1,588,976 |
| Changes for the year: | | | |
| Interest | 542,857 | - | 542,857 |
| Differences between expected and actual experience | 162,309 | - | 162,309 |
| Changes of assumptions | 47,364 | - | 47,364 |
| Contributions - employer | - | 232,650 | (232,650) |
| Contributions - member | - | 950 | (950) |
| Net investment income (loss) | - | 849,263 | (849,263) |
| Benefit payments, including refunds | (1,423,221) | (1,423,221) | - |
| Administrative expense | - | (6,082) | 6,082 |
| Net changes | (670,691) | (346,440) | (324,251) |
| Balances at December 31, 2023 | \$ 8,437,155 | \$ 7,172,430 | \$ 1,264,725 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 85.0% |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

PMRS Pension Plan

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension (Asset)/Liability |
| Balances at December 31, 2022 (based on the measurement date of December 31, 2021) | \$ 191,227,664 | \$ 215,355,671 | \$ (24,128,007) |
| Changes for the year: | | | |
| Service cost | 4,145,958 | - | 4,145,958 |
| Interest | 9,976,244 | - | 9,976,244 |
| Differences between expected and actual experience | 4,630,040 | - | 4,630,040 |
| Contributions - employer | - | 3,648,934 | (3,648,934) |
| Contributions - member | - | 2,112,959 | (2,112,959) |
| PMRS assessment | - | 19,760 | (19,760) |
| PMRS investment income | - | 9,312,267 | (9,312,267) |
| Market value investment gain | - | (35,925,060) | 35,925,060 |
| Benefit payments, including refunds | (10,838,491) | (10,838,491) | - |
| PMRS administrative expense | - | (19,760) | 19,760 |
| Additional administrative expense | - | (492,033) | 492,033 |
| Net changes | 7,913,751 | (32,181,424) | 40,095,175 |
| Balances at December 31, 2023 (based on the measurement date of December 31, 2022) | \$ 199,141,415 | \$ 183,174,247 | \$ 15,967,168 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 92.0% |

At December 31, 2023 the net pension liability of the PMRS plan is allocated between the governmental activities and the business-type activities in the amounts of \$14,417,878 and \$1,549,290, respectively.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023 actuarial valuation, updated to December 31, 2023, using the following actuarial assumptions, applied to all periods in the measurement:

| | Police | Firemen | Officers and Employees |
|------------------------------|--|----------------------------|--|
| Valuation date | 1/1/2023 | 1/1/2023 | 1/1/2023 |
| 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 | 11 years | 12 years | 1 year |
| Asset valuation method | *Five-year smoothed fair value 80%/20% corridor around fair value | | |
| Actuarial Assumptions: | | | |
| Investment rate of return | 7.30% | 7.30% | 6.30% |
| 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% |

Changes of assumptions:

For the Police Pension Plan, the investment return assumption was decreased from 7.40% to 7.30%. For the Firemen's Pension Plan, the investment return assumption was decreased from 7.40% to 7.30%. For the Officers and Employees Pension Plan, the investment return assumption was decreased from 6.40% to 6.30%.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

The total pension liability for the PMRS pension plan was determined as part of the January 1, 2023 actuarial valuation, with liabilities rolled forward to December 31, 2022, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

| | |
|----------------------------------|--------------|
| Investment rate of return | 5.25% |
| Projected salary increases | 2.8% - 6.2%* |
| *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

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 diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. There were no amendments to the

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

investment policy of the Police, Firemen, and Officers and Employees Pension Plans during the year ended December 31, 2023. At December 31, 2023, the Police, Firemen and Officers and Employees Plan had no investments in any one organization which represented five percent of 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, 2023 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% | 5.0% |
| International equity | 14.0% | 14.0% | 11.0% | 5.1% |
| Core fixed income | 17.0% | 11.0% | 0.0% | 2.4% |
| Fixed income | 4.0% | 8.0% | 35.0% | 2.0% |
| Real estate | 10.0% | 10.0% | 0.0% | 3.8% |
| Cash | 3.0% | 5.0% | 19.0% | 1.0% |
| | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | |

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 December 31, 2023, the market value of assets returned 14.40% for the Police Plan, 14.38% for the Firemen Plan, and 12.40% for the Officers and Employees Plan.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

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 (2.5%). 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, 2022 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class."

| Asset Class | Target Allocation | Nominal Net Rate of Return | Long-Term Expected Real Rate of Return |
|---|-------------------|----------------------------|--|
| Domestic equities (large-capitalized firms) | 24.50% | 7.50% | 5.00% |
| Domestic equities (small-capitalized firms) | 8.00% | 7.20% | 5.70% |
| International developed markets equities | 14.50% | 7.60% | 5.10% |
| International emerging markets equities | 3.00% | 8.01% | 5.51% |
| Global equities | 5.00% | 7.03% | 4.53% |
| Real estate | 10.00% | 7.42% | 4.92% |
| Timber | 5.00% | 6.50% | 4.00% |
| Fixed income (core investment grade) | 24.00% | 4.60% | 2.10% |
| Fixed income (opportunistic credit) | 5.00% | 8.00% | 5.50% |
| Cash | 1.00% | 2.20% | -0.30% |
| Total Portfolio | 100.00% | 7.43% | 4.93% |

Based on the aforementioned methodology, the Board has established the System's Long-Term Expected Rate of Return at 7.43%.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2022, 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% | 4.18% | 1.68% |
| 90% | 4.87% | 2.37% |
| 85% | 5.51% | 3.01% |
| 80% | 5.86% | 3.36% |
| 75% | 6.10% | 3.60% |
| 70% | 6.45% | 3.95% |
| 60% | 6.99% | 4.49% |

Discount Rate

Police, Firemen, and Officers and Employees Pension Plans

The discount rate as of December 31, 2023 is 7.30% for the Police and Firemen's Pension Plans and 6.30% 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, 2023

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, 2022.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 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 (6.30%)</u> | <u>Current Discount Rate (7.30%)</u> | <u>1% Increase (8.30%)</u> |
|------------------------|--------------------------------|--|--------------------------------|
| Police | <u>\$ 69,890,887</u> | <u>\$ 37,194,274</u> | <u>\$ 10,292,103</u> |
| Firemen | <u>\$ 27,915,164</u> | <u>\$ 11,173,067</u> | <u>\$ (2,909,783)</u> |
| | <u>1% Decrease (5.30%)</u> | <u>Current Discount Rate (6.30%)</u> | <u>1% Increase (7.30%)</u> |
| Officers and Employees | <u>\$ 1,707,416</u> | <u>\$ 1,264,725</u> | <u>\$ 865,614</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

| | 1% Decrease (4.25%) | Current Discount Rate (5.25%) | 1% Increase (6.25%) |
|------|------------------------|----------------------------------|------------------------|
| PMRS | \$ 39,654,310 | \$ 15,967,168 | \$ (3,929,959) |

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

For the year ended December 31, 2023, the City recognized pension expense of \$14,314,221 as a whole; in the governmental activities, \$13,854,203 and \$460,018 in the business-type activities. By plan as follows: \$7,899,712 police, \$1,362,939 for fireman, \$271,998 for O&E, and \$4,779,572 for PMRS.

At December 31, 2023, 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 | \$ 1,508,306 | \$ 146,862 | \$ - | \$ 3,706,808 | \$ 5,361,976 |
| Changes in assumptions | 4,203,940 | 1,697,432 | - | 1,734,961 | 7,636,333 |
| City contributions subsequent to measurement date | - | - | - | 4,394,990 | 4,394,990 |
| Net difference between projected and earnings on pension plan investments | 7,819,063 | 4,346,021 | 365,037 | 6,918,519 | 19,448,640 |
| Total deferred outflows of resources | \$ 13,531,309 | \$ 6,190,315 | \$ 365,037 | \$ 16,755,278 | \$ 36,841,939 |
| <u>Deferred Inflows of Resources:</u> | | | | | |
| Differences between expected and actual experience | \$ 1,765,127 | \$ 1,031,572 | \$ - | \$ - | \$ 2,796,699 |
| Total deferred inflows of resources | \$ 1,765,127 | \$ 1,031,572 | \$ - | \$ - | \$ 2,796,699 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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:

| | <u>Police</u> | <u>Firemen</u> | <u>O & E</u> | <u>PMRS</u> | <u>Total</u> |
|------|----------------------|---------------------|-------------------|----------------------|----------------------|
| 2024 | \$ 4,937,896 | \$ 986,088 | \$ 115,858 | \$ (1,032,164) | \$ 5,007,678 |
| 2025 | 2,990,657 | 1,950,185 | 128,499 | 1,472,744 | 6,542,085 |
| 2026 | 6,561,324 | 3,894,258 | 203,212 | 4,734,698 | 15,393,492 |
| 2027 | (2,723,695) | (1,671,788) | (82,532) | 7,185,010 | 2,706,995 |
| | <u>\$ 11,766,182</u> | <u>\$ 5,158,743</u> | <u>\$ 365,037</u> | <u>\$ 12,360,288</u> | <u>\$ 29,650,250</u> |

At December 31, 2023, the City reported deferred outflows of resources related to pension from the following sources:

| | <u>Governmental Activities</u> | <u>Business-Type Activity</u> |
|---|------------------------------------|-----------------------------------|
| <u>Deferred Outflows of Resources:</u> | | |
| Differences between expected and actual experience | \$ 5,002,306 | \$ 359,670 |
| Changes in assumptions | 7,467,989 | 168,342 |
| City contributions subsequent to measurement date | 3,968,545 | 426,445 |
| Net difference between projected and actual earning on pension plan investments | <u>18,772,948</u> | <u>675,694</u> |
| Total deferred outflows of resources | <u>\$ 35,211,788</u> | <u>\$ 1,630,151</u> |
| <u>Deferred Inflows of Resources:</u> | | |
| Differences between expected and actual experience | <u>\$ 2,796,699</u> | <u>\$ -</u> |
| Total deferred inflows of resources | <u>\$ 2,796,699</u> | <u>\$ -</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 \$4,394,990 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:

| Year ending December 31, | Governmental Activities | Business-Type Activities |
|--------------------------|----------------------------|-----------------------------|
| 2024 | \$ 5,147,210 | \$ (139,532) |
| 2025 | 6,247,491 | 294,594 |
| 2026 | 15,046,398 | 347,094 |
| 2027 | 2,005,445 | 701,550 |
| | \$ 28,446,544 | \$ 1,203,706 |

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, 2023. 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, 2023

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, 2023, 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, 2023

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, 2023. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2023.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023 were as follows:

| | Increase (Decrease) | | |
|---|--------------------------------------|---------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balance at December 31, 2022 | \$ 2,836,678 | \$ 2,957,736 | \$ (121,058) |
| Changes for the year: | | | |
| Interest | 193,043 | - | 193,043 |
| Differences between expected and actual experience | 49,737 | - | 49,737 |
| Net investment income (loss) | - | 438,805 | (438,805) |
| Benefit payments, including refunds | (257,313) | (257,313) | - |
| Net changes | (14,533) | 181,492 | (196,025) |
| Balance at December 31, 2023 | \$ 2,822,145 | \$ 3,139,228 | \$ (317,083) |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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-2021 |
| 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 2.47%) 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, 2023

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, 2023 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------------|--|
| Domestic Equity: | | |
| Large Cap | 37.00% | 6.20% |
| Mid Cap | 3.00% | 7.25% |
| Small Cap | 5.00% | 7.25% |
| International Equity | 18.00% | 6.91% |
| Fixed Income | 33.00% | 3.51% |
| Real Estate | 0.00% | 5.01% |
| Cash | 4.00% | 0.76% |

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) | \$ (65,186) | \$ (317,083) | \$ (534,213) |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions – At December 31, 2023, 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>173,847</u> |
| | <u>\$ 173,847</u> |

For the year ended December 31, 2023, the Parking Authority recognized pension expense under the defined benefit pension plan of \$(40,613). Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|-------------------|
| 2024 | \$ 3,292 |
| 2025 | 92,343 |
| 2026 | 126,365 |
| 2027 | <u>(48,153)</u> |
| | <u>\$ 173,847</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-Term Debt

