

**City of Bethlehem, Pennsylvania**

Financial Statements and Supplementary  
Information

Year Ended December 31, 2021  
with Independent Auditor's Report

**MaherDuessel**

The logo for MaherDuessel features the company name in a serif font. The word "Maher" is in black, and "Duessel" is in blue. Below the text is a horizontal bar that is black on the left and blue on the right, matching the color of the text.

# CITY OF BETHLEHEM, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2021

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# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the City of Bethlehem for the years ended December 31, 2021 and 2020. The City's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow.

### Financial Highlights

The City's total net position increased by \$47,297,101 during the year ended December 31, 2021 and increased by \$14,275,275 in 2020.

In the City's governmental activities, net position increased by \$33,063,102 in 2021 and increased by \$10,246,647 in 2020. In 2021, the increase in net position is the result of increase in Grants specifically related to the COVID-19 pandemic. Also, an increase in real estate tax mileage rates and assessed values contributed to the increase as well an increase in earned income taxes related to a rebound from the COVID-19 pandemic. Finally, there was a net increase in net pension liability (asset) and associated deferred inflows and outflows of resources due to positive market conditions recognized in the GASB No. 68 actuarial valuations.

In the City's business-type activities, net position increased by \$14,233,999 in 2021 and increased by \$4,028,628 in 2020. In 2021, the increase in net position is the result of the of approximately \$6.8 million reduction of long-term debt, an increase in water revenue due to a rate increase of 8.4% for water customers, and a \$1.2 million increase in sewer revenue related to increased consumption and tapping fees. Also in 2021, a Storm Water fund was established in which Storm Water Utility fees were charged to rate payers based on the amount of impervious coverages that was located on owners' property. Storm Water fees for 2021 were approximately \$4.2 million. Finally, the net pension liability (asset) and associated deferred inflows and outflows of resources increased by \$3.3 million due to positive market conditions recognized in the GASB No. actuarial valuation.

### Overview of the Financial Statements

This discussion and analysis section of the report is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, administrative, community development, parks and public property, public works, police, fire, general expenditures and civic. The business-type activities of the City include the water, sewer, stormwater, and municipal golf operations.

The government-wide financial statements include not only the City itself, but also the legally separate Bethlehem Authority. Financial information for this blended *component unit* is reported as combined with the financial information presented for the primary government itself.

The City's other three component units, the legally separate Bethlehem Parking Authority (Parking Authority), the legally separate Bethlehem Public Library (Library), and the legally separate Bethlehem Redevelopment Authority (Redevelopment Authority), are shown in a separate column as discretely presented component units.

The government-wide financial statements can be found on pages 1-4 of this report.

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

**Governmental Funds** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five 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 balance for the general fund, the non-utility capital improvements fund, and the debt service fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation captioned "Other Non-Major Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

**Proprietary Funds** City maintains five proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water fund and sewer fund, which are considered to be major funds. Data for the two other enterprise funds are combined into a single, aggregated presentation captioned "Other Enterprise Funds" and include the stormwater and municipal golf operations funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its medical insurance. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 9-13 of this report.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### **Fiduciary Funds**

The City's fiduciary fund accounts for the Employee Benefit Trust Fund and Custodial Fund and can be found on pages 14-15.

### **Component Units**

The City's component units include the Parking Authority, Library, and Redevelopment Authority. The component unit's financial statements can be found on pages 16-18.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-114 of this report.

### **Other Information**

Required supplementary information can be found on in the Management's Discussion and Analysis section and also on pages 115-130 of this report. The combining statements referred to earlier in connection with governmental fund types are presented immediately following the required supplementary information section. Combining schedules can be found on pages 131-132 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2021, the City's assets and deferred outflows exceed the liabilities and deferred inflows by \$12,704,296. At December 31, 2020, the City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$34,592,805.

The City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.



# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### City's Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 63,459,297	\$ 42,545,320	\$ 39,336,675	\$ 33,160,748	\$ 102,795,972	\$ 75,706,068
Capital assets	61,411,385	66,010,264	90,304,375	91,302,928	151,715,760	157,313,192
Other assets	9,883,822	3,235,723	19,455,005	18,896,409	29,338,827	22,132,132
<b>Total assets</b>	<b>\$ 134,754,504</b>	<b>\$ 111,791,307</b>	<b>\$ 149,096,055</b>	<b>\$ 143,360,085</b>	<b>\$ 283,850,559</b>	<b>\$ 255,151,392</b>
Deferred outflows of resources	\$ 34,816,072	\$ 21,903,787	\$ 2,911,076	\$ 1,351,546	\$ 37,727,148	\$ 23,255,333
Current liabilities	\$ 22,927,513	\$ 20,200,564	\$ 12,161,454	\$ 11,808,746	\$ 35,088,967	\$ 32,009,310
Noncurrent liabilities	131,144,931	145,254,537	94,166,130	101,278,701	225,311,061	246,533,238
<b>Total liabilities</b>	<b>\$ 154,072,444</b>	<b>\$ 165,455,101</b>	<b>\$ 106,327,584</b>	<b>\$ 113,087,447</b>	<b>\$ 260,400,028</b>	<b>\$ 278,542,548</b>
Deferred inflows of resources	\$ 41,021,965	\$ 26,826,928	\$ 7,451,418	\$ 7,630,054	\$ 48,473,383	\$ 34,456,982
Net investment in capital assets	\$ 38,976,514	\$ 37,863,492	\$ 8,543,902	\$ 4,233,829	\$ 47,520,416	\$ 42,097,321
Restricted	921,603	1,164,610	-	-	921,603	1,164,610
Unrestricted	(65,421,950)	(97,615,037)	29,684,227	19,760,301	(35,737,723)	(77,854,736)
<b>Total net position (deficit)</b>	<b>\$ (25,523,833)</b>	<b>\$ (58,586,935)</b>	<b>\$ 38,228,129</b>	<b>\$ 23,994,130</b>	<b>\$ 12,704,296</b>	<b>\$ (34,592,805)</b>

Current assets in governmental activities increased approximately \$20.9 million, primarily due to the increase in cash and cash equivalents which was the result of grant revenue specifically related to the COVID-19 pandemic. The remaining increase is related to excess revenues over expenses offset by change in other accounts in the statement of net position.

Other assets in governmental activities increased approximately \$6.65 million, primarily due to increase in net pension asset due to positive market conditions recognized in the GASB No. 68 actuarial valuation

Deferred outflows of resources in governmental activities increased approximately \$12.9 million. This was due to a \$12.7 million increase in deferred outflows of resources for pensions primarily due to the differences in projected and actual earnings on pension plan investments, as well as differences between expected and actual experience, and changes in assumptions per the GASB 68 actuarial valuations.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

Current liabilities in governmental activities increased approximately \$2.73 million. This was due to decrease of \$1 million in accounts payable with the completion of the Memorial Pool capital project and increase of \$750,000 in current portion of long-term debt as result of timing of payments in accordance with maturity schedules. Also, an unearned revenue increased by \$2.47 million due the receipt of grant funds related to the COVID-19 pandemic during 2021 that were not expended as of December 31, 2021.

Noncurrent liabilities in governmental activities decreased approximately \$14.1 million. This was due to decrease in long-term debt (net of current portion) totaling \$8.37 million (see "Long-Term Debt" section), \$6.67 million decrease in net pension liability mainly a result of invest activity recognized in GASB No. 68 valuation, and \$1.42 million increase in other post-employment benefits liability as a result of the activity recognized in the GASB No 75 valuation.

Deferred inflows of resources in governmental activities increased approximately \$14.2 million. This was due to market conditions recognized in the GASB No 68 actuarial valuations and significant changes in the other post-employment benefits actuarial valuation.

Current assets in business-type activities increased approximately \$6.18 million. Cash and cash equivalents increased approximately \$5.82 million due to an 8.4% water rate increase as well as the reinstatement of City policy for collection of delinquent accounts, increase in residential development, and \$2.2 million increase in Storm Water cash due to the implementation of a Storm Water Utility fee.

Deferred inflows of resources in business-type activities increased approximately \$1.56 million. This was due to market conditions recognized in the GASB No 68 actuarial valuations and significant changes in the other post-employment benefits actuarial valuation.

Noncurrent liabilities in business-type activities decreased approximately \$7.11 million. This was due to a decrease in long-term debt (net of current portion) totaling \$6.79 million (see 'Long-Term Debt" section) and a \$591,000 decrease in unearned revenue related to recognition of tapping fees revenues for sewer connections.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### City's Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 12,669,986	\$ 10,401,595	\$ 49,011,039	\$ 42,351,630	\$ 61,681,025	\$ 52,753,225
Operating grants and contributions	10,237,577	10,034,150	-	-	10,237,577	10,034,150
Capital grants and contributions	1,202,990	3,228,863	-	19,187	1,202,990	3,248,050
General revenues:						
Taxes	48,706,680	44,167,698	-	-	48,706,680	44,167,698
Sale of capital assets	-	-	-	-	-	-
Investment earnings	76,532	149,635	268,921	461,991	345,453	611,626
Unrestricted grants	32,040,486	14,626,497	-	-	32,040,486	14,626,497
<b>Total revenues</b>	<b>104,934,251</b>	<b>82,608,438</b>	<b>49,279,960</b>	<b>42,832,808</b>	<b>154,214,211</b>	<b>125,441,246</b>
Expenses:						
General government	656,060	710,671	-	-	656,060	710,671
Administrative	879,395	1,047,674	-	-	879,395	1,047,674
Community development	7,232,254	9,070,555	-	-	7,232,254	9,070,555
Parks and public property	2,013,594	1,587,139	-	-	2,013,594	1,587,139
Public works	13,188,685	12,413,866	-	-	13,188,685	12,413,866
Police	18,481,875	18,814,726	-	-	18,481,875	18,814,726
Fire	11,269,729	13,127,338	-	-	11,269,729	13,127,338
General expenditures	10,902,328	10,178,235	-	-	10,902,328	10,178,235
Civic	396,004	118,468	-	-	396,004	118,468
Library	1,616,123	1,657,495	-	-	1,616,123	1,657,495
Program expenditures	3,138,443	1,582,640	-	-	3,138,443	1,582,640
Interest on long-term debt	3,650,830	5,194,318	-	-	3,650,830	5,194,318
Water fund	-	-	17,495,479	19,226,806	17,495,479	19,226,806
Sewer fund	-	-	13,416,611	15,100,023	13,416,611	15,100,023
Other non-major fund	-	-	2,579,700	1,336,017	2,579,700	1,336,017
<b>Total expenses</b>	<b>73,425,320</b>	<b>75,503,125</b>	<b>33,491,790</b>	<b>35,662,846</b>	<b>106,917,110</b>	<b>111,165,971</b>
Change in net position before transfers	31,508,931	7,105,313	15,788,170	7,169,962	47,297,101	14,275,275
Transfers	1,554,171	3,141,334	(1,554,171)	(3,141,334)	-	-
Change in net position	33,063,102	10,246,647	14,233,999	4,028,628	47,297,101	14,275,275
Net position:						
Beginning	(58,586,935)	(68,833,582)	23,994,130	19,965,502	(34,592,805)	(48,868,080)
Ending	<u>\$ (25,523,833)</u>	<u>\$ (58,586,935)</u>	<u>\$ 38,228,129</u>	<u>\$ 23,994,130</u>	<u>\$ 12,704,296</u>	<u>\$ (34,592,805)</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

**Governmental activities.** Governmental activities increased the City's net position by \$33,063,102 for the year ended December 31, 2021. Key elements of this increase are as follows:

- Increase of approximately \$751,000 in community development related to building permits, inspection fees, and various licenses and permits.
- Increase of approximately \$661,000 in Parks and public property charges for services is due to swimming pool being reopened and other recreational activities being held after a year of following pandemic protocol.
- Increase of approximately \$709,000 in ambulance and first responder fees due to recovery from the COVID-19 pandemic.
- Decrease of approximately \$1.83 million in operating grants and contributions related to \$1.96 million in CARES Act funding from Lehigh and Northampton Counties.
- Increase of approximately \$1.57 million in operating grants and contributions related to community development block grant, HOME grant programs and COVID-19 pandemic funding.
- Decrease of approximately \$2.03 million in capital grants and contributions relate to completion of the memorial pool project and CARES Act funding related to fire and ambulance services.
- Increase of approximately \$4.54 million related to increase in real estate tax mileage rates and assessed values and other tax revenues.
- Increase in grant revenue of approximately \$17.4 million due to COVID-19 pandemic funding of approximately \$14.5 million and \$2.6 million of additional host fee revenue.
- Decrease in expenses of approximately \$2.08 million due to \$1.6 million decrease in RACP grant funding in community development and decrease in personnel costs due to inability to hire for vacant position.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

**Business-type activities.** Business-type activities increased the City's net position by \$14,233,999 for the year ended December 31, 2021. Key elements of this change are as follows:

- Water Fund operating revenue increased by approximately \$816,000 as a result of an 8.4% rate increase.
- Sewer Fund operating revenues increased by approximately \$1.19 million as a result of the 8% rate increase that was fully implemented during the 2<sup>nd</sup> quarter of 2021. Also, additional revenue was also generated by the new development that was completed in the City's service area.
- The newly implemented Storm Water Program generated approximately \$4.21 million in revenue.
- Water Fund salaries, wages and fringe benefits decreased by \$1.77 million due to positive market conditions recognized in the GASB No. 68 report actuarial valuation.
- Sewer Fund salaries, wages and fringe benefits decreased by \$2.3 million due to positive market conditions recognized in the GASB No. 68 report actuarial valuation and repairs and maintenance increased by approximately \$462,000 for costs incurred related to the substation replacement.
- Storm Water Fund incurred approximately \$1.39 million in expenses in its initial year.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### Financial Analysis of the Major Funds

#### General Fund

Revenues of the General Fund totaled \$97,841,211 for the year ended December 31, 2021. The following represents a summary of General Fund revenue, for the years ended December 31, 2021 and 2020 by source, along with changes from 2020:

	2021	2020	Change From 2020 to 2021	Percentage Change
Taxes	\$ 48,807,916	\$ 43,974,846	\$ 4,833,070	10.99%
Licenses and permits	3,489,634	2,927,435	562,199	19.20%
Intergovernmental revenues	24,107,689	11,378,972	12,728,717	111.86%
Fines and forfeitures	422,564	481,704	(59,140)	-12.28%
Departmental earnings	6,808,771	5,727,798	1,080,973	18.87%
Other charges	1,162,429	1,182,262	(19,833)	-1.68%
Municipal recreation	575,022	194,380	380,642	195.82%
Investment income	59,945	101,659	(41,714)	-41.03%
Host fee	11,986,402	9,387,171	2,599,231	27.69%
Other	420,839	103,848	316,991	305.25%
<b>Total</b>	<b>\$ 97,841,211</b>	<b>\$ 75,460,075</b>	<b>\$ 22,381,136</b>	<b>29.66%</b>

An increase in the 2021 real estate tax mileage rates and assessed values along with increases in earned income tax contributed to the increase in taxes revenue.

Licenses and permits increased by \$562,199 from 2020 to 2021. In 2020, various licenses and permits decreased due to a reduction in activity caused by the COVID-19 pandemic.

Intergovernmental revenues increased by \$12,728,717 from 2020 to 2021. The increase was due to several line items including a \$14,495,121 in American Rescue Plan funding related to the COVID-19 pandemic and a \$1,662,500 decrease in RACP grants received from the Commonwealth of Pennsylvania.

Departmental earnings increased by \$1,080,973 from 2020 to 2021. The increase was due to several line items including a \$440,779 increase in Ambulance fees, a \$134,877 increase in the First responder's fee, and a \$156,407 increase in police, fire, and EMS roster duty fees.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

Municipal recreation increased by \$380,642 from 2020 to 2021 because in 2021, COVID-19 pandemic was at a level that swimming pools and the ice rink was able to return to normal operational status.

Investment income decreased by \$41,714 from 2020 to 2021. The decrease was due to several decreases to the interest rate throughout 2021.

Host fee increased by \$2,599,231 from 2020 to 2021. In 2020, Wind Creek casino was temporarily closed and operating at reduced capacity limits due to the COVID-19 pandemic.