The City issues notes and bonds payable to finance the capital projects of the City, with the exception of pension funding (Series A of 2007 Note and Series 2019 Bond). Long-term debt activity of the City's governmental activities for the year ended December 31, 2023 was as follows:

| Notes and Bonds | Balance Outstanding January 1, 2023 | Additions | Reductions | Balance Outstanding December 31, 2023 |
|--|--|--------------|--------------|--|
| <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 \$3,170,000 in 2023 to \$7,040,000 in 2036. | \$ 35,796,263 | \$ 2,442,018 | \$ 3,170,000 | \$ 35,068,281 |
| 2015 General Obligation Bonds, Series A, original amount of \$15,360,000, 3.00% to 3.85% interest, payable in varying annual installments of \$475,000 in 2023 to \$870,000 in 2045. | 13,040,000 | - | 475,000 | 12,565,000 |
| 2015 General Obligations Bonds, Series B, original amount of \$11,425,000, 3.00% to 3.65% interest, payable in varying annual installments of \$660,000 in 2023 to \$545,000 in 2036. | 6,840,000 | - | 660,000 | 6,180,000 |
| 2017 General Obligation Bonds, Series of 2017, original amount of \$9,025,000, to refund GOB Series 2011A and 2012, payable in varying installments. \$175,000 in 2023. | 2,950,000 | - | 175,000 | 2,775,000 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-Term Debt (Continued)

| Notes and Bonds | Balance Outstanding January 1, 2023 | Additions | Reductions | Balance Outstanding December 31, 2023 | Current Portion |
|--|--|-----------|------------|--|--------------------|
| <u>General Obligation Notes and Bonds:</u> | | | | | |
| 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. | 5,855,000 | - | 550,000 | 5,305,000 | 570,000 |
| 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. | 10,570,000 | - | 715,000 | 9,855,000 | 740,000 |
| 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. | 14,945,000 | - | 885,000 | 14,060,000 | 925,000 |
| Subtotal Governmental Activities General Obligation Notes and Bonds | 89,996,263 | 2,442,018 | 6,630,000 | 85,808,281 | 6,780,000 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-Term Debt (Continued)

| Notes and Bonds | Balance Outstanding January 1, 2023 | Additions | Reductions | Balance Outstanding December 31, 2023 | 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, 5.61% at December 31, 2023. | 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. | 6,185,000 | - | 425,000 | 5,760,000 | 440,000 |
| Subtotal Direct Borrowings | 11,790,000 | - | 425,000 | 11,365,000 | 440,000 |
| Premium on bond and note issuance | 2,411,870 | - | 185,622 | 2,226,248 | 185,622 |
| Total | \$ 104,198,133 | \$ 2,442,018 | \$ 7,240,622 | \$ 99,399,529 | \$ 7,405,622 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 |
| 2024 | \$ 6,780,000 | \$ 1,762,348 | \$ 8,542,348 |
| 2025 | 5,969,815 | 1,909,886 | 7,879,701 |
| 2026 | 6,002,276 | 2,037,989 | 8,040,265 |
| 2027 | 5,393,700 | 2,148,729 | 7,542,429 |
| 2028 | 5,295,696 | 2,264,683 | 7,560,379 |
| 2029-2033 | 25,110,715 | 13,553,368 | 38,664,083 |
| 2034-2038 | 16,046,079 | 14,127,014 | 30,173,093 |
| 2039-2043 | 10,435,000 | 2,007,533 | 12,442,533 |
| 2044-2045 | 4,775,000 | 284,530 | 5,059,530 |
| | \$ 85,808,281 | \$ 40,096,080 | \$ 125,904,361 |

| Loans from Direct Borrowing | | | |
|-----------------------------|-----------------------|----------------------|---------------|
| Year Ending December 31, | Principal Maturity | Interest Maturity | Total |
| 2024 | \$ 440,000 | \$ 506,018 | \$ 946,018 |
| 2025 | 685,000 | 488,157 | 1,173,157 |
| 2026 | 705,000 | 460,051 | 1,165,051 |
| 2027 | 735,000 | 431,097 | 1,166,097 |
| 2028 | 760,000 | 400,912 | 1,160,912 |
| 2029-2033 | 4,190,000 | 1,511,190 | 5,701,190 |
| 2034-2038 | 1,930,000 | 723,179 | 2,653,179 |
| 2039-2043 | 1,920,000 | 200,557 | 2,120,557 |
| | \$ 11,365,000 | \$ 4,721,161 | \$ 16,086,161 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-Term Debt (Continued)

| Year Ending December 31, | Total Outstanding Debt | | |
|-----------------------------|------------------------|----------------------|----------------|
| | Principal Maturity | Interest Maturity | Total |
| 2024 | \$ 7,220,000 | \$ 2,268,365 | \$ 9,488,365 |
| 2025 | 6,654,815 | 2,398,043 | 9,052,858 |
| 2026 | 6,707,276 | 2,498,040 | 9,205,316 |
| 2027 | 6,128,700 | 2,579,826 | 8,708,526 |
| 2028 | 6,055,696 | 2,665,596 | 8,721,292 |
| 2029-2033 | 29,300,715 | 15,064,558 | 44,365,273 |
| 2034-2038 | 17,976,079 | 14,850,193 | 32,826,272 |
| 2039-2043 | 12,355,000 | 2,208,090 | 14,563,090 |
| 2044-2045 | 4,775,000 | 284,530 | 5,059,530 |
| | \$ 97,173,281 | \$ 44,817,241 | \$ 141,990,522 |

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

| | Balance January 1, 2023 | Additions | Reductions | Balance December 31, 2023 | Current Portion |
|------------------------------------|-------------------------------|--------------|--------------|---------------------------------|--------------------|
| Compensated absences: | | | | | |
| Governmental activities | \$ 6,423,560 | \$ 5,653,452 | \$ 5,165,364 | \$ 6,911,648 | \$ 6,314,933 |
| Business-type activities | 194,264 | 220,688 | 228,486 | 186,466 | 171,496 |
| Total accrued compensated absences | \$ 6,617,824 | \$ 5,874,140 | \$ 5,393,850 | \$ 7,098,114 | \$ 6,486,429 |
| Financed purchases: | | | | | |
| Governmental activities | \$ 2,260,412 | \$ 1,997,848 | \$ 740,212 | \$ 3,518,048 | \$ 998,618 |
| Business-type activities | 272,799 | 902,430 | 285,911 | 889,318 | 278,312 |
| Total capital assets | \$ 2,533,211 | \$ 2,900,278 | \$ 1,026,123 | \$ 4,407,366 | \$ 1,276,930 |

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, 2023

11. Long-Term Debt (Continued)

The capital assets acquired through financed purchases are as follows:

| | Governmental Activities | Business-Type Activities |
|-----------------------------------|----------------------------|-----------------------------|
| Machinery, equipment and vehicles | \$ 6,216,459 | \$ 1,315,648 |
| Less accumulated depreciation | 1,043,673 | 203,027 |
| | \$ 5,172,786 | \$ 1,112,621 |

Debt service requirements for financed purchases are as follows:

| Year Ending | Governmental Activities | Business-Type Activities | Total |
|---------------|----------------------------|-----------------------------|--------------|
| 2024 | \$ 1,083,256 | \$ 301,099 | \$ 1,384,355 |
| 2025 | 972,518 | 250,310 | 1,222,828 |
| 2026 | 851,578 | 216,620 | 1,068,198 |
| 2027 | 444,667 | 195,091 | 639,758 |
| 2028 | 444,667 | - | 444,667 |
| | 3,796,686 | 963,120 | 4,759,806 |
| Less interest | 278,638 | 73,802 | 352,440 |
| Total | \$ 3,518,048 | \$ 889,318 | \$ 4,407,366 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-Term Debt (Continued)

Component Units

Parking Authority

Long-term debt activity of the Parking Authority for the year ended December 31, 2023 consisted of the following:

| | Balance January 1, 2023 | Additions | Reductions | Balance December 31, 2023 | Current Portion |
|---|-------------------------------|-------------------|---------------------|---------------------------------|---------------------|
| Bonds: | | | | | |
| Tax exempt parking revenue bond - 2018A | \$ 23,628,020 | \$ - | \$ 928,724 | \$ 22,699,296 | \$ 961,959 |
| Taxabel parking revenue bond - 2018B | 5,814,140 | - | 417,754 | 5,396,386 | 435,972 |
| | 29,442,160 | - | 1,346,478 | 28,095,682 | 1,397,931 |
| Construction Loan | 17,736,849 | 872,241 | 372,181 | 18,236,909 | - |
| Line of credit | 5,000 | - | - | 5,000 | 5,000 |
| Financed purchases | 71,434 | - | 31,975 | 39,459 | 31,410 |
| Capital contribution payable | 5,000,000 | - | - | 5,000,000 | - |
| OPEB liability | 142,417 | - | 99,042 | 43,375 | - |
| | <u>\$ 52,397,860</u> | <u>\$ 872,241</u> | <u>\$ 1,849,676</u> | <u>\$ 51,420,425</u> | <u>\$ 1,434,341</u> |

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

| Year Ending December 31, | Principal Maturity | Interest Maturity | Total |
|-----------------------------|-----------------------|----------------------|----------------------|
| 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 | 1,540,886 | 1,167,114 | 2,708,000 |
| 2029-2033 | 9,039,994 | 4,486,071 | 13,526,065 |
| 2034-2038 | 7,821,264 | 2,228,736 | 10,050,000 |
| 2039-2040 | 4,098,344 | 371,657 | 4,470,001 |
| | <u>\$ 28,095,682</u> | <u>\$ 13,188,884</u> | <u>\$ 41,284,566</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-Term Debt (Continued)

The Parking Authority bonds are subject to certain financial covenants. As of December 31, 2023, 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, 2023, the Parking Authority had drawn down the full amount of the construction loan. 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, 2023

11. Long-Term Debt (Continued)

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

The balance of the construction loan outstanding as of December 31, 2023 was \$18,236,909.

On January 29, 2024, the Parking Authority refinanced the construction loan above with permanent financing construction loan notes. The Notes were broken out between a tax exempt Note in the amount of \$6,736,714 and a taxable Note in the amount of \$11,500,195. The tax-exempt note has a fixed rate of 5.93% and matures on January 29, 2034. The taxable note is has a fixed rate of 7.50% and matures on January 29, 2034. Principal and interest are paid quarterly for each Note.

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, 2023 in the amount of \$5,000.

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, 2023.

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|------------------|
| 2024 | \$ 31,410 | \$ 1,108 | \$ 32,518 |
| 2025 | 8,049 | 80 | 8,129 |
| | <u>\$ 39,459</u> | <u>\$ 1,188</u> | <u>\$ 40,647</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-Term Debt (Continued)

The leased capital assets under the financed purchases are included in capital assets at December 31, 2023 as follows:

| | | |
|-------------------------------|----|------------------|
| Equipment | \$ | 353,791 |
| Parking garage and lots | | 173,327 |
| Vehicles | | 52,633 |
| Less accumulated depreciation | | <u>(482,977)</u> |
| | \$ | <u>96,774</u> |

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, 2023

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 | \$ - | \$ 5,368,807 | \$ - | \$ - | \$ - | \$ 5,368,807 |
| Public works | 1,703,854 | - | - | - | 8,438,458 | 10,142,312 |
| Community development | - | - | 5,584,647 | - | 1,375,758 | 6,960,405 |
| Parks and recreation | - | - | - | - | 1,429,585 | 1,429,585 |
| | <u>\$ 1,703,854</u> | <u>\$ 5,368,807</u> | <u>\$ 5,584,647</u> | <u>\$ -</u> | <u>\$ 11,243,801</u> | <u>\$ 23,901,109</u> |
| Assigned for: | | | | | | |
| General government | \$ 2,438,097 | \$ - | \$ - | \$ 2,183,420 | \$ - | \$ 4,621,517 |
| Public works | 1,130,088 | - | - | - | - | 1,130,088 |
| Community development | 1,019,442 | - | - | - | - | 1,019,442 |
| Public safety | 2,157,463 | - | - | - | - | 2,157,463 |
| Parks and recreation | 144,135 | - | - | - | - | 144,135 |
| | <u>\$ 6,889,225</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,183,420</u> | <u>\$ -</u> | <u>\$ 9,072,645</u> |

The \$1,703,854 reported as restricted fund balance for public works under the General Fund represents the amount the City is required to reimburse the Liquid Fuels fund in three annual installments of \$567,951 during the years 2024-2026 as a result of the most recent Commonwealth of Pennsylvania Department of the Auditor General’s Liquid Fuels Tax Fund audit report.

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.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

13. Risk Management, Accrued Claims Liability (Continued)

Changes in the accrued claims liability are as follows:

| | |
|---|------------------|
| Accrued claims liability, January 1 | \$ 439,280 |
| Incurred claims, including estimated claims incurred but not reported as of December 31: | |
| Provision for current year events | 566,330 |
| Payments | <u>(698,268)</u> |
| Accrued claims liability, December 31 | 307,342 |
| Current portion | <u>307,342</u> |
| Long-term portion | <u>\$ -</u> |

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.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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.

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, 2023, the City contributed \$5,191,290.

Plan Membership

At December 31, 2023, 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, 2023

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, 2023, as measured at December 31, 2022 were as follows:

| | Increases (Decreases) | | |
|--|-----------------------------|------------------------------------|-----------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a-b) |
| Balances at December 31, 2021 | \$ 109,410,277 | \$ - | \$ 109,410,277 |
| Changes for the year: | | | |
| Service cost | 5,571,228 | - | 5,571,228 |
| Interest on total OPEB liability | 2,257,745 | - | 2,257,745 |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | (14,355,682) | - | (14,355,682) |
| Contributions - employer | - | 5,191,290 | (5,191,290) |
| Benefit payments, including employee refunds | (5,191,290) | (5,191,290) | - |
| Net changes | (11,717,999) | - | (11,717,999) |
| Balances at December 31, 2022 | \$ 97,692,278 | \$ - | \$ 97,692,278 |

The total OPEB liability is allocated between governmental activities and business-type activities in the amounts of \$92,673,439 and \$5,018,839, respectively.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

14. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, 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: 3.72% per annum for the valuation measured as of December 31, 2022
2.06% for the valuation measured as of December 31, 2021

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 62 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, 2023

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

The discount rate as of December 31, 2022 is 3.72%, up from 2.06% as of December 31, 2021, which decreased the liability approximately \$14.4 million as of the end of the year.

The discount rate will decrease to about 3.26% as of the December 31, 2023 measurement date based on the 20-year Bond Buyer Index rate. This decrease in the discount rate will increase the OPEB liability.

Discount Rate

The discount rate used to measure the plan's total OPEB liability as of December 31, 2022 was 3.72%. The discount rate is based on the 20-year bond buyer index rate as of December 31, 2022. This is an increase from the December 31, 2021 rate of 2.06%. 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, 2023

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 (2.72%) | Current Discount Rate (3.72%) | 1% Increase (4.72%) |
|----------------------|------------------------|----------------------------------|------------------------|
| Total OPEB Liability | \$ 106,043,041 | \$ 97,692,278 | \$ 90,166,312 |

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 | \$ 87,799,484 | \$ 97,692,278 | \$ 109,197,265 |

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

For the year ended December 31, 2023, the City recognized OPEB expense of (\$3,903,282) in the governmental activities and \$221,418 in the business-type activities.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

14. Other Postemployment Benefits (OPEB) (Continued)

At December 31, 2023, 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 | Total Primary Government |
|---|----------------------------|-----------------------------|-----------------------------|
| Changes of assumptions | \$ 8,159,374 | \$ 441,880 | \$ 8,601,254 |
| Contributions subsequent to the measurement date | 3,807,568 | 206,203 | 4,013,771 |
| | <u>\$ 11,966,942</u> | <u>\$ 648,083</u> | <u>\$ 12,615,025</u> |

Deferred Inflows of Resources

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|----------------------------|-----------------------------|-----------------------------|
| Differences between expected and actual experience | \$ 2,582,108 | \$ 139,837 | \$ 2,721,945 |
| Changes of assumptions | 12,451,332 | 674,316 | 13,125,648 |
| | <u>\$ 15,033,440</u> | <u>\$ 814,153</u> | <u>\$ 15,847,593</u> |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 \$4,013,771 will be recorded as a decrease to the total OPEB liability during the year ended December 31, 2024. 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 | Total Primary Government |
|--------------------------|----------------------------|-----------------------------|-----------------------------|
| Year ending December 31, | | | |
| 2024 | \$ (1,282,566) | \$ (69,459) | \$ (1,352,025) |
| 2025 | (503,954) | (27,292) | (531,246) |
| 2026 | (503,957) | (27,292) | (531,249) |
| 2027 | (441,434) | (23,906) | (465,340) |
| 2028 | (2,196,705) | (118,965) | (2,315,670) |
| Thereafter | (1,945,450) | (105,359) | (2,050,809) |
| | \$ (6,874,066) | \$ (372,273) | \$ (7,246,339) |

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, 2023

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, 2023 there were no fully eligible active employees, no other active employees not fully eligible, and 5 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, 2023. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2023.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023.

| | Increase (Decrease) | | |
|---|-----------------------------|------------------------------------|-----------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a-b) |
| Balances at December 31, 2022 | \$ 566,003 | \$ 423,586 | \$ 142,417 |
| Interest | 28,787 | - | 28,787 |
| Differences between expected and actual experience | 6,622 | - | 6,622 |
| Changes in assumptions | 19,503 | - | 19,503 |
| Contributions - employer | - | 99,773 | (99,773) |
| Net investment income | - | 54,621 | (54,621) |
| Benefit payments (3) | (99,773) | (99,773) | |
| Administrative expenses | - | (440) | 440 |
| Net changes | (44,861) | 54,181 | (99,042) |
| Balances at December 31, 2023 | \$ 521,142 | \$ 477,767 | \$ 43,375 |

(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, 2023

14. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions

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

Actuarial Assumptions

| | |
|----------------------------|---|
| Valuation Date: | January 1, 2023 |
| Actuarial cost method: | Entry Age, Normal |
| Discount rate: | 5.50% |
| Salary increases: | 5% compounded annually |
| Inflation | 2.47% |
| Healthcare cost trends: | Medical - initial rate of 7.5% in fiscal year 2023 reduced by .25% per year thereafter to an ultimate level of 5% per year Dental - 18.8% in 2023 and 2% per year thereafter |
| Pre-retirement mortality: | None |
| Post-retirement mortality: | Pub-2010 General Amount Weighted Mortality Tables for Healthy Retirees projected to 5 years pst the valuation date using Scale MP-2021 |
| 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 2.47%) 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, 2023

14. Other Postemployment Benefits (OPEB) (Continued)

major asset class included in the OPEB plan's target asset allocation as of December 31, 2023 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------------|---|
| Core Bonds | 43.60% | 2.41% |
| Non-U.S. Bonds | 4.70% | 1.24% |
| U.S. Large Cap Equity | 36.30% | 5.72% |
| U.S. Small Cap Equity | 0.00% | 0.00% |
| Non-U.S. Equity | 11.10% | 6.58% |
| Cash & Cash Equivalents | 4.40% | 0.92% |

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:

| | <u>1% Decrease (4.50%)</u> | <u>Current Discount Rate (5.50%)</u> | <u>1% Increase (6.50%)</u> |
|--------------------|--------------------------------|--|--------------------------------|
| Net OPEB Liability | <u>\$ 56,508</u> | <u>\$ 43,375</u> | <u>\$ 30,806</u> |

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, 2023

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 |
|--------------------|-------------|------------------------|-------------|
| Net OPEB Liability | \$ 28,501 | \$ 43,375 | \$ 58,668 |

OPEB Expense and Deferred Outflows Resources

As of December 31, 2023, 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 | \$ 16,810 |
| | \$ 16,810 |

For the year ended December 31, 2023, the Parking Authority recognized OPEB benefit of \$6,784.

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

| Year ending | Total |
|-------------|-----------|
| 2024 | \$ 3,591 |
| 2025 | 7,661 |
| 2026 | 11,826 |
| 2027 | (6,268) |
| Total | \$ 16,810 |

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 \$206,371 to the plans for the year ended December 31, 2023.

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, 2023 of approximately \$3 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, 2023, 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, 2023

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, 2023

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, 2023, the principal amount outstanding under the mortgage is \$2,793,043. 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, 2023 is \$712,000.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

18. Restatement

Redevelopment Authority

During the year ended December 31, 2023, the Redevelopment Authority restated beginning net position due to several errors identified in cash, due from other governments, and accounts payable December 31, 2022 balances due to improper reconciliation procedures. Net position was restated as follows:

| | |
|---|----------------------------|
| Net position, as previously reported on December 31, 2022 | \$ 1,732,889 |
| Duplicate deposits recorded in error during year ended December 31, 2022 | (215,054) |
| Duplicate HADC draws recorded during the year ended December 31, 2022 | 140,111 |
| Overstatement of December 31, 2022 accounts payable balance for old amounts not properly removed when subsequent payment was made during 2021 and prior | 361,655 |
| Overstatement of December 31, 2022 due from other governments | (240,955) |
| Understatement of December 31, 2022 cash balance for old reconciled reconciling differences | <u>142,428</u> |
| Net position, as restated January 1, 2023 | <u><u>\$ 1,921,074</u></u> |

Had the Redevelopment Authority properly reported December 31, 2022 cash and accounts payable balances, the change in net position would have been (\$467,615) instead of the (\$151,717) previously reported for the year ended December 31, 2022.

CITY OF ALLENTOWN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

19. Subsequent Events

In May 2024 and with an effective date of December 21, 2023, the City and Redevelopment Authority entered into an Intergovernmental Redevelopment Agreement for the City to provide staffing and administrative assistance services to the Redevelopment Authority. The Redevelopment Authority will reimburse the City for administrative assistance services based upon the hourly rates and associated benefit and indirect costs for the employee time, not to exceed \$100,000 per calendar year. Such reimbursements are expected to be covered under Community Development Block Grants available to the Redevelopment Authority by the City.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-------------------------------------|---------------------|-------------------|--------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Real Estate: | | | | |
| Real estate - current | \$ 37,870,000 | \$ 37,870,000 | \$ 38,289,614 | \$ 419,614 |
| Real estate - prior | 1,225,000 | 1,225,000 | 1,185,395 | (39,605) |
| Total Real Estate Taxes | <u>39,095,000</u> | <u>39,095,000</u> | <u>39,475,009</u> | <u>380,009</u> |
| Act 511 Taxes: | | | | |
| Earned income | 39,806,405 | 39,806,405 | 40,907,722 | 1,101,317 |
| Earned Income Tax - ACT 205 | 4,386,824 | 4,386,824 | 4,399,000 | 12,176 |
| Deed transfer | 2,500,000 | 2,500,000 | 2,330,450 | (169,550) |
| Local services | 1,847,000 | 1,847,000 | 1,938,043 | 91,043 |
| Per Capita Tax | - | - | 15,445 | 15,445 |
| Business privilege | 9,040,000 | 9,040,000 | 12,437,470 | 3,397,470 |
| Total Act 511 Taxes | <u>57,580,229</u> | <u>57,580,229</u> | <u>62,028,130</u> | <u>4,447,901</u> |
| Total Taxes | <u>96,675,229</u> | <u>96,675,229</u> | <u>101,503,139</u> | <u>4,827,910</u> |
| Licenses and Permits: | | | | |
| Business licenses | 438,000 | 438,000 | 342,201 | (95,799) |
| Liquor licenses | - | - | 53,100 | 53,100 |
| Building permits and licenses | 1,800,000 | 1,800,000 | 1,637,353 | (162,647) |
| Plumbing permits and licenses | 135,000 | 135,000 | 188,854 | 53,854 |
| Electrical permits and licenses | 270,000 | 270,000 | 491,998 | 221,998 |
| Sheet metal technician license | 25,000 | 25,000 | 27,180 | 2,180 |
| Billboard and sign permits/licenses | 5,000 | 5,000 | 8,616 | 3,616 |
| Zoning permits and fees | 280,000 | 280,000 | 227,347 | (52,653) |
| Health bureau permits and licenses | 260,000 | 260,000 | 242,880 | (17,120) |
| Fire department inspection fees | 105,000 | 105,000 | 110,507 | 5,507 |
| Other permits and licenses | 50,000 | 50,000 | 396,702 | 346,702 |
| CATV franchise fees | 1,200,000 | 1,200,000 | 931,365 | (268,635) |
| Presales inspection program | 220,000 | 220,000 | 218,585 | (1,415) |
| Vacant Property Registration | 75,000 | 75,000 | 33,820 | (41,180) |
| Rental inspection program | 2,366,750 | 2,366,750 | 2,287,937 | (78,813) |
| Shade tree permits/fees | - | - | 380 | 380 |
| Total Licenses and Permits | <u>7,229,750</u> | <u>7,229,750</u> | <u>7,198,825</u> | <u>(30,925)</u> |
| Fines and Forfeits: | | | | |
| District court | 200,000 | 200,000 | 98,110 | (101,890) |
| Fines and restitutions | 100,000 | 100,000 | 111,087 | 11,087 |
| Parking Authority transfer | - | - | 1,433 | 1,433 |
| Total Fines and Forfeits | <u>300,000</u> | <u>300,000</u> | <u>210,630</u> | <u>(89,370)</u> |

(Continued)

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

YEAR ENDED DECEMBER 31, 2023
(Continued)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--------------------------------------|---------------------|-------------------|-------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues (Continued): | | | | |
| Intergovernmental Revenue: | | | | |
| 3rd party reimbursements | 40,500 | 40,500 | 17,348 | (23,152) |
| Health grants | 2,484,925 | 2,484,925 | 2,425,725 | (59,200) |
| Health COVID grants | 3,195,000 | 3,275,000 | 751,582 | (2,523,418) |
| Police/fire training | 380,000 | 380,000 | 376,300 | (3,700) |
| Police grants/reimbursements | 795,000 | 2,897,552 | 802,726 | (2,094,826) |
| Other grants/miscellaneous | 1,628,571 | 1,967,147 | 2,237,098 | 269,951 |
| State aid for pension | 5,291,216 | 5,291,216 | 5,812,736 | 521,520 |
| Casino fee | 4,700,000 | 4,700,000 | 4,272,516 | (427,484) |
| Workforce development Grant | - | - | 112,524 | 112,524 |
| Total Intergovernmental Revenue | <u>18,515,212</u> | <u>21,036,340</u> | <u>16,808,555</u> | <u>(4,227,785)</u> |
| Charges for Services: | | | | |
| Departmental Earnings: | | | | |
| Tax and municipal certifications | 165,000 | 165,000 | 105,435 | (59,565) |
| Printing and copier fees | 75,000 | 75,000 | 83,310 | 8,310 |
| Street excavation/restoration | 118,000 | 118,000 | 73,379 | (44,621) |
| Warrants of survey | 40,000 | 40,000 | 4,088 | (35,912) |
| Vehicle towing agreement | 289,200 | 289,200 | 293,600 | 4,400 |
| Health bureau services | 102,270 | 102,270 | 104,739 | 2,469 |
| EMS transit fees | 5,226,000 | 5,226,000 | 5,544,741 | 318,741 |
| Credit Card Fees | 5,000 | 5,000 | 5,673 | 673 |
| Other charges for service | 40,000 | 40,000 | 94,481 | 54,481 |
| Police extra duty jobs | 400,000 | 400,000 | 207,116 | (192,884) |
| Total Departmental Earnings | <u>6,460,470</u> | <u>6,460,470</u> | <u>6,516,562</u> | <u>56,092</u> |
| Municipal Recreation: | | | | |
| Swimming pool fees | 224,000 | 224,000 | 271,809 | 47,809 |
| Recreation fees | 89,600 | 89,600 | 102,324 | 12,724 |
| Total Municipal Recreation | <u>313,600</u> | <u>313,600</u> | <u>374,133</u> | <u>60,533</u> |
| General Fund Service Charges: | | | | |
| Other services charges | 2,659,778 | 2,659,778 | 2,659,778 | - |
| Total General Fund Service Charges | <u>2,659,778</u> | <u>2,659,778</u> | <u>2,659,778</u> | <u>-</u> |
| Total Charges for Services | <u>9,433,848</u> | <u>9,433,848</u> | <u>9,550,473</u> | <u>116,625</u> |
| Investment Income | <u>711,000</u> | <u>711,000</u> | <u>2,564,498</u> | <u>1,853,498</u> |

(Continued)