General Fund expenditures totaled \$70,185,398 for the year ended December 31, 2021, which represents an increase of \$1,564,805 or 2.28% from 2020. The following represents a summary of General Fund expenditures for the years ended December 31, 2021 and 2020, by function, along with changes from 2020:

	2021	2020	Change From 2020 to 2021	Percentage Change
General government	\$ 840,362	\$ 862,088	\$ (21,726)	-2.52%
Administrative	1,065,876	1,198,668	(132,792)	-11.08%
Community development	7,839,654	9,481,515	(1,641,861)	-17.32%
Public works	8,497,289	8,734,315	(237,026)	-2.71%
Police	22,459,890	20,706,474	1,753,416	8.47%
Fire	15,919,263	14,952,826	966,437	6.46%
General expenditures	10,662,930	10,045,047	617,883	6.15%
Civic	396,004	118,468	277,536	234.27%
Library	1,416,274	1,416,274	-	0.00%
Debt service - principal	990,788	982,830	7,958	0.81%
Debt service - interest	97,068	122,088	(25,020)	-20.49%
<b>Total</b>	<b>\$ 70,185,398</b>	<b>\$ 68,620,593</b>	<b>\$ 1,564,805</b>	<b>2.28%</b>

The increase in General Fund expenditures is the result of the following:

- Community development decreased by \$1,641,861. This was due to a decrease of RACP expenditures of \$1,662,500. These are pass-through funds for the City and the amounts can fluctuate significantly from year to year.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

- Police expenditures increased by \$1,753,416 due to increases in several line items including the Police MMO \$899,423 based on the most recent Act 205 actuarial valuation, salary increase of \$385,478 which reflects a 3% Police base salary increase for 2021 and an increase of \$456,844 for the purchase of multiple police vehicles and equipment.
- Fire expenditures increased by \$966,437 due to increases in several line items including the Fire MMO \$265,266 based on the most recent Act 205 actuarial valuation, and a salary increase of \$601,282 which reflects a 3% Fire base salary increase for 2021.
- General expenditures increased by \$617,883 which was due an increase in medical insurance expense of \$773,990. Claims increased in 2021 because in 2020, elective procedures were temporarily suspended during the COVID-19 pandemic. Workmen's compensation increased by \$170,237 caused by an increase of overall claims in 2021. City insurance package decreased by \$184,549 due to carrier change. Also, Unemployment compensation payments decreased by \$110,455 because all of the employees that were laid off in 2020, returned to work.

### **General Fund Budgetary Highlights**

The General Fund expenditure budget for fiscal year 2021 was approximately \$87 million. This was an increase of \$5.7 million over the previous year amended budget. There were no material amendments to the 2021 budget. Actual expenditures were approximately \$6.6 million less than the amended budget. There was a balance of \$4.27 million of Community development expenditures remaining. \$3.6 million in Health bureau expenses will be carried over to 2022 and savings of \$448,000 in Recycling bureau. Personnel costs saw savings as there were numerous vacant positions throughout the year. General expenditures were lower than budgeted due to a favorable variance in worker's compensation claims and the reduction of the City Insurance package premiums.

### **Non-Utility Capital Improvements Fund**

Cash and cash equivalents decreased by approximately \$1.168 million due to \$1.13 million increase in intergovernmental revenues and other funding and no debt service payments paid from this fund in 2021.



# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### **Debt Service Fund**

Debt service principal and interest expenditures are a function of amortization schedules created when debt is issued. Total debt service expenditures increased by approximately \$1.75 million from 2020, which is based upon debt service maturity schedules.

### **Other Non-Major Governmental Funds**

The Other Non-Major Governmental Funds revenues are derived from specific sources and are restricted for specific uses. Such funds, primarily Commonwealth of Pennsylvania and federal grants, are restricted by law or other formal action to expenditure for specific purposes.

### **Pension Trust Fund**

At December 31, 2021, the net position - restricted for employees' retirement pension benefits was \$215,786,919. The average interest rate that is all inclusive with costs of the pension bond is 5.5%. The Fund returned 15.1%, net of fees, in 2021 based upon market activity. The Fund returned an average of 7.78% annually since 2003.

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021 amounted to \$61,411,385 and \$90,304,375 (net of accumulated depreciation), respectively. This investment in capital assets includes land and improvements, buildings and improvements, furniture, machinery, equipment, and infrastructure including but not limited to roads, bridges, streetlights, dams, and storm sewer systems.

Major capital asset events during the current year for governmental activities included the following:

- The City spent \$799,110 towards City Hall Cooling Towers/Chillers.
- The City spent \$1,360,178 towards Street Overlays throughout the City.
- The City spent \$328,680 towards the install of new or upgrades to existing signals at various intersections.
- The City spent \$473,605 towards streetscape improvements to South New Street from 3<sup>rd</sup> to Farrington Square.
- The City spent \$264,900 towards a 2021 John Deere 644 P Loader for Recycling bureau.
- The City spent \$350,344 towards a Aquatech Combination Sewer Cleaning Vacuuming Machine for Public Works Department.
- In 2021, the City spent \$800,000 toward a Pierce Enforcer engine for the Fire Department and \$363,180 toward two ambulances for the EMS Bureau.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

- The city spent \$261,585 towards the reconstruction of the Memorial Pool Complex
- The City spent \$519,190 towards the purchase of Police vehicles.
- The City spend \$4.54 million toward improvements to the Library
- The City transferred \$6.57 million in building improvement, vehicles and equipment and infrastructure assets from governmental activities to the Stormwater Fund in 2021.

Major capital asset events during the current year for business-type activities included the following:

- The City spent \$912,593 on design and construction services to replace bar screens, washer/compactor, screw conveyors, detritors, ventilation system, and electrical components.
- The City spent \$502,468 on various Sewer Department vehicles including 1 dump truck and vacuum trailer.
- The City spent \$843,965 the rebuild of West Intermediate Clarifier sludge removal mechanisms and installation of baffles to improve settling performance.
- The City spent \$238,206 on the replacement, relocation, or rehabilitation of the water distribution system.
- The City spent \$316,093 on the replacement of older residential and small commercial property meters.
- The City spent \$193,258 on various Water Department vehicles including a John Deere Backhoe.
- The City spent \$511,281 on the design, bid and construction of a fire pump station
- The City spent \$772,700 on the replacement of a water main located on Hecktown Road.
- The City spent \$824,470 to replace the emergency generator at the water treatment plant.

Additional information on the City's capital assets can be found at Note 4 on pages 55-59.

### **Long-Term Debt**

As of June 9, 2022, the City's net total principal of direct debt of \$75,543,027 is well below the net nonelectoral debt limit of \$226,808,925. Additional information on the City's long-term debt can be found at Note 7 on pages 62-72 of this report.

The City's bonds have a rating from Standard and Poor's Rating Group of "AA-" (Stable Outlook).

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### **Economic Outlook**

The City of Bethlehem continues to see economic activity throughout the community. The former Bethlehem Steel Corporation property provides the most significant opportunity for development projects.

With Wind Creek's purchase of the Sands Casino in May of 2019, additional investment was projected in the city. In 2020 Wind Creek began the construction of the hotel addition, which has a value of \$90 million. This project is expected to be completed in early 2023 and will further strengthen Bethlehem's position as a destination.

Bethlehem continues to transition vacant brownfield land into new development, businesses, and job creators in Lehigh Valley Industrial Park VII and Majestic Realty Center in South Bethlehem. In 2021, construction was completed on Cigars International, LNG Welding Shop, and a Flex Manufacturing space at LVIP VII. The value of industrial projects recently completed or currently under construction is approximately \$42 million, with an additional project valued at \$39 million planned in the Majestic site.

Lehigh University continues to implement its \$1 billion Path to Prominence campaign. Currently under construction and recently completed include an addition to the Rauch Building, Bridge West, and the Health Sciences Building. The value of those three projects is \$195 million. With Lehigh's focus on innovation and the city's commitment to supporting small businesses, Bethlehem has morphed into a city where small businesses want to locate.

Investment in Bethlehem's downtowns continues. Projects currently under construction include 610 Flats and Webster Place, located at 202-208 E. Third Street. Also, plans have been approved or submitted for an additional \$358 million in projects.

In December 2013, the city was awarded one of three City Revitalization and Improvement Zone (CRIZ) designations. Among the purposes of the CRIZ designation is to enable vacant or abandoned space to be developed for commercial use, thereby creating jobs, increasing personal incomes, and growing state and local tax revenues. The CRIZ law enables the city (through a municipal authority) to pledge certain incremental taxes (other than real estate taxes) payable to the Commonwealth of Pennsylvania and local governments and generated within the CRIZ towards loan repayment to finance redevelopment.