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2023
(Continued)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|--------------------|--------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues (Continued): | | | | |
| Other Income: | | | | |
| Water and Sewer Prior | 35,000 | 35,000 | 24,265 | (10,735) |
| Pennsylvania Utility Realty tax | 97,000 | 97,000 | 81,039 | (15,961) |
| PILOT | 100,000 | 100,000 | 430,647 | 330,647 |
| Rental of City property | 136,800 | 136,800 | 109,412 | (27,388) |
| Marketing/advertising | 220,000 | 220,000 | 202,913 | (17,087) |
| Contributions | 125,000 | 125,000 | - | (125,000) |
| Project Lifesaver | - | - | - | - |
| ANIZDA | 262,948 | 262,948 | 239,057 | (23,891) |
| Sale of property | - | - | 130,905 | 130,905 |
| Health Violation Tickets | 14,000 | 14,000 | 10,920 | (3,080) |
| Miscellaneous | 768,500 | 768,500 | 476,170 | (292,330) |
| Muni claim recovery | 264,000 | 264,000 | 264,076 | 76 |
| Portnoff fees collected | - | - | - | - |
| Fire Dept. miscellaneous | 25,000 | 25,000 | 12,385 | (12,615) |
| Damage to City property | - | - | 54 | 54 |
| Lights in Parkway | 355,000 | 355,000 | 310,681 | (44,319) |
| Recreation/DCED/special events | 20,000 | 20,000 | 32,627 | 12,627 |
| Wellness Program | 10,000 | 10,000 | - | (10,000) |
| OPIOD Settlement | - | 104,098 | - | (104,098) |
| NS Escrow - 3rd Party Reimb | - | 20,000 | - | (20,000) |
| Water/Sewer Lease - Annual Sec.3.23 | 980,651 | 980,651 | 1,055,180 | 74,529 |
| Total Other Income | <u>3,413,899</u> | <u>3,537,997</u> | <u>3,380,331</u> | <u>(157,666)</u> |
| Total Revenues | <u>136,278,938</u> | <u>138,924,164</u> | <u>141,216,451</u> | <u>2,292,287</u> |
| Expenditures: | | | | |
| General Government: | | | | |
| City Council | 821,001 | 848,075 | 476,906 | 371,169 |
| Office of the Mayor | 1,271,398 | 1,470,172 | 1,159,330 | 310,842 |
| City Controller | 264,180 | 264,180 | 248,209 | 15,971 |
| Law | 1,431,474 | 1,431,658 | 1,108,118 | 323,540 |
| General and civic | - | 1,749 | 1,749 | - |
| Total Nondepartmental | <u>3,788,053</u> | <u>4,015,834</u> | <u>2,994,312</u> | <u>1,021,522</u> |
| Department of Finance | <u>4,977,850</u> | <u>4,998,393</u> | <u>4,477,156</u> | <u>521,237</u> |
| Total Department of Finance | <u>4,977,850</u> | <u>4,998,393</u> | <u>4,477,156</u> | <u>521,237</u> |
| Human Resources | <u>1,640,825</u> | <u>1,653,838</u> | <u>1,362,468</u> | <u>291,370</u> |
| Total Human Resources | <u>1,640,825</u> | <u>1,653,838</u> | <u>1,362,468</u> | <u>291,370</u> |
| Management Systems | | | | |
| Management Director and Information Services | <u>4,750,949</u> | <u>4,769,529</u> | <u>4,239,239</u> | <u>530,290</u> |
| Total Management Systems | <u>4,750,949</u> | <u>4,769,529</u> | <u>4,239,239</u> | <u>530,290</u> |
| Total General Government | <u>15,157,677</u> | <u>15,437,594</u> | <u>13,073,175</u> | <u>2,364,419</u> |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2023
(Continued)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|--------------------|--------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Expenditures (Continued): | | | | |
| Public Safety: | | | | |
| Department of Public Safety: | | | | |
| Police | 46,002,954 | 48,248,465 | 44,504,639 | 3,743,826 |
| Fire | 29,430,722 | 29,861,268 | 28,688,414 | 1,172,854 |
| Total Public Safety | <u>75,433,676</u> | <u>78,109,733</u> | <u>73,193,053</u> | <u>4,916,680</u> |
| Public Works: | | | | |
| Department of Public Works: | | | | |
| Director's office | 493,314 | 523,711 | 430,644 | 93,067 |
| Engineering | 1,442,646 | 1,442,499 | 1,238,023 | 204,476 |
| Building maintenance | 3,454,991 | 4,091,662 | 3,318,866 | 772,796 |
| Fleet maintenance operation | 5,117,780 | 5,144,489 | 4,239,290 | 905,199 |
| Streets | 1,089,178 | 1,089,178 | 823,725 | 265,453 |
| Traffic planning and control | 1,623,228 | 1,519,299 | 1,191,532 | 327,767 |
| Communications - Technical Service | - | 100,000 | 95,632 | 4,368 |
| Street lighting | 637,250 | 604,610 | 471,465 | 133,145 |
| Total Public Works | <u>13,858,387</u> | <u>14,515,448</u> | <u>11,809,177</u> | <u>2,706,271</u> |
| Health and Sanitation: | | | | |
| Department of Community Development | | | | |
| Health: | 6,788,015 | 7,154,004 | 5,258,078 | 1,895,926 |
| Total Health and Sanitation | <u>6,788,015</u> | <u>7,154,004</u> | <u>5,258,078</u> | <u>1,895,926</u> |
| Parks and Recreation: | | | | |
| Department of Parks and Recreation: | | | | |
| Park maintenance | 4,246,883 | 5,146,120 | 4,608,634 | 537,486 |
| Recreation | 1,001,716 | 1,055,545 | 976,337 | 79,208 |
| Swimming pool operation | 463,107 | 477,917 | 463,224 | 14,693 |
| Total Parks and Recreation | <u>5,711,706</u> | <u>6,679,582</u> | <u>6,048,196</u> | <u>631,386</u> |
| Community Development and Planning: | | | | |
| Department of Community Development: | | | | |
| Director's office | 4,172,068 | 4,476,049 | 2,837,993 | 1,638,056 |
| Planning and zoning | 1,727,763 | 1,911,252 | 1,357,148 | 554,104 |
| Building standards and safety | 5,390,988 | 5,653,807 | 4,328,510 | 1,325,297 |
| Total Community Development and Planning | <u>11,290,819</u> | <u>12,041,108</u> | <u>8,523,651</u> | <u>3,517,457</u> |
| Capital Outlays | <u>4,347,040</u> | <u>4,347,040</u> | <u>2,378,937</u> | <u>1,968,103</u> |
| Total Capital Outlays | <u>4,347,040</u> | <u>4,347,040</u> | <u>2,378,937</u> | <u>1,968,103</u> |
| Total Expenditures | <u>132,587,320</u> | <u>138,284,509</u> | <u>120,284,267</u> | <u>18,000,242</u> |

(Continued)

CITY OF ALLENTOWN
BUDGETARY COMPARISON SCHEDULE -
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2023
(Continued)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-----------------------|-----------------------|----------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>3,691,618</u> | <u>639,655</u> | <u>20,932,184</u> | <u>20,292,529</u> |
| Other Financing Sources/(Uses): | | | | |
| Transfers in: | | | | |
| ARPA | 5,500,000 | 5,500,000 | 5,799,342 | 299,342 |
| Golf | 125,000 | 125,000 | 125,000 | - |
| Transfers out: | | | | |
| Debt Service Fund | (8,625,212) | (8,625,212) | (8,625,212) | - |
| Risk Fund | (2,878,909) | (2,878,909) | (2,878,909) | - |
| Solid Waste Fund | (642,858) | (642,858) | (642,858) | - |
| Total other financing sources (uses) | <u>(6,521,979)</u> | <u>(6,521,979)</u> | <u>(6,222,637)</u> | <u>299,342</u> |
| Net Change in Fund Balance | <u>\$ (2,830,361)</u> | <u>\$ (5,882,324)</u> | <u>14,709,547</u> | <u>\$ 20,591,871</u> |
| Net effect of agency fund, other income and expenditure accruals | | | <u>315,180</u> | |
| Net Change in Fund Balance | | | 15,024,727 | |
| Fund Balance: | | | | |
| Beginning of year | | | <u>45,313,068</u> | |
| End of year | | | <u>\$ 60,337,795</u> | |

(Concluded)

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - AMERICAN RESCUE PLAN FUND

YEAR ENDED DECEMBER 31, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------------------|-------------------------|----------------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| ARPA Grant | \$ - | \$14,579,046 | \$ 16,475,162 | \$ 1,896,116 |
| Investment earnings | - | 1,780,357 | 1,780,357 | - |
| Interest Income | 473,000 | 242,353 | 242,353 | - |
| Total revenues | <u>473,000</u> | <u>16,601,756</u> | <u>18,497,872</u> | <u>1,896,116</u> |
| Expenditures: | | | | |
| Bureau of EMHS | - | 374,702 | 374,702 | - |
| Departmental | 576,353 | 840,806 | 840,806 | - |
| Nondepartmental | 2,619,242 | 1,159,854 | 1,159,854 | - |
| Total expenditures | <u>3,195,595</u> | <u>2,375,362</u> | <u>2,375,362</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(2,722,595)</u> | <u>14,226,394</u> | <u>16,122,510</u> | <u>1,896,116</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (5,500,000) | (14,169,757) | (14,169,757) | - |
| Total other financing sources (uses) | <u>(5,500,000)</u> | <u>(14,169,757)</u> | <u>(14,169,757)</u> | <u>-</u> |
| Net Change in Fund Balance | <u><u>\$ (8,222,595)</u></u> | <u><u>\$ 56,637</u></u> | <u><u>1,952,753</u></u> | <u><u>\$ 1,896,116</u></u> |
| Net effect of agency fund, other income and expenditure accruals | | | <u>69,957</u> | |
| Net Change in Fund Balance | | | 2,022,710 | |
| Fund Balance: | | | | |
| Beginning of year | | | <u>160,710</u> | |
| End of year | | | <u><u>\$ 2,183,420</u></u> | |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|---------------------|------------------|-------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| Intergovernmental revenues: | | | | |
| CDBG Grant revenue | \$ - | \$ - | \$ 6,566,899 | \$ 6,566,899 |
| Program revenue | - | - | 180,602 | 180,602 |
| Rental/Rehab loan repayments | - | - | 5,976 | 5,976 |
| State Aid | - | - | 41,378 | 41,378 |
| Program income/home | - | - | 1,756,096 | 1,756,096 |
| Total intergovernmental revenues | - | - | 8,550,951 | 8,550,952 |
| Other income: | | | | |
| Interest | - | - | 5,223 | 5,223 |
| Total other income | - | - | 5,223 | 5,223 |
| Total revenues | - | - | 8,556,173 | 8,556,174 |
| Expenditures: | | | | |
| CDBG: | | | | |
| Community Development: | | | | |
| CDBG, Home & ESG | - | 24,051,851 | 7,367,552 | 16,684,299 |
| Total CDBG | - | 24,051,851 | 7,367,552 | 16,684,299 |
| Total expenditures | - | 24,051,851 | 7,367,552 | 16,684,299 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (24,051,851) | 1,188,621 | 25,240,473 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from loan payable - HUD | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net Change in Fund Balance | \$ - | \$ (24,051,851) | 1,188,621 | \$ 25,240,473 |
| Net effect of other income and expenditure accruals | | | 336,015 | |
| Net Change in Fund Balance | | | 1,524,636 | |
| Fund Balance: | | | | |
| Beginning of year | | | 4,060,011 | |
| End of year | | | \$ 5,584,647 | |

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2023

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, 2023

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 | \$ 147,140,792 | \$ 132,431,245 |
| Accrual adjustments: | | |
| Receivables: | | |
| Beginning of year | (9,857,515) | - |
| End of year | 13,973,478 | - |
| Due from other funds: | | |
| Beginning of year | | - |
| End of year | (125,000) | 630,239 |
| Due to other governments | | |
| Beginning of year | - | - |
| End of year | (3,541,158) | - |
| Accrued liabilities: | | |
| Beginning of year | - | |
| End of year | - | 150,082 |
| Advance to other funds | | |
| Beginning of year | | - |
| End of year | - | (642,858) |
| Reclassifications | 201,492 | 198,654 |
| GAAP basis | \$ 147,792,089 | \$ 132,767,362 |

ARPA Fund

| | Revenues and Other Financing Sources | Expenditures and Other Financing Uses |
|-----------------------------|--|---|
| Budgetary basis | \$ 18,497,872 | \$ 16,545,119 |
| Accrual adjustments: | | |
| Due to other funds | | |
| Beginning of year | - | (1,587,006) |
| End of year | - | 1,243,467 |
| Unearned revenues - grants: | | |
| Beginning of year | (1,636,494) | - |
| End of year | 1,362,912 | - |
| GAAP basis | \$ 18,224,290 | \$ 16,201,580 |

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

YEAR ENDED DECEMBER 31, 2023

CDBG Fund

| | Revenues and Other Financing Sources | Expenditures and Other Financing Uses |
|----------------------|--|---|
| Budgetary basis | \$ 8,556,173 | \$ 7,367,552 |
| Accrual adjustments: | | |
| Grants receivable | | |
| Beginning of year | (2,409,790) | (204,045) |
| End of year | 2,241,348 | - |
| Loans receivable | | |
| Beginning of year | - | (4,886) |
| End of year | (172,360) | (173,459) |
| Accrued liabilities | | |
| Beginning of year | - | (872,574) |
| End of year | - | 737,222 |
| Due to other funds | | |
| Beginning of year | - | - |
| End of year | 159,074 | - |
| GAAP basis | <u>\$ 8,374,446</u> | <u>\$ 6,849,810</u> |

CITY OF ALLENTOWN

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability: | | | | | | | | | | |
| Service cost | \$ 4,509,424 | \$ 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 | 18,014,753 | 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 | (2,353,503) | - | 5,224,332 | 1,011,115 | (1,518,678) | 377,097 | 4,018,311 | (205,379) | 737,072 | - |
| Changes of assumptions | 2,847,507 | - | 8,273,246 | - | - | - | - | 7,903,467 | - | - |
| Benefit payments, including refunds | (14,128,583) | (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 | 8,889,598 | 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 | 248,713,876 | 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) | \$257,603,474 | \$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 | \$ 9,254,353 | \$ 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 | 1,230,499 | 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) | 27,814,056 | (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 | (14,128,583) | (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 | (21,563) | (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 | 24,148,762 | (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 | 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 | 148,809,552 |
| Plan Fiduciary Net Position - Ending (b) | \$220,409,200 | \$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) | \$ 37,194,274 | \$ 52,453,438 | \$ 11,818,106 | \$ 18,391,730 | \$ 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 | 85.56% | 78.91% | 95.08% | 91.56% | 86.34% | 75.09% | 83.30% | 79.15% | 82.16% | 89.62% |
| Covered Payroll | \$ 23,228,196 | \$ 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 | 160.13% | 237.37% | 52.98% | 87.53% | 136.70% | 256.32% | 170.09% | 203.82% | 172.12% | 100.91% |

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability: | | | | | | | | | | |
| Service cost | \$ 2,072,281 | \$ 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 | 10,223,171 | 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 |
| Changes of benefit terms | 178,046 | - | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | (1,375,429) | - | 367,152 | (507,438) | (1,788,062) | (324,574) | (513,486) | (502,487) | 312,322 | - |
| Changes of assumptions | 1,497,249 | - | 1,436,239 | - | - | - | - | 4,219,884 | - | - |
| Benefit payments, including refunds | (8,880,691) | (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 | 3,714,627 | 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 | 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 | 113,526,423 |
| Total Pension Liability - Ending (a) | \$ 145,748,062 | \$ 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 | \$ 3,857,404 | \$ 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 | 738,443 | 667,563 | 769,281 | 596,751 | 600,769 | 537,852 | 520,536 | 495,834 | 482,441 | 450,825 |
| Net investment income (loss) | 17,094,595 | (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 | (8,880,691) | (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 | (11,689) | (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 | 12,798,062 | (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 | 121,776,933 | 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) | \$ 134,574,995 | \$ 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) | \$ 11,173,067 | \$ 20,256,502 | \$ (4,603,007) | \$ 7,380,875 | \$ 14,503,492 | \$ 29,356,014 | \$ 18,085,751 | \$ 25,850,085 | \$ 22,192,701 | \$ 12,887,790 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 92.33% | 85.74% | 103.33% | 94.46% | 88.88% | 77.26% | 85.69% | 79.16% | 81.19% | 88.84% |
| Covered Payroll | \$ 14,297,002 | \$ 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 | 78.15% | 153.77% | -34.61% | 61.61% | 129.19% | 272.40% | 173.75% | 261.07% | 232.53% | 143.70% |

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

| | 2023 | 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 | 542,857 | 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 | 162,309 | - | (174,860) | 166,473 | 61,654 | (132,092) | (49,185) | 278,360 | (434,623) | - |
| Changes of assumptions | 47,364 | - | (24,284) | - | - | - | - | 294,664 | - | - |
| Benefit payments, including refunds | (1,423,221) | (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 | (670,691) | (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 | 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 | 18,484,397 |
| Total Pension Liability - Ending (a) | \$ 8,437,155 | \$ 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 | \$ 232,650 | \$ 232,542 | \$ 230,757 | \$ 230,346 | \$ 203,401 | \$ 203,427 | \$ 149,845 | \$ 149,540 | \$ 161,022 | \$ 103,519 |
| Contributions - member | 950 | 4,686 | 4,733 | 4,485 | 4,336 | 4,212 | 4,073 | 3,930 | 3,851 | 3,573 |
| Net investment income (loss) | 849,263 | (851,955) | 971,892 | 716,230 | 1,481,190 | (264,012) | 1,281,494 | 647,814 | 50,233 | 940,162 |
| Benefit payments, including refunds | (1,423,221) | (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 | (6,082) | (840) | (6,349) | (10,729) | (11,278) | (64,142) | (68,931) | (9,592) | (9,673) | (10,682) |
| Net Change in Plan Fiduciary Net Position | (346,440) | (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 | 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 | 18,246,195 |
| Plan Fiduciary Net Position - Ending (b) | \$ 7,172,430 | \$ 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) | \$ 1,264,725 | \$ 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 | 85.01% | 82.55% | 96.30% | 90.02% | 90.42% | 84.71% | 91.98% | 89.36% | 94.83% | 97.81% |
| Covered Payroll | \$ 19,527 | \$ 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 | 6476.80% | 1864.97% | 429.74% | 1361.55% | 1447.12% | 2565.08% | 1517.09% | 2254.31% | 1159.07% | 583.55% |

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

| | 2022* | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability: | | | | | | | | | |
| Service cost | \$ 4,145,958 | \$ 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 | 9,976,244 | 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 | 4,630,040 | - | 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 | (10,838,491) | (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 | 7,913,751 | 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 | 191,227,664 | 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) | \$ 199,141,415 | \$ 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 | \$ 3,668,694 | \$ 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 | 2,112,959 | 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) | (26,612,793) | 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 | (10,838,491) | (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 | (511,793) | (531,573) | (386,945) | (301,821) | (365,857) | (367,920) | (397,521) | (338,130) | (304,806) |
| Net Change in Plan Fiduciary Net Position | (32,181,424) | 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 | 215,355,671 | 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) | \$ 183,174,247 | \$ 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) | \$ 15,967,168 | \$ (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 | 91.98% | 112.62% | 103.19% | 98.43% | 85.39% | 93.67% | 83.65% | 84.18% | 90.42% |
| Covered Payroll | \$ 28,139,863 | \$ 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 | 56.74% | -86.96% | -21.78% | 11.38% | 104.95% | 46.00% | 119.45% | 110.52% | 65.39% |

* 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 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - ALLENTOWN PARKING AUTHORITY

| | 2023* | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability: | | | | | | | | | |
| Interest | \$ 193,043 | \$ 193,994 | \$ 198,203 | \$ 202,439 | \$ 204,066 | \$ 203,074 | \$ 212,438 | \$ 220,605 | \$ 218,085 |
| Differences between expected and actual experience | 49,737 | - | (40,512) | - | 14,591 | - | (11,100) | - | - |
| Changes of assumptions | - | - | 221,434 | - | - | - | 6,096 | - | - |
| Benefit payments, including refunds | (257,313) | (257,313) | (259,343) | (242,815) | (208,700) | (200,199) | (474,376) | (174,612) | (194,346) |
| Net Changes in Total Pension Liability | (14,533) | (63,319) | 119,782 | (40,376) | 9,957 | 2,875 | (266,942) | 45,993 | 23,739 |
| Total Pension Liability - Beginning | 2,836,678 | 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) | \$ 2,822,145 | \$ 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) | \$ 438,805 | \$ (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) | (257,313) | (259,343) | (242,815) | (208,700) | (200,199) | (474,376) | (174,612) | (194,346) |
| Net Change in Plan Fiduciary Net Position | 181,492 | (870,916) | 171,165 | 447,518 | 443,570 | (312,010) | 23,916 | 71,879 | (229,968) |
| Plan Fiduciary Net Position - Beginning | 2,957,736 | 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) | \$ 3,139,228 | \$ 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) | \$ (317,083) | \$ (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 | 111.24% | 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% | 0.00% |

* 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

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

POLICE PENSION PLAN:

| Schedule of City Contributions | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Actuarially determined contribution under Act 205 | \$ 9,254,353 | \$ 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 in relation to the actuarially determined contributions | 9,254,353 | 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 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$23,228,196 | \$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 |
| Contributions as a percentage of covered payroll | 39.84% | 42.17% | 35.35% | 37.68% | 33.71% | 35.12% | 22.57% | 22.27% | 15.00% | 14.72% |
| Investment Returns | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 14.40% | -12.77% | 15.20% | 7.40% | 18.55% | -4.65% | 15.20% | 7.30% | 0.44% | 4.51% |

FIREMEN PENSION PLAN:

| Schedule of City Contributions | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution under Act 205 | \$ 3,857,404 | \$ 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 |
| Contributions in relation to the actuarially determined contributions | 3,857,404 | 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 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (10,000) |
| Covered payroll | \$14,297,002 | \$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 |
| Contributions as a percentage of covered payroll | 26.98% | 29.16% | 30.88% | 33.92% | 33.55% | 34.47% | 29.48% | 29.95% | 12.63% | 15.11% |
| Investment Returns | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 14.38% | -12.19% | 15.40% | 7.40% | 13.68% | -4.51% | 14.80% | 7.10% | -0.32% | 4.29% |

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:

| <u>Schedule of City Contributions</u> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Actuarially determined contribution under Act 205 | \$ 232,650 | \$ 232,542 | \$ 230,757 | \$ 230,346 | \$ 203,401 | \$ 203,427 | \$ 149,845 | \$ 149,540 | \$ 161,022 | \$ 103,519 |
| Contributions in relation to the actuarially determined contributions | 232,650 | 232,542 | 230,757 | 230,346 | 203,401 | 203,427 | 149,845 | 149,540 | 161,022 | 103,519 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 19,527 | \$ 85,201 | \$ 86,050 | \$ 81,552 | \$ 78,833 | \$ 76,590 | \$ 74,062 | \$ 71,512 | \$ 70,000 | \$ 64,960 |
| Contributions as a percentage of covered payroll | 1191.43% | 272.93% | 268.17% | 282.45% | 258.02% | 265.61% | 202.32% | 209.11% | 230.03% | 159.36% |
| Investment Returns | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 12.40% | -9.37% | 9.90% | 6.40% | 13.68% | -2.22% | 9.50% | 4.80% | 0.67% | 5.99% |

PMRS PLAN:

| <u>Schedule of City Contributions</u> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Actuarially determined contribution under Act 205 | \$ 3,667,714 | \$ 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 |
| Contributions in relation to the actuarially determined contributions | 3,668,694 | 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 |
| Contribution deficiency (excess) | \$ (980) | \$ (1,100) | \$ (460) | \$ (660) | \$ (496) | \$ (1,124) | \$ (1,209) | \$ (1,721) | \$ (980) | \$ - |
| Covered payroll ** | \$28,139,863 | \$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 | 13.04% | 12.17% | 11.84% | 13.26% | 10.79% | 11.12% | 9.67% | 9.67% | 5.48% | 7.09% |

** Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation. These amounts may not match the MMO payroll.

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> | 2023* | 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% | 0.00% |
| Investment Returns | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | N/A | 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, 2023

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, 2023 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, 2023

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, 2023 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, 2023

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 | 1/1/2023 |
| 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, 2023

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

| | 2023* | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|----------------|----------------|---------------|---------------|---------------|
| Total OPEB Liability: | | | | | | |
| Service cost | \$ 5,571,228 | \$ 5,069,955 | \$ 3,861,863 | \$ 3,238,776 | \$ 3,502,641 | \$ 2,976,784 |
| Interest | 2,257,745 | 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 | (14,355,682) | 1,264,179 | 12,952,367 | 692,815 | (4,924,689) | 9,034,134 |
| Benefit payments | (5,191,290) | (5,094,104) | (3,698,334) | (4,105,453) | (5,315,182) | (4,780,529) |
| Net Changes in Total OPEB Liability | (11,717,999) | 431,914 | 15,674,643 | 2,382,133 | (3,519,373) | 8,715,045 |
| Total OPEB Liability - Beginning | 109,410,277 | 108,978,363 | 93,303,720 | 90,921,587 | 94,440,960 | 85,725,915 |
| Total OPEB Liability - Ending | \$ 97,692,278 | \$ 109,410,277 | \$ 108,978,363 | \$ 93,303,720 | \$ 90,921,587 | \$ 94,440,960 |
| Plan Fiduciary Net Position: | | | | | | |
| Contributions - employer | \$ 5,191,290 | \$ 5,094,104 | \$ 3,698,334 | \$ 4,105,453 | \$ 5,315,182 | \$ 4,780,529 |
| Benefit payments, including employee refunds | (5,191,290) | (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 | \$ 97,692,278 | \$ 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% | 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.

** There are no assets accumulated in a trust.

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

| | 2023* | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------|------------|------------|------------|------------|--------------|
| Total OPEB Liability: | | | | | | |
| Service cost | \$ - | \$ - | \$ - | \$ 11,424 | \$ 10,881 | \$ 30,445 |
| Interest | 28,787 | 31,994 | 35,937 | 51,049 | 53,092 | 72,054 |
| Changes in Benefits | - | - | - | - | (177,069) | - |
| Differences between expected and actual experience | 6,622 | - | (17,633) | - | (146,934) | - |
| Changes in assumptions | 19,503 | - | (107,508) | - | (13,625) | - |
| Benefit payments | (99,773) | (95,406) | (119,809) | (126,879) | (70,233) | (52,464) |
| Net Changes in Total OPEB Liability | (44,861) | (63,412) | (209,013) | (64,406) | (343,888) | 50,035 |
| Total OPEB Liability - Beginning | 566,003 | 629,415 | 838,428 | 902,834 | 1,246,722 | 1,196,687 |
| Total OPEB Liability - Ending | \$ 521,142 | \$ 566,003 | \$ 629,415 | \$ 838,428 | \$ 902,834 | \$ 1,246,722 |
| Plan Fiduciary Net Position: | | | | | | |
| Contributions - employer | \$ 99,773 | \$ 95,406 | \$ - | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Contributions - member | - | - | - | - | - | - |
| Net investment income | 54,621 | (64,906) | 45,209 | 43,219 | 47,673 | (13,459) |
| Benefit payments, including employee refunds | (99,773) | (95,406) | - | - | - | - |
| Administrative expense | (440) | - | - | - | - | - |
| Net Changes | 54,181 | (64,906) | 45,209 | 68,219 | 72,673 | 11,541 |
| Plan Fiduciary Net Position - Beginning | 423,586 | 488,492 | 443,283 | 375,064 | 302,391 | 290,850 |
| Plan Fiduciary Net Position - Ending | \$ 477,767 | \$ 423,586 | \$ 488,492 | \$ 443,283 | \$ 375,064 | \$ 302,391 |
| Net OPEB Liability - Ending | \$ 43,375 | \$ 142,417 | \$ 140,923 | \$ 395,145 | \$ 527,770 | \$ 944,331 |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 0.00% | 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, 2023

1. Actuarial Methods and Assumptions

Methods and assumptions used to determine contribution rates:

| | |
|--|--|
| Discount rate: | 3.72% per annum for the valuation measured as of December 31, 2022 |
| | 2.06% for the valuation measured as of December 31, 2021 |
| 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 62 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, 2023

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

The discount rate as of December 31, 2022 is 3.72%, up from 2.06% as of December 31, 2021, which decreased the liability approximately \$14.4 million as of the end of the year.

The discount rate will decrease to about 3.26% as of the December 31, 2023 measurement date based on the 20-year Bond Buyer Index rate. This decrease in the discount rate will increase the OPEB liability.