Currently, the CRIZ is approximately 130 acres on which the city is exploring several different development projects. Projects currently under construction include the \$1.8 million Wilbur Mansion and the \$90 million Wind Creek hotel expansion. Additional projects in the planning and construction stages include the \$200 million Martin Tower site and the \$20 million 610 Flats.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

The following is a list of other major development projects:

### Residential

BethArmory Apts. 345 2nd Ave.	18,000,000	Completed
565 Lehigh St. Apts	6,500,000	Under Construction
Overlook at Saucon Creek	3,000,000	Under Construction / Portions Complete
Park View Commons - William Street	3,000,000	Under Construction / Portions Complete
Saucon Square Condominiums - Fire Lane	3,500,000	Under Construction / Portions Complete
Silk Mill Apartments (Phase 2)	8,000,000	Plans Approved
2321 Linford St. Apts.	1,600,000	Under Construction
1535 Butztown Rd. Townhouses	600,000	Under Construction
Selfridge & Jackson Sts. Townhouses	3,056,000	Plans Submitted
Church Apartments - 938 E. 4th Street	2,500,000	Under Construction
10-16 W. Goepf Street Apartments	1,500,000	Under Renovation
Wilbur Apts., 267 Cherokee St.	6,800,000	Under Construction
Riverview Heights	5,000,000	Plans Approved
<b>Residential Subtotal</b>	<b>63,056,000</b>	

### Residential/Senior

Cottages @ Monocacy Manor	4,500,000	Under Construction / Portions Complete
Turnberry Mews	10,000,000	Under Construction / Portions Complete
<b>Residential / Senior Subtotal</b>	<b>14,500,000</b>	

### Institutional

Lehigh University - Rauch Addition, 461 Webster St.	28,000,000	Completed
Lehigh University - Bridge West North	55,000,000	Completed
Lehigh HST (124 E. Morton Street)	112,000,000	Completed
Terrace Homes at Northwood Gardens/2365 Madison Ave.	14,200,000	Under Construction / Portions Complete
<b>Institutional Subtotal</b>	<b>209,200,000</b>	

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### Mixed-Use

Greenway Commons, 610 Flats, 600-630 E. Third St	20,000,000	Under Construction
Polk Street Parking Garage	16,000,000	Under Construction
1338 E. Fourth Street	1,500,000	Plans Approved
Brinker Lofts, 321 Adams Street Commerical Portions	2,000,000	Residential Portion Complete
548 N. New Street - Benner	8,300,000	Plans Approved
Laros Apts. 601-699 E. Broad St	30,000,000	Under Renovation
Martin Tower, Eighth Avenue	100,000,000	Planning & Construction
Pektor Mixed Use - 404 E. 3rd	6,200,000	Plans Submitted
Skyline West - 143 W. Broad St	15,000,000	Plans Submitted
South New Street Apartments	250,000,000	Plans Submitted
Third and Taylor	13,000,000	Plans Submitted
4th and Vine Benner	19,000,000	Plans Submitted
Boyd	30,000,000	Under Construction
250 E. Broad St	12,000,000	Plans Submitted
2950-70 Linden Street, Lofts at Linden	10,000,000	Plans Approved
14-36 W. 3rd Street	22,000,000	Plans Submitted
<b>Mixed-Use Subtotal</b>	<b>555,000,000</b>	

### Industrial

Majestic Lots 6 & 7, 3905 Commerce Center Blvd	39,650,000	Plans Approved
1405 Easton Rd Expansion	8,000,000	Under Construction
Cigars International - 1911 Spillman	7,500,000	Completed
LNG Welding Shop	975,000	Completed
LVIP VII Lot #12 - Flex Manufacturing, 1920 Spillman Dr	4,000,000	Completed
LVIP VII Lot 81 - 1025 Feather Way	12,000,000	Under Construction
<b>Industrial Subtotal</b>	<b>72,125,000</b>	

### Commercial

Casino Expansion - 77 Wind Creek Blvd.	90,000,000	Under Construction
Royal Farms Market/Gas Station - 2355 Avenue A	8,000,000	Plans Submitted
Wawa Gas Station/Conv. Store, 774-784 Hellertown Rd	6,000,000	Plans Approved
Autozone, 505 Wyandotte Street	1,800,000	Plans Approved
Wilbur Mansion Hotel & Event Center 202 Wyandotte St	1,800,000	Under Construction
Westgate Mall Public Improvements	1,000,000	Plans Approved
2011 City Line Road Hotel	9,000,000	Plans Approved
<b>Commercial Subtotal</b>	<b>117,600,000</b>	

**Grand Total**     **\$ 1,031,481,000**

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### **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 Administration Department, City of Bethlehem, 10 East Church Street, Bethlehem, Pennsylvania 18018.

## Independent Auditor's Report

**The Honorable J. Williams Reynold Mayor, and Honorable Members of City Council  
City of Bethlehem, 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 Bethlehem, Pennsylvania (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2021, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Bethlehem Area Public Library, Bethlehem Parking Authority, and Bethlehem Redevelopment Authority were not audited in accordance with *Government Auditing Standards*.

#### 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022 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  
December 20, 2022

# CITY OF BETHLEHEM, PENNSYLVANIA

## STATEMENT OF NET POSITION

DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units	Total Reporting Entity
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 49,062,834	\$ 29,693,881	\$ 78,756,715	\$ 5,346,443	\$ 84,103,158
Investments	150	-	150	1,295	1,445
Receivables (net of allowance for uncollectibles):					
Taxes	4,320,296	-	4,320,296	-	4,320,296
Accounts	892,199	10,095,110	10,987,309	90,339	11,077,648
Other	1,341,360	-	1,341,360	93,866	1,435,226
Accrued interest	-	33	33	-	33
Due from other governments	6,352,133	-	6,352,133	-	6,352,133
Internal balances	838,092	(838,092)	-	-	-
Inventories	652,233	385,743	1,037,976	-	1,037,976
Prepaid expenses	-	-	-	19,889	19,889
<b>Total current assets</b>	<b>63,459,297</b>	<b>39,336,675</b>	<b>102,795,972</b>	<b>5,551,832</b>	<b>108,347,804</b>
Noncurrent assets:					
Loans receivable	1,194,694	-	1,194,694	-	1,194,694
Restricted cash and cash equivalents	-	6,223,604	6,223,604	235	6,223,839
Restricted investments	-	9,538,579	9,538,579	3,973,668	13,512,247
Capital assets, not being depreciated	7,982,256	4,272,113	12,254,369	5,362,846	17,617,215
Capital assets, net	53,429,129	86,032,262	139,461,391	54,999,976	194,461,367
Other assets	34,058	108,388	142,446	-	142,446
Net pension asset	8,655,070	3,584,434	12,239,504	352,075	12,591,579
<b>Total noncurrent assets</b>	<b>71,295,207</b>	<b>109,759,380</b>	<b>181,054,587</b>	<b>64,688,800</b>	<b>245,743,387</b>
<b>Total Assets</b>	<b>134,754,504</b>	<b>149,096,055</b>	<b>283,850,559</b>	<b>70,240,632</b>	<b>354,091,191</b>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources - pensions	23,910,457	2,437,255	26,347,712	333,897	26,681,609
Deferred outflows of resources - other post-employment benefits	1,867,320	293,713	2,161,033	-	2,161,033
Deferred charge on refunding	9,038,295	180,108	9,218,403	351,836	9,570,239
<b>Total Deferred Outflows of Resources</b>	<b>34,816,072</b>	<b>2,911,076</b>	<b>37,727,148</b>	<b>685,733</b>	<b>38,412,881</b>

(Continued)