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, 2023

| | |
|---------------------------|---|
| <u>Parking Authority</u> | |
| Valuation date | 1/1/2023 |
| Actuarial cost method | Entry Age Normal |
| Discount rate | 5.50% |
| Salary increases | 5% compounded annually |
| Inflation | 2.47% |
| Healthcare cost trends | Initial rate of 7.5% in fiscal year 2023, reduced by .25% per year thereafter to ultimate trend of 5.0% per year. 18.8% in 2023 and 2% per year thereafter |
| Pre-retirement mortality | None |
| Post-retirement mortality | PubG-2010 General Amount Weighted mortality Tables for Healthy Retirees projected to 2026 using Scale MP-2021 |
| 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.

In 2023, the inflation rate was changed from 2.45% to 2.47%.

SUPPLEMENTARY INFORMATION

CITY OF ALLENTOWN
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2023

| | Special Revenue Funds | | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|--|
| | Liquid Fuels | Revolving Loan | Trexler | Grants | Lease A.O. | Stormwater | Debt Service | |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 3,083,266 | \$ 1,354,766 | \$ 706,318 | \$ - | \$ 252,636 | \$ 3,788,673 | \$ - | \$ 9,185,659 |
| Cash - resctricted | - | - | - | - | 757,815 | - | - | 757,815 |
| Receivables: | | | | | | | | |
| Loans | - | 22,312 | - | - | - | - | - | 22,312 |
| Accounts | - | - | 9,283 | - | 49,791 | 783,124 | - | 842,198 |
| Grants | - | - | 728,344 | 3,022,500 | - | - | - | 3,750,844 |
| Total Assets | \$ 3,083,266 | \$ 1,377,078 | \$ 1,443,945 | \$ 3,022,500 | \$ 1,060,242 | \$ 4,571,797 | \$ - | \$ 14,558,828 |
| Liabilities and Fund Balance | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 468 | \$ 3,022,500 | \$ 139,179 | \$ 68,717 | \$ - | \$ 3,230,864 |
| Wages payable | 26,177 | - | 13,892 | - | - | 42,774 | - | 82,843 |
| Due to other funds | - | 1,320 | - | - | - | - | - | 1,320 |
| Other liabilities | - | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - | - |
| Total Liabilities | 26,177 | 1,320 | 14,360 | 3,022,500 | 139,179 | 111,491 | - | 3,315,027 |
| Fund Balance: | | | | | | | | |
| Restricted | 3,057,089 | 1,375,758 | 1,429,585 | - | 921,063 | 4,460,306 | - | 11,243,801 |
| Total Fund Balance | 3,057,089 | 1,375,758 | 1,429,585 | - | 921,063 | 4,460,306 | - | 11,243,801 |
| Total Liabilities, and Fund Balance | \$ 3,083,266 | \$ 1,377,078 | \$ 1,443,945 | \$ 3,022,500 | \$ 1,060,242 | \$ 4,571,797 | \$ - | \$ 14,558,828 |

CITY OF ALLENTOWN

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

YEAR ENDED DECEMBER 31, 2023

| | Special Revenue Funds | | | | | | Debt Service | Total Nonmajor Governmental Funds |
|--|-----------------------|-------------------|--------------|-----------|-------------|--------------|-----------------|--|
| | Liquid Fuels | Revolving Loan | Trexler | Grants | Lease/A.O. | Stormwater | | |
| Revenues: | | | | | | | | |
| Investment earnings | \$ 92,684 | \$ 32,123 | \$ 3,605 | \$ - | \$ 22,350 | \$ 142,109 | \$ - | \$ 292,871 |
| Intergovernmental revenues | 3,359,770 | - | 1,891,610 | 3,225,617 | - | 206,890 | - | 8,683,887 |
| Charges for services | - | - | - | - | - | 5,811,883 | - | 5,811,883 |
| Other | 147,669 | - | 31,514 | - | 643,167 | - | - | 822,350 |
| Total revenues | 3,600,123 | 32,123 | 1,926,729 | 3,225,617 | 665,517 | 6,160,882 | - | 15,610,991 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | 3,225,617 | - | - | - | 3,225,617 |
| Community development | - | - | - | - | - | - | - | - |
| Public works | 2,980,495 | - | - | - | - | 4,240,064 | - | 7,220,559 |
| Parks and recreation | - | - | 1,348,317 | - | - | - | - | 1,348,317 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | 425,000 | - | 6,630,000 | 7,055,000 |
| Interest | - | - | - | - | 205,714 | - | 2,061,938 | 2,267,652 |
| Capital outlay | 198,699 | - | 7,056 | - | - | 1,261,413 | - | 1,467,168 |
| Total expenditures | 3,179,194 | - | 1,355,373 | 3,225,617 | 630,714 | 5,501,477 | 8,691,938 | 22,584,313 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 420,929 | 32,123 | 571,356 | - | 34,803 | 659,405 | (8,691,938) | (6,973,322) |
| Other Financing Sources (Uses): | | | | | | | | |
| Transfers in | - | - | 107,850 | - | - | - | 8,691,938 | 8,799,788 |
| Transfers out | (66,726) | - | (250,050) | - | (1,124,123) | (603,304) | - | (2,044,203) |
| Total other financing sources (uses) | (66,726) | - | (142,200) | - | (1,124,123) | (603,304) | 8,691,938 | 6,755,585 |
| Net Change in Fund Balance | 354,203 | 32,123 | 429,156 | - | (1,089,320) | 56,101 | - | (217,737) |
| Fund Balance: | | | | | | | | |
| Beginning of year | 2,702,886 | 1,343,635 | 1,000,429 | - | 2,010,383 | 4,404,205 | - | 11,461,538 |
| End of year | \$ 3,057,089 | \$ 1,375,758 | \$ 1,429,585 | \$ - | \$ 921,063 | \$ 4,460,306 | \$ - | \$ 11,243,801 |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|------------------------|------------------------|---------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| Charges for services | \$ - | \$ - | \$ 235,153 | \$ 235,153 |
| Intergovernmental | - | 3,909,096 | 1,030,590 | (2,878,506) |
| Interest | - | - | 233,090 | 233,090 |
| Other | - | - | 10,194 | 10,194 |
| Total revenues | - | 3,909,096 | 1,509,027 | (2,400,069) |
| Expenditures: | | | | |
| Capital outlay | 75,065,988 | 91,324,843 | 12,362,647 | 78,962,196 |
| Total expenditures | 75,065,988 | 91,324,843 | 12,362,647 | 78,962,196 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(75,065,988)</u> | <u>(87,415,747)</u> | <u>(10,853,620)</u> | <u>76,562,127</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | 8,028,000 | 9,595,640 | 1,567,640 |
| Total other financing sources (uses) | - | 8,028,000 | 9,595,640 | 1,567,640 |
| Net Change in Fund Balance | <u>\$ (75,065,988)</u> | <u>\$ (79,387,747)</u> | <u>(1,257,980)</u> | <u>\$ 78,129,767</u> |
| Net effect of other income and expenditure accruals | | | <u>1,057,386</u> | |
| Net Change in Fund Balance | | | (200,594) | |
| Fund Balance: | | | | |
| Beginning of year | | | <u>5,569,401</u> | |
| End of year | | | <u>\$ 5,368,807</u> | |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - DEBT SERVICE FUND

YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|---------------------|--------------------|--------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Expenditures: | | | | |
| <hr/> | | | | |
| Current: | | | | |
| Debt service - principal | \$ 6,630,000 | \$ 6,630,000 | \$ 6,630,000 | \$ - |
| Debt service - interest | 2,061,938 | 2,061,938 | 2,061,938 | - |
| | 8,691,938 | 8,691,938 | 8,691,938 | - |
| Total expenditures | | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (8,691,938) | (8,691,938) | (8,691,938) | - |
| Other Financing Sources (Uses): | | | | |
| <hr/> | | | | |
| Transfers in | 8,691,938 | 8,691,938 | 8,691,938 | - |
| | 8,691,938 | 8,691,938 | 8,691,938 | - |
| Total other financing sources (uses) | | | | |
| Net Change in Fund Balance | \$ - | \$ - | - | \$ - |
| Net effect of other income and expenditure accruals | | | - | |
| Net Change in Fund Balance | | | - | |
| Fund Balance: | | | | |
| <hr/> | | | | |
| Beginning of year | | | - | |
| End of year | | | \$ - | |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| Intergovernmental revenues: | | | | |
| PA Liquid Fuels Tax | \$ 3,000,000 | \$ 3,000,000 | \$ 3,184,933 | \$ 184,933 |
| State aid for pension | 137,012 | 137,012 | 174,837 | 37,825 |
| Total intergovernmental revenues | <u>3,137,012</u> | <u>3,137,012</u> | <u>3,359,770</u> | <u>222,758</u> |
| Other income: | | | | |
| Interest income | 5,000 | 5,000 | 92,684 | 87,684 |
| Miscellaneous | 120,791 | 120,791 | 147,669 | 26,878 |
| Total other income | <u>125,791</u> | <u>125,791</u> | <u>240,353</u> | <u>114,562</u> |
| Total revenues | <u>3,262,803</u> | <u>3,262,803</u> | <u>3,600,123</u> | <u>337,320</u> |
| Expenditures: | | | | |
| Public Works: | | | | |
| Department of Public Works: | | | | |
| Streets | 3,703,812 | 3,703,812 | 2,980,496 | 723,316 |
| Capital Outlay | 145,000 | 145,000 | 198,699 | (53,699) |
| Total expenditures | <u>3,848,812</u> | <u>3,848,812</u> | <u>3,179,195</u> | <u>669,617</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(586,009)</u> | <u>(586,009)</u> | <u>420,928</u> | <u>1,006,937</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (66,726) | (66,726) | (66,726) | - |
| Total other financing sources (uses) | <u>(66,726)</u> | <u>(66,726)</u> | <u>(66,726)</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ (652,735)</u> | <u>\$ (652,735)</u> | <u>354,202</u> | <u>\$ 1,006,937</u> |
| Net effect of other income and expenditure accruals | | | - | |
| Net Change in Fund Balance | | | 354,202 | |
| Fund Balance: | | | | |
| Beginning of year | | | 2,702,886 | |
| End of year | | | <u>\$ 3,057,088</u> | |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - TREXLER FUND

YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|---------------------|------------------|-------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| Intergovernmental revenues: | | | | |
| Trexler Maintenance grant | \$ 2,000,000 | \$ 2,000,000 | \$ 1,546,292 | \$ (453,708) |
| Springwood Trust | 22,000 | 26,196 | 30,635 | 4,439 |
| Romper Day Grant | 2,000 | 2,000 | 2,000 | - |
| State aid for pension | 54,805 | 54,805 | 71,392 | 16,587 |
| Total intergovernmental revenues | 2,078,805 | 2,083,001 | 1,650,319 | (432,682) |
| Other income: | | | | |
| Interest on investments | - | - | 3,605 | 3,605 |
| Total other income | - | - | 3,605 | 3,605 |
| Total revenues | 2,078,805 | 2,083,001 | 1,653,924 | (429,077) |
| Expenditures: | | | | |
| Parks and Recreation: | | | | |
| Department of Parks and Recreation: | | | | |
| Grounds maintenance | 2,024,888 | 1,523,258 | 1,310,890 | 212,368 |
| Springwood Trust | 22,000 | 44,482 | 44,482 | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 2,046,888 | 1,567,740 | 1,355,372 | 212,368 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | |
| | 31,917 | 515,261 | 298,552 | (216,709) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 120,000 | 120,000 | 107,850 | (12,150) |
| Transfers out | - | - | (250,050) | (250,050) |
| Total other financing sources (uses) | 120,000 | 120,000 | (142,200) | (262,200) |
| Net Change in Fund Balance | | | | |
| | \$ 151,917 | \$ 635,261 | 156,352 | \$ (478,909) |
| Net effect of other income and expenditure accruals | | | 272,803 | |
| Net Change in Fund Balance | | | 429,155 | |
| Fund Balance: | | | | |
| Beginning of year | | | 1,000,429 | |
| End of year | | | \$ 1,429,584 | |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GRANTS FUND

YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|------------------------------|------------------------------|--------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| <hr/> | | | | |
| Intergovernmental revenues: | | | | |
| Other grants | \$ - | \$ - | \$ - | \$ - |
| State funds | 37,783 | 37,783 | 203,117 | 165,334 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 37,783 | 37,783 | 203,117 | 165,334 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Expenditures: | | | | |
| <hr/> | | | | |
| Non-departmental | 8,308,671 | 8,308,671 | 3,225,617 | (5,083,054) |
| Police | 43,606 | 43,606 | - | (43,606) |
| Community development | 464,162 | 464,162 | - | (464,162) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 8,816,439 | 8,816,439 | 3,225,617 | (5,590,822) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(8,778,656)</u> | <u>(8,778,656)</u> | <u>(3,022,500)</u> | <u>5,756,156</u> |
| Net Change in Fund Balance | <u><u>\$ (8,778,656)</u></u> | <u><u>\$ (8,778,656)</u></u> | <u>(3,022,500)</u> | <u><u>\$ 5,756,156</u></u> |
| Net effect of other income and expenditure accruals | | | <hr/> | |
| | | | 3,022,500 | |
| Net Change in Fund Balance | | | - | |
| Fund Balance: | | | | |
| <hr/> | | | | |
| Beginning of year | | | <hr/> | - |
| End of year | | | <u><u>\$</u></u> | <u><u>-</u></u> |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - STORMWATER FUND

YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| Interest | \$ 11,000 | \$ 11,000 | \$ 142,109 | \$ 131,109 |
| State aid for pension | 169,018 | 169,018 | 206,890 | 37,872 |
| Stormwater fee | 5,753,215 | 5,753,215 | 5,681,373 | (71,842) |
| Collection fees - prior years | 5,000 | 5,000 | 5,418 | 418 |
| Total revenues | 5,938,233 | 5,938,233 | 6,035,790 | 97,557 |
| Expenditures: | | | | |
| Stormwater: | | | | |
| Department of Public Works: | | | | |
| Compliance | 2,112,972 | 2,113,972 | 1,783,989 | 329,983 |
| Maintenance | 3,485,580 | 3,485,580 | 2,986,169 | 499,411 |
| Capital outlay | 1,058,000 | 1,057,000 | 1,189,433 | (132,433) |
| Total expenditures | 6,656,552 | 6,656,552 | 5,959,591 | 696,961 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (718,319) | (718,319) | 76,199 | 794,518 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (138,241) | (138,241) | (138,241) | - |
| Total other financing sources (uses) | (138,241) | (138,241) | (138,241) | - |
| Net Change in Fund Balance | \$ (856,560) | \$ (856,560) | (62,042) | \$ 794,518 |
| Net effect of other income and expenditure accruals | | | 118,143 | |
| Net Change in Fund Balance | | | 56,101 | |
| Fund Balance: | | | | |
| Beginning of year | | | 4,404,205 | |
| End of year | | | \$ 4,460,306 | |

CITY OF ALLENTOWN

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - A.O. FUND YEAR ENDED DECEMBER 31, 2023

| | Budget | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|--------------------|----------------------------------|
| | Original Amounts | Final Amounts | | |
| Revenues: | | | | |
| Service charge fee collection | 500,000 | \$ 500,000 | \$ 643,166 | \$ 143,166 |
| Interest income | 1,500 | 1,500 | 22,350 | 20,850 |
| Total revenues | 501,500 | 501,500 | 665,516 | 164,016 |
| Expenditures: | | | | |
| General government | 1,780 | 1,780 | - | 1,780 |
| Debt service - principal | - | - | 425,000 | (425,000) |
| Debt service - interest | - | - | 205,713 | (205,713) |
| Total expenditures | 1,780 | 1,780 | 630,713 | (628,933) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 499,720 | 499,720 | 34,803 | (464,917) |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (820,000) | (820,000) | (984,945) | (164,945) |
| Total other financing sources (uses) | (820,000) | (820,000) | (984,945) | (164,945) |
| Net Change in Fund Balance | \$ (320,280) | \$ (320,280) | (950,142) | \$ (629,862) |
| Net effect of other income and expenditure accruals | | | (139,179) | |
| Net Change in Fund Balance | | | (1,089,321) | |
| Fund Balance: | | | | |
| Beginning of year | | | 2,010,383 | |
| End of year | | | \$ 921,062 | |

STATISTICAL SECTION

CITY OF ALLENTOWN

STATISTICAL SECTION

YEAR ENDED DECEMBER 31, 2023

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. | |

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 1

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

| | <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> | <u>2023</u> |
|--|-----------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|
| Governmental activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 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 | \$ 222,864,048 |
| Restricted | 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 | 19,587,992 |
| Unrestricted | <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> | <u>(289,262,781)</u> |
| Total governmental activities net position | <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> | <u>(46,810,741)</u> |
| Business - type activities | | | | | | | | | | |
| Net Investment in Capital Assets | 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 | 4,663,515 |
| Restricted | - | - | - | - | - | - | - | - | 2,356,451 | - |
| Unrestricted | <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> | <u>(739,526)</u> |
| Total business - type activities net position | <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> | <u>3,923,989</u> |
| Primary government | | | | | | | | | | |
| Net Investment in Capital Assets | 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 | 227,527,563 |
| Restricted | 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 | 19,587,992 |
| Unrestricted | <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> | <u>(290,002,307)</u> |
| Total primary government activities net position | <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> | <u>\$ (42,886,752)</u> |

CITY OF ALLENTOWN, PENNSYLVANIA

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

| | <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> | <u>2023</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 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 | \$ 19,774,490 |
| Public safety | 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 | 75,340,455 |
| Community development | 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 | 12,105,757 |
| Public works | 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 | 27,886,830 |
| Health and sanitation | 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 | 5,390,518 |
| Parks and recreation | 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 | 8,804,127 |
| Other | 1,033,067 | - | - | - | - | - | - | - | - | - |
| Interest on long-term debt | 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 | 4,893,201 |
| Total governmental activities expenses | <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> | <u>154,195,378</u> |
| Business - type activities: | | | | | | | | | | |
| Water fund | - | - | - | - | - | - | - | - | - | - |
| Sewer fund | - | - | - | - | - | - | - | - | - | - |
| Solid waste fund | 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 | 15,705,233 |
| Municipal golf course | 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 | 1,624,036 |
| Total business - type activities expenses | <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> | <u>17,329,269</u> |
| Total primary government expenses | <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> | <u>\$ 171,524,647</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 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 | \$ 6,561,407 |
| Public safety | 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 | 2,262,982 |
| Community development | 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 | 7,690,210 |
| Public works | 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 | 6,763,582 |
| Health and sanitation | 329,332 | 344,749 | 390,794 | 379,396 | 397,593 | 374,413 | 264,037 | 263,396 | 345,623 | 376,159 |
| Parks and recreation | 505,205 | 314,298 | 528,225 | 530,315 | 589,419 | 634,297 | 470,709 | 704,037 | 716,367 | 716,889 |
| Water and sewer | 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 | 5,551,270 |
| Operating grants and contributions | 16,149,411 | 13,172,892 | 12,775,516 | 8,285,549 | 19,945,131 | 13,727,175 | 12,859,939 | 21,464,521 | 1,763,362 | 28,948,677 |
| Capital grants and contributions | 14,981,948 | 12,033,696 | 6,282,366 | 698,555 | 802,464 | 340,703 | 6,400,538 | 1,715,946 | 10,635,432 | 9,077,019 |
| Total governmental activities program revenues | <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>39,981,816</u> | <u>67,948,195</u> |
| Business - type activities: | | | | | | | | | | |
| Changes for services: | | | | | | | | | | |
| Water fund | - | - | - | - | - | - | - | - | - | - |
| Sewer fund | - | - | - | - | - | - | - | - | - | - |
| Solid waste fund | 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 | 14,658,278 |
| Municipal golf course | 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 | 2,423,856 |
| Operating grants and contributions | 621,636 | 411,842 | 508,689 | 555,724 | 1,060,856 | 552,475 | 990,913 | 877,227 | 225,267 | 586,378 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | <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> | <u>17,668,512</u> |
| Total primary government program revenues | <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>\$ 57,415,088</u> | <u>\$ 85,616,707</u> |
| Net (expense)/revenue: | | | | | | | | | | |
| Governmental activities | \$ (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) | \$ (86,247,183) |
| Business - type activities | 714,570 | 386,841 | 455,168 | 2,219,392 | 1,122,018 | (260,657) | 773,498 | 2,130,257 | 1,774,436 | 339,243 |
| Total primary government net expense | <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> | <u>\$ (85,907,940)</u> |

CITY OF ALLENTOWN, PENNSYLVANIA

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------------|----------------------|------------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| General Revenue and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes and other taxes | \$ 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 | \$ 104,887,074 |
| Grants and charges not restricted to specific purposes | 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 | 12,640,045 |
| Investment earnings | 28,820 | 19,919 | 61,158 | 88,062 | 609,832 | 579,507 | 139,840 | 89,940 | 727,017 | 5,340,044 |
| Gain on sale of asset | - | - | - | - | - | 85,238 | 11,731 | 21,349 | 152,533 | - |
| Transfers | 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 | 1,503,059 |
| Total governmental activities | <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> | <u>124,370,222</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 | - | - | - | - | - | 74,784 | 14,580 | 7,336 | 30,192 | 207,876 |
| Gain on sale of asset | - | - | - | - | - | - | - | 13,968 | - | 7,285 |
| Transfers | (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) | (1,503,059) |
| Total business - type activities | <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> | <u>(1,244,218)</u> |
| Total primary government | <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> | <u>\$ 123,126,004</u> |
| Special items: | | | | | | | | | | |
| Gain on cancellation of post-employment benefits | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Loss on on disposal of capital assets | - | - | (4,250,092) | - | - | - | - | - | - | - |
| Tax settlement | (372,895) | - | - | - | - | - | - | - | - | - |
| Total special items | <u>\$ (372,895)</u> | <u>\$ -</u> | <u>\$ (4,250,092)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 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 | \$ 38,123,039 |
| Business - type activities | (315,354) | (567,163) | (421,820) | 1,064,630 | (242,013) | (1,536,303) | (662,291) | 727,848 | 383,703 | (904,975) |
| Total primary government | <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> | <u>\$ 37,218,064</u> |

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> |
|--------------------|-------------------------------|--|---|--|---|
| 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 |
| 2023 | 104,648,017 | 39,453,340 | 50,939,899 | 9,965,479 | 4,289,299 |

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 4

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

| | <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> | <u>2023</u> |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | - | - | - | - | - | - | - | - | - | - |
| Unreserved | - | - | - | - | - | - | - | - | - | - |
| Restricted | \$ 769,097 | \$ 981,135 | \$ 862,397 | - | - | - | - | - | - | \$ 1,703,854 |
| Assigned | 15,534,027 | 8,872,191 | 6,434,577 | - | - | \$ 1,634,591 | - | \$ 2,352,171 | \$ 2,716,763 | 6,889,225 |
| Unassigned | 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 | 51,744,716 |
| Total general fund | <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> | <u>60,337,795</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | - | - | - | - | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | - | - | - | - |
| Capital projects funds | - | - | - | - | - | - | - | - | - | - |
| Restricted | 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 | 22,197,255 |
| Assigned | - | - | 46,047 | - | - | - | - | 17,414 | 160,710 | 2,183,420 |
| Unassigned | (44,940) | - | (298,517) | (118,840) | (246,234) | - | - | - | - | - |
| Total all other governmental funds | <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> | <u>24,380,675</u> |
| TOTAL | <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> | <u>\$ 84,718,470</u> |

Notes:

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

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)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|------------------------|---------------------|------------------------|-----------------------|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 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 | \$ 101,321,033 |
| Licenses and permits | 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 | 7,378,906 |
| Charges for services | 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 | 13,428,939 |
| Fines and forfeits | 748,687 | 690,926 | 1,180,590 | 593,368 | 623,181 | 377,686 | 263,588 | 254,657 | 199,767 | 210,630 |
| Investment earnings | 28,820 | 19,919 | 61,159 | 87,816 | 609,832 | 579,507 | 123,953 | 78,549 | 702,507 | 5,182,524 |
| Intergovernmental revenues | 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 | 49,712,067 |
| Other | 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 | 5,343,960 |
| Total revenues | 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 | 182,578,059 |
| Expenditures | | | | | | | | | | |
| General government | 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 | 18,050,272 |
| Public safety | 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 | 76,225,600 |
| Community development | 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 | 14,201,932 |
| Public works | 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 | 20,856,287 |
| Health and sanitation | 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 | 5,172,189 |
| Parks and recreation | 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 | 7,348,832 |
| Other | 1,033,067 | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | 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 | 7,123,106 |
| Interest | 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 | 2,640,107 |
| Capital outlay | 24,851,039 | 18,815,450 | 14,164,247 | 10,728,546 | 5,834,064 | 10,421,825 | 8,603,945 | 2,919,993 | 23,025,687 | 16,659,975 |
| Total expenditures | 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 | 168,278,300 |
| Excess (deficiency) of revenues over (under) expenditures | (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) | 14,299,759 |
| 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 | - | - | - | - | - | - | - | - | - | - |
| Proceeds from financed purchase | - | - | - | 3,295,820 | 1,174,098 | - | 585,074 | - | 1,934,439 | 1,997,848 |
| Sale of capital assets | - | - | - | - | - | 92,525 | 72,925 | 97,514 | 152,533 | 130,905 |
| Transfers in | 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 | 25,483,744 |
| Transfers out | (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) | (23,758,514) |
| Total other financing sources and uses | 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 | 3,853,983 |
| Special Item | (372,895) | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | \$ (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) | \$ 18,153,742 |
| Debt service as a percentage of noncapital expenditures | 12.0% | 16.4% | 9.9% | 16.1% | 11.9% | 15.9% | 10.0% | 7.2% | 7.1% | 6.4% |

Notes:

* The 2021 Debt Service as a percentage of noncapital expenditures percentage has been updated to properly reflect the total Capital Outlays for 2021.

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 (1) | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-------------------------|-------------------------|------------------------|--------------------------|-------------------------|----------------|------------------------------------|-----------------------------|---------------------------------|---|---|
| | Residential Property | Commercial Property | Multi-Family Property | Combination Property | Vacant Lots | | | | | |
| <u>December 31</u> | | | | | | | | | | |
| 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 | 5,381,396,200 | 100% |
| 2023 | 2,995,776,500 | 1,382,514,300 | 794,025,600 | 185,271,100 | 77,476,500 | 5,435,064,000 | 1,726,431,000 | 0.00728 | 5,435,064,000 | 100% |

Notes:

(1) 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> |
| 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 |
| 2023 | 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>2023</u> | | | <u>2014</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 | 0.83% | | | |
| 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 | 0.53% | | | |
| Dechomai Asset Trust Number One LLC | 25,529,300 | 5 | 0.47% | | | |
| Congress Associates | 25,200,000 | 6 | 0.46% | 25,200,000 | 3 | 0.50% |
| EPC-Allentown LLC | 22,354,200 | 7 | 0.41% | | | |
| IPX MF Lakes Apartment Assoc. LLC | 21,834,500 | 8 | 0.40% | 21,834,500 | 5 | 0.43% |
| Pennsylvania Power & Light Co. | 21,541,900 | 9 | 0.40% | 21,982,200 | 4 | 0.43% |
| 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 | 0.36% |
| Sharma Baldev Raj & Sudesh | | | | 20,200,000 | 6 | 0.40% |
| Bulldog Ventures I LP | | | | 16,885,100 | 9 | 0.33% |
| | | | | | | |
| Total | <u>\$ 292,405,700</u> | | <u>5.39%</u> | <u>\$ 251,129,300</u> | | <u>4.95%</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 |
| 2014 | 29,614,100 | 28,313,759 | 95.6% | 326,380 | 28,640,139 | 96.7% |
| 2015 | 30,427,086 | 28,803,546 | 94.7% | 144,336 | 28,947,882 | 95.1% |
| 2016 | 31,040,343 | 29,551,096 | 95.2% | 81,963 | 29,633,059 | 95.5% |
| 2017 | 30,594,033 | 29,187,108 | 95.4% | 106,066 | 29,293,174 | 95.7% |
| 2018 | 30,465,047 | 29,346,327 | 96.3% | 449,658 | 29,795,985 | 97.8% |
| 2019 | 38,647,946 | 37,285,155 | 96.5% | 1,219,858 | 38,505,013 | 99.6% |
| 2020 | 38,959,783 | 37,246,147 | 95.6% | 1,273,899 | 38,520,046 | 98.9% |
| 2021 | 38,978,854 | 38,159,972 | 97.9% | 942,625 | 39,102,597 | 100.3% |
| 2022 | 39,096,987 | 38,080,168 | 97.4% | 723,028 | 38,803,196 | 99.2% |
| 2023 | 39,367,590 | 38,289,614 | 97.3% | | 38,289,614 | 97.3% |