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units	Total Reporting Entity
<b>Liabilities</b>					
Current liabilities:					
Accounts payable and other accrued expenses	1,876,155	1,874,774	3,750,929	540,455	4,291,384
Accrued payroll	1,839,667	363,267	2,202,934	52,462	2,255,396
Accrued vacation and other compensated absences	1,019,750	658,392	1,678,142	14,800	1,692,942
Interest payable	601,901	302,366	904,267	153,441	1,057,708
Current portion of long-term debt	8,216,000	8,503,694	16,719,694	1,264,000	17,983,694
Current portion of capital lease obligations	932,845	335,065	1,267,910	-	1,267,910
Current portion of total other post-employment benefits liability	548,169	123,896	672,065	-	672,065
Unearned revenue	7,012,291	-	7,012,291	562,090	7,574,381
Escrow liabilities	880,735	-	880,735	-	880,735
<b>Total current liabilities</b>	<b>22,927,513</b>	<b>12,161,454</b>	<b>35,088,967</b>	<b>2,587,248</b>	<b>37,676,215</b>
Noncurrent liabilities:					
Accrued vacation and other compensated absences, net of current portion	3,608,857	-	3,608,857	-	3,608,857
Accrued sick pay	-	154,171	154,171	-	154,171
Long-term debt, net	94,754,952	88,034,944	182,789,896	24,066,597	206,856,493
Capital lease obligation, net of current portion	1,597,665	329,058	1,926,723	-	1,926,723
Net pension liability	18,910,276	-	18,910,276	-	18,910,276
Total other post-employment benefits liability	12,273,181	1,977,277	14,250,458	-	14,250,458
Unearned revenue	-	3,670,680	3,670,680	-	3,670,680
<b>Total noncurrent liabilities</b>	<b>131,144,931</b>	<b>94,166,130</b>	<b>225,311,061</b>	<b>24,066,597</b>	<b>249,377,658</b>
<b>Total Liabilities</b>	<b>154,072,444</b>	<b>106,327,584</b>	<b>260,400,028</b>	<b>26,653,845</b>	<b>287,053,873</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources - pensions	38,670,086	6,876,198	45,546,284	875,962	46,422,246
Deferred inflows of resources - other post-employment benefits	2,351,879	439,113	2,790,992	-	2,790,992
Deferred gain on refunding	-	136,107	136,107	-	136,107
<b>Total Deferred Inflows of Resources</b>	<b>41,021,965</b>	<b>7,451,418</b>	<b>48,473,383</b>	<b>875,962</b>	<b>49,349,345</b>
<b>Net Position</b>					
Net investment in capital assets	38,976,514	8,543,902	47,520,416	36,523,658	84,044,074
Restricted	921,603	-	921,603	3,020,485	3,942,088
Unrestricted	(65,421,950)	29,684,227	(35,737,723)	3,852,415	(31,885,308)
<b>Total Net Position</b>	<b>\$ (25,523,833)</b>	<b>\$ 38,228,129</b>	<b>\$ 12,704,296</b>	<b>\$ 43,396,558</b>	<b>\$ 56,100,854</b>

(Concluded)

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

<u>Function/Programs:</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 656,060	\$ -	\$ -	\$ -
Administrative	879,395	223,994	-	-
Community development	7,232,254	5,059,421	3,717,805	345,462
Parks and public property	2,013,594	892,588	553,472	835,393
Public works	13,188,685	1,235,483	2,206,101	22,135
Police	18,481,875	1,958,856	580,859	-
Fire	11,269,729	3,299,644	46,241	-
General expenditures	10,902,328	-	-	-
Civic	396,004	-	-	-
Library	1,616,123	-	-	-
Program expenditures	3,138,443	-	3,133,099	-
Interest on long-term debt	3,650,830	-	-	-
<b>Total governmental activities</b>	<b>73,425,320</b>	<b>12,669,986</b>	<b>10,237,577</b>	<b>1,202,990</b>
Business-type activities:				
Water Fund	17,495,479	22,881,665	-	-
Sewer Fund	13,416,611	19,892,513	-	-
Other non-major fund	2,579,700	6,236,861	-	-
<b>Total business-type activities</b>	<b>33,491,790</b>	<b>49,011,039</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 106,917,110</b>	<b>\$ 61,681,025</b>	<b>\$ 10,237,577</b>	<b>\$ 1,202,990</b>
<b>Component units:</b>				
Bethlehem Parking Authority	\$ 6,244,339	\$ 7,308,582	\$ 599,810	\$ -
Bethlehem Public Library	3,066,706	113,897	2,652,985	160,482
Bethlehem Redevelopment Authority	1,791,731	-	95,093	-
<b>Total component units</b>	<b>\$ 11,102,776</b>	<b>\$ 7,422,479</b>	<b>\$ 3,347,888</b>	<b>\$ 160,482</b>

General Revenues:  
 Real estate taxes and other taxes  
 Grants and other charges not restricted  
 to specific programs  
 Investment income  
 Transfers  
 Total general revenues and transfers

**Change in Net Position**

**Net Position:**  
 Beginning of year  
 End of year

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government				Total
Governmental Activities	Business-Type Activities	Total	Component Units	Reporting Entity
\$ (656,060)	\$ -	\$ (656,060)	\$ -	\$ (656,060)
(655,401)	-	(655,401)	-	(655,401)
1,890,434	-	1,890,434	-	1,890,434
267,859	-	267,859	-	267,859
(9,724,966)	-	(9,724,966)	-	(9,724,966)
(15,942,160)	-	(15,942,160)	-	(15,942,160)
(7,923,844)	-	(7,923,844)	-	(7,923,844)
(10,902,328)	-	(10,902,328)	-	(10,902,328)
(396,004)	-	(396,004)	-	(396,004)
(1,616,123)	-	(1,616,123)	-	(1,616,123)
(5,344)	-	(5,344)	-	(5,344)
(3,650,830)	-	(3,650,830)	-	(3,650,830)
<u>(49,314,767)</u>	<u>-</u>	<u>(49,314,767)</u>	<u>-</u>	<u>(49,314,767)</u>
-	5,386,186	5,386,186	-	5,386,186
-	6,475,902	6,475,902	-	6,475,902
-	3,657,161	3,657,161	-	3,657,161
<u>-</u>	<u>15,519,249</u>	<u>15,519,249</u>	<u>-</u>	<u>15,519,249</u>
<u>(49,314,767)</u>	<u>15,519,249</u>	<u>(33,795,518)</u>	<u>-</u>	<u>(33,795,518)</u>
-	-	-	1,664,053	1,664,053
-	-	-	(139,342)	(139,342)
-	-	-	(1,696,638)	(1,696,638)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,927)</u>	<u>(171,927)</u>
48,706,680	-	48,706,680	-	48,706,680
32,040,486	-	32,040,486	-	32,040,486
76,532	268,921	345,453	432,820	778,273
1,554,171	(1,554,171)	-	-	-
<u>82,377,869</u>	<u>(1,285,250)</u>	<u>81,092,619</u>	<u>432,820</u>	<u>81,525,439</u>
33,063,102	14,233,999	47,297,101	260,893	47,557,994
<u>(58,586,935)</u>	<u>23,994,130</u>	<u>(34,592,805)</u>	<u>43,135,665</u>	<u>8,542,860</u>
<u>\$ (25,523,833)</u>	<u>\$ 38,228,129</u>	<u>\$ 12,704,296</u>	<u>\$ 43,396,558</u>	<u>\$ 56,100,854</u>

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	General Fund	Non-Utility Capital Improvements Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 39,543,920	\$ 6,233,870	\$ -	\$ 3,265,234	\$ 49,043,024
Investments	-	150	-	-	150
Receivables, net:					
Taxes	4,320,296	-	-	-	4,320,296
Accounts	892,199	-	-	-	892,199
Loans	-	-	-	1,194,694	1,194,694
Other	1,337,831	3,529	-	-	1,341,360
Due from other funds	-	3,178,500	-	-	3,178,500
Due from other governments	4,622,478	1,393,455	-	336,200	6,352,133
<b>Total Assets</b>	<b>\$ 50,716,724</b>	<b>\$ 10,809,504</b>	<b>\$ -</b>	<b>\$ 4,796,128</b>	<b>\$ 66,322,356</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable and other accrued expenses	\$ 741,345	\$ 369,572	\$ -	\$ 359,148	\$ 1,470,065
Accrued payroll	1,839,667	-	-	-	1,839,667
Accrued vacation and other compensated absences	1,019,750	-	-	-	1,019,750
Due to other funds	2,119,838	65,570	-	155,000	2,340,408
Escrow liabilities	880,735	-	-	-	880,735
Unearned revenues	3,026,469	393,978	-	3,591,844	7,012,291
<b>Total Liabilities</b>	<b>9,627,804</b>	<b>829,120</b>	<b>-</b>	<b>4,105,992</b>	<b>14,562,916</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - sale proceeds	341,750	-	-	-	341,750
Unavailable revenue - taxes	2,039,715	-	-	-	2,039,715
<b>Total Deferred Inflows of Resources</b>	<b>2,381,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,381,465</b>
<b>Fund Balance:</b>					
<b>Restricted for:</b>					
Community development	231,467	-	-	-	231,467
Capital projects	-	9,980,384	-	-	9,980,384
Public works	-	-	-	690,136	690,136
Assigned for capital projects	4,950,000	-	-	-	4,950,000
Assigned for 2022 budget	750,000	-	-	-	750,000
Assigned for excess medical claims	783,812	-	-	-	783,812
Assigned for excess workmen's compensation claims	282,787	-	-	-	282,787
Unassigned	31,709,389	-	-	-	31,709,389
<b>Total Fund Balance</b>	<b>38,707,455</b>	<b>9,980,384</b>	<b>-</b>	<b>690,136</b>	<b>49,377,975</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 50,716,724</b>	<b>\$ 10,809,504</b>	<b>\$ -</b>	<b>\$ 4,796,128</b>	<b>\$ 66,322,356</b>