Note:

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

The Collections in Subsequent Years includes penalty collected.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 10

Ratios of Outstanding Debt By Type

| Fiscal Year | Governmental Activities | | Business-Type Activities | Total Primary Government | Percentage of Personal Income | Per Capita |
|------------------------|---|--|--|---|--|-----------------------|
| | General Obligation Bonds | Facility Purchases & Leases | Facility Purchases & Leases | | | |
| 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 |
| 2023 | 99,399,529 | 6,053,617 | 889,318 | 106,342,464 | 1.34% | 845 |

**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> |
|-------------------------------|--|--|------------------------------|
| 2014 | 92,923,268 | 1.80% | 787 |
| 2015 | 103,141,746 | 1.91% | 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 | 1.94% | 828 |
| 2023 | 99,399,529 | 1.83% | 790 |

**Direct and Overlapping Governmental Activities Debt
As of December 31, 2023**

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-------------------------|--|--|
| Allentown School District | \$ 182,950,425 | 100.0% | \$ 182,950,425 |
| Lehigh County General Obligation Bonds | 116,924,690 | 19.0% | <u>22,250,769</u> |
| Subtotal, overlapping debt | | | 205,201,194 |
| City of Allentown Direct Debt | | | <u>105,453,146</u> |
| Total direct and overlapping debt | | | <u><u>\$ 310,654,340</u></u> |

Notes:

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>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> | <u>2023</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt limit | \$ 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 | \$ 347,444,437 |
| Total net debt applicable to limit | <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> | <u>75,953,281</u> |
| Legal debt margin | <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> | <u>\$ 271,491,156</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 32.43% | 38.27% | 36.16% | 34.30% | 31.32% | 26.87% | 29.50% | 27.57% | 25.55% | 21.86% |

Legal Debt Margin Calculation for Fiscal year 2023

| | |
|--|-----------------------|
| Borrowing base (1) | 138,977,775 |
| Percentage limitation | 250% |
| Debt limit | 347,444,437 |
| Debt applicable to limit: | |
| General obligation debt | 85,808,281 |
| Less: Amount set aside for pension funding liability | <u>(9,855,000)</u> |
| | <u>75,953,281</u> |
| | <u>\$ 271,491,156</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.

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) |
|------------------------|-----------------------|----------------------------|---|----------------------------------|----------------------------------|
| 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% |
| 2023 | 125,845 | 7,917,160,640 | 62,912 | 21,682 | 3.2% |

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 15

Principal Employers
Current Year and Nine Years Ago

| <u>Employer</u> | <u>2023</u> | | | <u>2014</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 | 3,366 | 1 | 5.95% | 1,849 | 5 | 2.68% |
| St Lukes Hospital/Health Care | 2,725 | 2 | 4.82% | | | |
| Allentown School District | 2,346 | 3 | 4.15% | 2,642 | 1 | 3.83% |
| ADP Inc | 1,759 | 4 | 3.11% | | | |
| Lehigh County & Institutions | 1,560 | 5 | 2.76% | 1,742 | 7 | 2.53% |
| City of Allentown | 866 | 6 | 1.53% | 1,117 | 9 | 1.62% |
| Comm of PA Allentown | 728 | 7 | 1.29% | | | |
| Muhlenberg College | 643 | 8 | 1.14% | 2,127 | 2 | 3.08% |
| PPL Co. | 605 | 9 | 1.07% | 2,083 | 4 | 3.02% |
| Good Shepherd Rehabilitation Network | 529 | 10 | 0.94% | 963 | 10 | 1.40% |
| Allied Personnel Services | | | 0.00% | 1,831 | 6 | 2.65% |
| Sacred Heart Hospital/Health Care | | | 0.00% | 1,416 | 8 | 2.05% |
| South East Personnel Leasing | | | 0.00% | 2,085 | 3 | 3.02% |
| | <u>15,127</u> | | <u>26.76%</u> | <u>17,855</u> | | <u>25.88%</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.

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

| Function | <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> | <u>2023</u> |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government | 96 | 97 | 95 | 88 | 93 | 106 | 117 | 139 | 136 | 109 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 216 | 222 | 222 | 222 | 222 | 222 | 222 | 217 | 214 | 213 |
| Civilians | 27 | 28 | 27 | 22 | 22 | 22 | 22 | 19 | 20 | 21 |
| E-911 | 33 | 33 | 33 | 31 | 30 | - | - | - | - | - |
| Fire | | | | | | | | | | |
| Firefighters and officers | 125 | 125 | 125 | 126 | 126 | 125 | 129 | 125 | 128 | 124 |
| Civilians | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 |
| EMS | 32 | 32 | 34 | 34 | 34 | 34 | 38 | 40 | 47 | 44 |
| Highways and Streets (1) | 82 | 80 | 79 | 83 | 63 | 62 | 58 | 48 | 40 | 79 |
| Sanitation/Recycling | 36 | 38 | 38 | 41 | 42 | 43 | 42 | 32 | 22 | 38 |
| Building Maintenance | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 17 | 20 | 17 |
| Building Standards & Safety | 33 | 31 | 31 | 34 | 38 | 41 | 41 | 39 | 38 | 48 |
| Culture and Recreation | 56 | 55 | 56 | 56 | 56 | 58 | 57 | 55 | 55 | 58 |
| Golf | 6 | 6 | 6 | 5 | 5 | 5 | 4 | 5 | 18 | 5 |
| Health | 32 | 35 | 35 | 35 | 36 | 36 | 36 | 30 | 41 | 43 |
| Stormwater | - | - | - | - | 26 | 26 | 26 | 28 | 28 | 35 |
| Total | 790 | 798 | 797 | 793 | 809 | 797 | 809 | 796 | 810 | 837 |

Notes:

The City set up of the Stormwater fund in 2018.

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

(1) The City garage was returned to the City at the end of 2022, increasing the number of employees in 2023.

CITY OF ALLENTOWN, PENNSYLVANIA

Operating Indicators By Function
Last Ten Years

TABLE 17

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------|---------|---------|---------|--------|--------|--------|--------|--------|--------|
| Police | | | | | | | | | | |
| Law violations | 13,022 | 11,269 | 11,742 | 11,839 | 10,406 | 10,068 | 9,553 | 9,071 | 9,433 | 8,749 |
| Traffic violations (2) | 11,225 | 8,258 | 8,500 | 9,000 | 4,768 | 2,403 | 2,795 | 3,609 | 2,830 | 2,320 |
| Fire | | | | | | | | | | |
| Number of calls answered | 11,606 | 12,036 | 11,497 | 10,445 | 9,930 | 10,982 | 11,809 | 13,293 | 14,680 | 14,212 |
| Inspections and investigations | 901 | 1,364 | 954 | 862 | 836 | 940 | 851 | 857 | 879 | 664 |
| Highways and Streets | | | | | | | | | | |
| Street reconstruction (miles) | 2 | 0 | 0 | 1 | 0 | 0 | - | 0 | 1 | - |
| Overlays (miles) | 3 | 4 | 3 | 2 | 1 | 2 | 2 | 4 | 8 | 7 |
| Potholes repaired | 10,923 | 14,186 | 7,223 | 11,286 | 18,971 | 9,566 | 9,009 | 9,550 | 9,625 | 9,892 |
| Sanitation | | | | | | | | | | |
| Refuse collected (tons/year) | 37,355 | 35,511 | 35,780 | 40,536 | 39,461 | 39,860 | 42,596 | 44,644 | 40,879 | 40,005 |
| Recyclables collected (tons/year) | 9,735 | 10,510 | 10,730 | 12,177 | 10,277 | 12,532 | 13,265 | 10,618 | 12,076 | 13,468 |
| Sweep tickets issued | 4,809 | 6,877 | 5,719 | 5,317 | 8,025 | 9,706 | 6,100 | 8,378 | 11,272 | 8,982 |
| Animal related complaints | 1,378 | 1,482 | 1,556 | 1,706 | 1,638 | 1,680 | 1,086 | 662 | 535 | 695 |
| Health | | | | | | | | | | |
| Home hazard surveys (4) | 443 | 215 | 173 | 37 | 24 | 19 | 6 | 7 | 53 | 178 |
| Food service inspections | 1,615 | 1,853 | 1,693 | 1,675 | 1,703 | 1,875 | 920 | 1,397 | 1,385 | 1,308 |
| Number of home visits | 393 | 284 | 437 | 379 | 336 | 295 | 281 | 211 | 348 | 488 |
| Total lead screenings/Healthy home visits | - | 17 | 5 | 240 | 207 | 219 | 71 | 72 | 42 | 65 |
| Persons tested & counseled for HIV infection | 2,036 | 2,077 | 2,032 | 2,071 | 2,009 | 2,085 | 661 | 682 | 1,049 | 1,181 |
| Recreation | | | | | | | | | | |
| Pavilion permits | 648 | 629 | 503 | 703 | 678 | 373 | 246 | 592 | 462 | 457 |
| Swimming pool season passes (5) | 263 | 294 | 256 | 355 | 1,019 | 112 | - | 273 | 338 | 370 |
| Swimming pool patrons (non season pass) (5) | 31,509 | 33,081 | 25,458 | 32,449 | 37,488 | 45,383 | - | 26,872 | 36,018 | 46,014 |
| Number of golf patrons (1) | 64,396 | 64,956 | 61,500 | 59,500 | 50,000 | 66,053 | 73,123 | 95,038 | 83,600 | 95,789 |
| Number of golf days of service | 251 | 266 | 270 | 256 | 247 | 250 | 208 | 262 | 231 | 299 |
| E-911 (3) | | | | | | | | | | |
| Number of calls: | | | | | | | | | | |
| Police | 123,840 | 119,647 | 110,260 | 113,749 | 98,063 | - | - | - | - | - |
| EMS | 14,583 | 15,542 | 15,595 | 15,531 | 15,814 | - | - | - | - | - |
| Fire | 11,607 | 12,036 | 11,497 | 10,452 | 9,930 | - | - | - | - | - |
| Other | 8,630 | 9,455 | 11,497 | 11,397 | 10,366 | - | - | - | - | - |

Source:
Various City departments.

- Notes:
- (1) Starting 2014 number includes golf course and driving range patrons.
 - (2) 2015 number changed to actual, originally used estimate, 2016 is also estimated
 - (3) As of January 1, 2019, the 911 responsibility was transferred to Lehigh County.
 - (4) The 2014 amount included 207 Home Healthy Visits in error.
 - (5) Due to COVID-19, the swimming pools were not open in 2020.

**Capital Asset Statistics By Function
Last Ten Years**

| | <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> | <u>2023</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Police officers | 208 | 211 | 218 | 210 | 208 | 210 | 213 | 217 | 214 | 211 |
| Patrol units | 114 | 107 | 108 | 124 | 120 | 123 | 120 | 119 | 127 | 121 |
| Fire: | | | | | | | | | | |
| Stations | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Fire fighters | 120 | 118 | 122 | 121 | 121 | 123 | 120 | 120 | 131 | 131 |
| Sanitation | | | | | | | | | | |
| Collection trucks | 4 | 3 | 3 | 5 | 3 | 5 | 5 | 4 | 4 | 4 |
| Highways and Streets | | | | | | | | | | |
| Streets (miles) | 427.5 | 427.5 | 427.5 | 433.9 | 433.9 | 433.9 | 433.9 | 433.9 | 434.9 | 434.9 |
| Streetlights | 8,106 | 8,136 | 8,461 | 8,461 | 8,476 | 8,622 | 8,622 | 8,622 | 8,677 | 8,677 |
| Traffic signals (1) | 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 |
| Parks (2) | 32 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 |
| Swimming pools (3) | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Playgrounds | 19 | 19 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Water | | | | | | | | | | |
| Water mains (miles) | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 325 |
| Fire hydrants | 1,817 | 1,817 | 1,817 | 1,817 | 1,817 | 1,817 | 1,817 | 1,817 | 1,817 | 1,843 |
| Maximum daily capacity (millions of gallons) | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 |
| Storm sewers (miles) | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 160 |
| Maximum daily treatment capacity (millions of gallons) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Golf | | | | | | | | | | |
| Number of courses | 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, all other years three pools were operational.

City of Allentown

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended December 31, 2023

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, 2023, 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 16, 2024.

The financial statements of 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 Allentown Parking Authority. The financial statements of the Redevelopment Authority of the City of Allentown, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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 16, 2024

CITY OF ALLENTOWN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

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

Finding 2023-001 Financial Reporting

Condition: The City did not have sufficient controls in place to ensure the grant revenues and receivables were properly stated as of December 31, 2023. During the audit process, a material adjustment was 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). An audit adjustment of \$344,921 was proposed related to the City's Solid Waste 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 and receivable for the Solid Waste Fund by \$344,921 for the year ended December 31, 2023 due to reporting revenue for which a formal signed grant agreement was not in place as of December 31, 2023. 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 receivables and grant revenue are properly stated and ensure that the financial statements are prepared in accordance with GAAP.

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, 2023

- II. 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.

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.

Current Status: The City implemented procedures to ensure proper recording of transactions in the Capital Fund.

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.

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.

Current Status: Corrective action has been implemented. The City implemented policies and procedures for review of financial information to ensure all loans are properly recorded and

CITY OF ALLENTOWN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2023

accounts are reconciled. The Grant Accountant completes the reconciliation to ensure that transactions are recorded in the appropriate account.