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

# CITY OF BETHLEHEM, PENNSYLVANIA

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

DECEMBER 31, 2021

<b>Total Fund Balance - Governmental Funds</b>	\$ 49,377,975
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 in the funds.	61,411,385
Deferred outflows related to pensions and net pension asset	32,565,527
Deferred outflows related to other post-employment benefits	1,867,320
Real estate taxes and earned income taxes not collected until subsequent to year-end are recognized as revenue in the statement of net position.	2,039,715
Sale proceeds not collected until subsequent to year-end are recognized as revenue in the statement of net position.	341,750
Inventory is recorded on the statement of net position.	652,233
Accrued vacation and other compensated absences not due within the next twelve months are recorded on the statement of net position.	(3,608,857)
Net pension liability and deferred inflows related to pensions	(57,580,362)
Total other post-employment benefits liability and deferred inflows related to other post-employment benefits	(15,173,229)
Prepaid bond insurance and deferred charge on refunding are amortized on the statement of net position.	9,072,353
Long-term liabilities, including bonds and notes payable and capital lease obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes, net related discounts and premiums	(102,970,952)
Capital leases	(2,530,510)
Accrued interest payable is included on the statement of net position.	(601,901)
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 governmental funds.	(386,280)
<b>Net Position - Governmental Activities</b>	<u><u>\$ (25,523,833)</u></u>

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



# CITY OF BETHLEHEM, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2021

	General Fund	Non-Utility Capital Improvements Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 48,807,916	\$ -	\$ -	\$ -	\$ 48,807,916
Licenses and permits	3,489,634	-	-	-	3,489,634
Intergovernmental revenues	24,107,689	1,722,456	-	4,885,533	30,715,678
Fines and forfeitures	422,564	-	-	-	422,564
Departmental earnings	6,808,771	-	-	-	6,808,771
Other charges	1,162,429	-	-	-	1,162,429
Municipal recreation	575,022	-	-	-	575,022
Investment income	59,945	9,549	-	7,038	76,532
Host fee	11,986,402	-	-	-	11,986,402
Other	420,839	476,301	-	218,888	1,116,028
Total revenues	<u>97,841,211</u>	<u>2,208,306</u>	<u>-</u>	<u>5,111,459</u>	<u>105,160,976</u>
<b>Expenditures:</b>					
Current:					
General government	840,362	-	-	-	840,362
Administrative	1,065,876	-	-	-	1,065,876
Community development	7,839,654	-	-	-	7,839,654
Public works	8,497,289	-	-	2,216,495	10,713,784
Police	22,459,890	-	-	-	22,459,890
Fire	15,919,263	-	-	-	15,919,263
General expenditures	10,662,930	-	-	-	10,662,930
Civic	396,004	-	-	-	396,004
Library	1,416,274	-	-	-	1,416,274
Program expenditures	-	-	-	3,138,443	3,138,443
Capital outlays	-	3,368,493	-	-	3,368,493
Debt service - principal	990,788	-	7,466,000	-	8,456,788
Debt service - interest	97,068	-	3,261,645	-	3,358,713
Total expenditures	<u>70,185,398</u>	<u>3,368,493</u>	<u>10,727,645</u>	<u>5,354,938</u>	<u>89,636,474</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>27,655,813</u>	<u>(1,160,187)</u>	<u>(10,727,645)</u>	<u>(243,479)</u>	<u>15,524,502</u>
<b>Other Financing Sources (Uses):</b>					
Capital lease	435,440	-	-	-	435,440
Sale of capital assets	341,750	-	-	-	341,750
Transfers in	2,611,089	4,632,180	10,727,645	-	17,970,914
Transfers out	(14,279,170)	-	-	-	(14,279,170)
Total other financing sources (uses)	<u>(10,890,891)</u>	<u>4,632,180</u>	<u>10,727,645</u>	<u>-</u>	<u>4,468,934</u>
<b>Net Change in Fund Balance</b>	<u>16,764,922</u>	<u>3,471,993</u>	<u>-</u>	<u>(243,479)</u>	<u>19,993,436</u>
<b>Fund Balance:</b>					
Beginning of the year	21,942,533	6,508,391	-	933,615	29,384,539
End of the year	<u>\$ 38,707,455</u>	<u>\$ 9,980,384</u>	<u>\$ -</u>	<u>\$ 690,136</u>	<u>\$ 49,377,975</u>

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

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

YEAR ENDED DECEMBER 31, 2021

<b>Net Change in Fund Balance - Governmental Funds</b>	\$ 19,993,436
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,201,977) were less than depreciation (\$8,663,283) and transfer of assets to business-type activities (\$2,137,573) in the current period.	(4,598,879)
Revenues related to real estate taxes and earned income taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(203,583)
Revenue received under the current financial resources related to prior year sale of capital assets. As the full sale proceeds was recognized in the prior year statement of activities, the amount received and recorded in the fund statements should be removed from economic financial resources.	(341,750)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to 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.	
Issuance of capital lease	(435,440)
Repayment of principal	8,456,788
Accrued interest expense on long-term debt is reported in the statement of activities, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	42,704
Change in deferred outflows of resources related to pensions in the statement of activities.	12,668,328
Change in deferred outflows of resources related to other post-employment benefits in the statement of activities.	729,487
Change in inventory in the statement of activities.	(187,696)
Change in accrued vacation and other compensated absences not due within the next twelve months in the statement of activities.	(271,918)
Change in net pension liability (asset) and deferred inflows of resources related to pensions in the statement of activities.	(1,577,841)
Change in other post-employment benefits liability and deferred inflows of resources related to other post-employment benefits in the statement of activities.	(636,315)
Governmental funds report the effect of bond insurance, premiums, discounts, deferred charges on refunding, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	(334,821)
Activities of the internal service fund are reported as net loss within the statement of activities.	(239,398)
<b>Change in Net Position - Governmental Activities</b>	<b>\$ 33,063,102</b>

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## BALANCE SHEET - PROPRIETARY FUNDS

DECEMBER 31, 2021

Assets and Deferred Outflows of Resources	Enterprise Funds				Internal Service
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 7,782,511	\$ 18,946,989	\$ 2,964,381	\$ 29,693,881	\$ 19,810
Accounts receivable, net	4,166,457	4,986,254	942,399	10,095,110	-
Accrued interest	33	-	-	33	-
Due from other funds	-	55,000	10,570	65,570	-
Inventories	268,871	107,512	9,360	385,743	-
Total current assets	12,217,872	24,095,755	3,926,710	40,240,337	19,810
Restricted assets:					
Cash and cash equivalents	6,223,604	-	-	6,223,604	-
Investments	9,538,579	-	-	9,538,579	-
Capital assets, not being depreciated	1,487,610	2,609,503	175,000	4,272,113	-
Capital assets, net	59,514,591	22,954,159	3,563,512	86,032,262	-
Other assets	108,388	-	-	108,388	-
Net pension asset	1,568,190	1,792,217	224,027	3,584,434	-
Total Assets	90,658,834	51,451,634	7,889,249	149,999,717	19,810
Deferred Outflows of Resources:					
Deferred outflows of resources - pensions	1,065,735	1,222,772	148,748	2,437,255	-
Deferred outflows of resources - other post-employment benefits	178,325	99,653	15,735	293,713	-
Deferred charge on refunding	-	180,108	-	180,108	-
Total Deferred Outflows of Resources	1,244,060	1,502,533	164,483	2,911,076	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 91,902,894</b>	<b>\$ 52,954,167</b>	<b>\$ 8,053,732</b>	<b>\$ 152,910,793</b>	<b>\$ 19,810</b>

(Continued)

	Enterprise Funds				Internal Service
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and other accrued expenses	\$ 137,446	\$ 1,153,863	\$ 111,181	\$ 1,402,490	\$ 406,090
Accrued payroll	174,547	170,741	17,979	363,267	-
Accrued vacation and other compensated absences	322,938	300,674	34,780	658,392	-
Construction accounts payable	472,284	-	-	472,284	-
Interest payable	194,929	98,191	9,246	302,366	-
Current portion of long-term debt	6,966,397	1,467,297	70,000	8,503,694	-
Current portion of capital lease obligation	94,459	240,606	-	335,065	-
Current portion of total other post-employment benefits liability	75,222	42,036	6,638	123,896	-
Due to other funds	-	-	903,662	903,662	-
Total current liabilities	8,438,222	3,473,408	1,153,486	13,065,116	406,090
Accrued sick pay	100,912	45,217	8,042	154,171	-
Long-term debt, net	64,273,776	22,246,168	1,515,000	88,034,944	-
Capital lease obligation, net	97,553	231,505	-	329,058	-
Total other post-employment benefits liability	1,200,490	670,862	105,925	1,977,277	-
Unearned revenue	352,800	3,317,880	-	3,670,680	-
Total Liabilities	74,463,753	29,985,040	2,782,453	107,231,246	406,090
<b>Deferred Inflows of Resources:</b>					
Deferred inflows of resources - pensions	3,008,337	3,438,099	429,762	6,876,198	-
Deferred inflows of resources - other post-employment benefits	266,604	148,985	23,524	439,113	-
Deferred gain on refunding	136,107	-	-	136,107	-
Total Deferred Inflows of Resources	3,411,048	3,587,084	453,286	7,451,418	-
<b>Net Position:</b>					
Net investment in capital assets	4,832,196	1,558,194	2,153,512	8,543,902	-
Unrestricted	9,195,897	17,823,849	2,664,481	29,684,227	(386,280)
Total Net Position	14,028,093	19,382,043	4,817,993	38,228,129	(386,280)
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 91,902,894</b>	<b>\$ 52,954,167</b>	<b>\$ 8,053,732</b>	<b>\$ 152,910,793</b>	<b>\$ 19,810</b>

(Concluded)

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

# CITY OF BETHLEHEM, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds			Total	Internal Service
	Water Fund	Sewer Fund	Other Enterprise Funds		
<b>Operating Revenues:</b>					
Charges for services	\$ 22,166,780	\$ 17,729,457	\$ 6,014,206	\$ 45,910,443	\$ 11,540,770
<b>Operating Expenses:</b>					
Salaries, wages, and fringe benefits	2,715,065	2,605,083	490,418	5,810,566	-
Professional fees	601,200	113,850	279,158	994,208	-
Utilities	206,335	714,304	19,068	939,707	-
Maintenance and repairs	129,364	978,253	294,503	1,402,120	-
Department contracts	602,286	816,729	24,473	1,443,488	-
Supplies	460,240	714,440	204,789	1,379,469	-
Service charges	3,115,517	2,504,681	676,580	6,296,778	-
Depreciation and amortization	5,781,241	4,226,098	428,719	10,436,058	-
Insurance claims	-	-	-	-	12,063,541
Administration	-	-	-	-	8,807
Other	385,253	151,449	104,475	641,177	-
<b>Total operating expenses</b>	<b>13,996,501</b>	<b>12,824,887</b>	<b>2,522,183</b>	<b>29,343,571</b>	<b>12,072,348</b>
<b>Operating Income (Loss)</b>	<b>8,170,279</b>	<b>4,904,570</b>	<b>3,492,023</b>	<b>16,566,872</b>	<b>(531,578)</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	240,269	26,665	1,987	268,921	72
Interest expense	(3,498,978)	(591,724)	(57,517)	(4,148,219)	-
Tapping fees	-	1,128,831	-	1,128,831	-
Other revenues	714,885	1,034,225	222,655	1,971,765	292,108
<b>Total non-operating revenues (expenses)</b>	<b>(2,543,824)</b>	<b>1,597,997</b>	<b>167,125</b>	<b>(778,702)</b>	<b>292,180</b>
Change in net position before transfers	5,626,455	6,502,567	3,659,148	15,788,170	(239,398)
Transfers in	8,747	5,267	2,137,573	2,151,587	-
Transfers out	(668,745)	(2,739,278)	(297,735)	(3,705,758)	-
<b>Change in Net Position</b>	<b>4,966,457</b>	<b>3,768,556</b>	<b>5,498,986</b>	<b>14,233,999</b>	<b>(239,398)</b>
<b>Net Position:</b>					
Beginning of year	9,061,636	15,613,487	(680,993)	23,994,130	(146,882)
End of year	<u>\$ 14,028,093</u>	<u>\$ 19,382,043</u>	<u>\$ 4,817,993</u>	<u>\$ 38,228,129</u>	<u>\$ (386,280)</u>

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

**CITY OF BETHLEHEM, PENNSYLVANIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds				Internal Service
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers	\$ 22,579,997	\$ 17,832,463	\$ 5,083,251	\$ 45,495,711	\$ 11,540,770
Payments to suppliers for services	(5,552,269)	(5,491,228)	(1,606,411)	(12,649,908)	(11,852,703)
Payment to employees	(4,175,080)	(4,303,182)	(612,259)	(9,090,521)	-
Net cash provided by (used in) operating activities	<u>12,852,648</u>	<u>8,038,053</u>	<u>2,864,581</u>	<u>23,755,282</u>	<u>(311,933)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Net transfers in (out)	(659,998)	(2,734,011)	(297,735)	(3,691,744)	-
Other revenues received	698,085	1,004,199	222,655	1,924,939	292,108
Net cash provided by (used in) noncapital financing activities	<u>38,087</u>	<u>(1,729,812)</u>	<u>(75,080)</u>	<u>(1,766,805)</u>	<u>292,108</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(3,613,885)	(3,345,570)	(553,569)	(7,513,024)	-
Principal payments on debt	(7,027,000)	(1,075,979)	(70,000)	(8,172,979)	-
Interest payments on debt	(1,678,488)	(591,743)	(57,925)	(2,328,156)	-
Principal payments on capital lease obligations	(123,295)	(251,909)	-	(375,204)	-
Tapping fees	-	584,309	-	584,309	-
Net cash provided by (used in) capital and related financing activities	<u>(12,442,668)</u>	<u>(4,680,892)</u>	<u>(681,494)</u>	<u>(17,805,054)</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>					
Net sale (purchase) of investments	127,782	-	-	127,782	-
Interest and dividends on investments	317,930	26,665	1,987	346,582	72
Net cash provided by (used in) investing activities	<u>445,712</u>	<u>26,665</u>	<u>1,987</u>	<u>474,364</u>	<u>72</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>893,779</b>	<b>1,654,014</b>	<b>2,109,994</b>	<b>4,657,787</b>	<b>(19,753)</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of year	13,112,336	17,292,975	854,387	31,259,698	39,563
End of year	<u>\$ 14,006,115</u>	<u>\$ 18,946,989</u>	<u>\$ 2,964,381</u>	<u>\$ 35,917,485</u>	<u>\$ 19,810</u>

(Continued)

	Enterprise Funds				Internal Service
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating income (loss)	\$ 8,170,279	\$ 4,904,570	\$ 3,492,023	\$ 16,566,872	\$ (531,578)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	5,781,241	4,226,098	428,719	10,436,058	-
Changes in balance sheet accounts:					
Accounts receivable	413,217	103,006	(930,955)	(414,732)	-
Inventories	(7,108)	(15,561)	3,503	(19,166)	-
Deferred outflows of resources - pensions	(636,588)	(724,441)	(93,194)	(1,454,223)	-
Deferred outflows of resources - other post-employment benefits liability	(69,035)	(38,579)	(9,307)	(116,921)	-
Accrued vacation and other compensated absences	25,193	10,345	14,675	50,213	-
Accrued payroll	20,351	20,699	6,134	47,184	-
Accounts payable and other accrued expenses	(44,966)	518,039	(6,868)	466,205	219,645
Net pension asset	(816,537)	(919,389)	(126,725)	(1,862,651)	-
Total OPEB liability	110,972	62,014	44,049	217,035	-
Deferred inflows of resources - pensions	(1,320)	(56,749)	40,159	(17,910)	-
Deferred inflows of resources - other post-employment benefits liability	(93,051)	(51,999)	2,368	(142,682)	-
Net cash provided by (used in) operating activities	<u>\$ 12,852,648</u>	<u>\$ 8,038,053</u>	<u>\$ 2,864,581</u>	<u>\$ 23,755,282</u>	<u>\$ (311,933)</u>
<b>Non-cash Capital and Related Financing Activities:</b>					
Accretion of capital appreciation bonds	<u>\$ 2,133,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,133,162</u>	<u>\$ -</u>
Transfer in (out) of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,137,573</u>	<u>\$ 2,137,573</u>	<u>\$ -</u>
Issuance of capital lease	<u>\$ 177,737</u>	<u>\$ 387,911</u>	<u>\$ -</u>	<u>\$ 565,648</u>	<u>\$ -</u>
					(Concluded)

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2021

	Employee Benefit Trust Fund	Custodial Fund
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 704,828
Interest and dividends receivable	161,919	-
Investments	215,625,002	-
<b>Total Assets</b>	<b>215,786,921</b>	<b>704,828</b>
<b>Net Position</b>		
Restricted for employees' retirement benefits and other purposes	215,786,921	704,828
<b>Total Net Position</b>	<b>\$ 215,786,921</b>	<b>\$ 704,828</b>

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



# CITY OF BETHLEHEM, PENNSYLVANIA

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2021

	Employee Benefit Trust Fund	Custodial Fund
<b>Additions:</b>		
<hr/>		
Contributions:		
Employee contributions	\$ 1,469,972	\$ -
Employer contributions	9,910,701	-
Total contributions	11,380,673	-
Funds received on behalf of others	-	199,405
Investment earnings (losses):		
Investment income	2,459,668	1,787
Realized and unrealized gains, net	26,553,365	-
Total investment earnings	29,013,033	1,787
Less investment expense	(1,079,971)	-
Net investment earnings (losses)	27,933,062	1,787
Total additions	39,313,735	201,192
<b>Deductions:</b>		
<hr/>		
Benefits paid	13,453,926	-
Disbursements made on behalf of others	-	133,229
Total deductions	13,453,926	133,229
<b>Change in Net Position</b>	25,859,809	67,963
<b>Net Position:</b>		
<hr/>		
Beginning of year	189,927,112	636,865
End of year	\$ 215,786,921	\$ 704,828

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## BALANCE SHEET - COMPONENT UNITS

DECEMBER 31, 2021

	Bethlehem Parking Authority	Bethlehem Public Library	Bethlehem Redevelopment Authority *	Total
<b>Assets and Deferred Outflows of Resources</b>				
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 4,555,483	\$ 391,736	\$ 399,224	\$ 5,346,443
Investments	1,293	2	-	1,295
Accounts receivable, net	90,339	-	-	90,339
Other receivables	-	-	93,866	93,866
Prepaid expenses	19,889	-	-	19,889
<b>Total current assets</b>	<b>4,667,004</b>	<b>391,738</b>	<b>493,090</b>	<b>5,551,832</b>
Restricted cash and cash equivalents	-	-	235	235
Restricted investments	1,138,304	2,679,053	156,311	3,973,668
Capital assets, not being depreciated	5,357,846	5,000	-	5,362,846
Capital assets, net	27,954,552	124,042	26,921,382	54,999,976
Net pension asset	249,549	-	102,526	352,075
<b>Total Assets</b>	<b>39,367,255</b>	<b>3,199,833</b>	<b>27,673,544</b>	<b>70,240,632</b>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows of resources - pension	256,127	-	77,770	333,897
Deferred charge on refunding	351,836	-	-	351,836
<b>Total Deferred Outflows of Resources</b>	<b>607,963</b>	<b>-</b>	<b>77,770</b>	<b>685,733</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 39,975,218</b>	<b>\$ 3,199,833</b>	<b>\$ 27,751,314</b>	<b>\$ 70,926,365</b>

(Continued)

\* - As of June 30, 2021

	Bethlehem Parking Authority	Bethlehem Public Library	Bethlehem Redevelopment Authority	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Liabilities:</b>				
Accounts payable and other accrued expenses	\$ 409,436	\$ 86,813	\$ 44,206	\$ 540,455
Accrued payroll	-	52,462	-	52,462
Accrued vacation and other compensated absences	-	14,800	-	14,800
Interest payable	153,441	-	-	153,441
Current portion of long-term debt	1,264,000	-	-	1,264,000
Unearned revenue	562,090	-	-	562,090
Total current liabilities	2,388,967	154,075	44,206	2,587,248
Long-term debt, net	24,066,597	-	-	24,066,597
Total Liabilities	26,455,564	154,075	44,206	26,653,845
<b>Deferred Inflows of Resources:</b>				
Deferred inflows of resources - pension	650,574	-	225,388	875,962
Total Deferred Inflows of Resources	650,574	-	225,388	875,962
<b>Net Position:</b>				
Net investment in capital assets	9,473,234	129,042	26,921,382	36,523,658
Restricted	-	3,020,485	-	3,020,485
Unrestricted	3,395,846	(103,769)	560,338	3,852,415
Total Net Position	12,869,080	3,045,758	27,481,720	43,396,558
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 39,975,218</b>	<b>\$ 3,199,833</b>	<b>\$ 27,751,314</b>	<b>\$ 70,926,365</b>

(Concluded)

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## STATEMENT OF ACTIVITIES - COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bethlehem Parking Authority	Bethlehem Public Library	Bethlehem Redevelopment Authority	
Bethlehem Parking Authority	\$ 6,244,339	\$ 7,308,582	\$ 599,810	\$ -	\$ 1,664,053	\$ -	\$ -	\$ 1,664,053
Bethlehem Public Library	3,066,706	113,897	2,652,985	160,482	-	(139,342)	-	(139,342)
Bethlehem Redevelopment Authority *	1,791,731	-	95,093	-	-	-	(1,696,638)	(1,696,638)
<b>Total Component Units</b>	<b>\$ 11,102,776</b>	<b>\$ 7,422,479</b>	<b>\$ 3,347,888</b>	<b>\$ 160,482</b>	<b>1,664,053</b>	<b>(139,342)</b>	<b>(1,696,638)</b>	<b>(171,927)</b>
General Revenues:								
					4,626	428,457	(263)	432,820
					4,626	428,457	(263)	432,820
					<b>1,668,679</b>	<b>289,115</b>	<b>(1,696,901)</b>	<b>260,893</b>
<b>Net Position:</b>								
					11,200,401	2,756,643	29,178,621	43,135,665
					<b>\$ 12,869,080</b>	<b>\$ 3,045,758</b>	<b>\$ 27,481,720</b>	<b>\$ 43,396,558</b>

\* - Year ended June 30, 2021

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 1. Summary of Significant Accounting Policies

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

#### Financial Reporting Entity

The City was incorporated in 1962 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania (Commonwealth). The City is a third class city, as defined by the state statutes. The City operates under a mayor-council form of government and provides a full range of services, including public safety, roads, sanitation, health, culture and recreation, and general government services.

#### 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. For the most part, the effect of interfund activity has been removed from these statements. *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.

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 properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and employee benefit trust fund 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 taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Benefits and refunds of the Employee Benefit Trust Fund are recognized when due and payable in accordance with the terms of the plans. Employer contributions to the Employee Benefit Trust Fund are recognized when due as required by applicable law.

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

Property taxes, earned income taxes, host fees, 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. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Non-Utility Capital Improvements Fund is the fund used to account for acquisition, construction, and improvement of capital assets.

The Debt Service Fund is the fund used to account for the non-utility debt payments.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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The City reports the following nonmajor governmental funds: Community Development Block Grant Fund and Liquid Fuels Fund.

The City reports the following major proprietary funds:

The Water and Sewer Funds are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing these services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Municipal Golf Fund and Stormwater Fund are the City's nonmajor proprietary funds.

The 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. The Internal Service Fund accounts for the City's externally administered health insurance.

The City's fiduciary funds are the Employee Benefit Trust Fund and Custodial Fund. The Employee Benefit Trust Fund is maintained to account for assets held by the City in a trustee capacity for individuals currently or previously employed by the City.

The Custodial Fund is used to account for funds held in escrow for other parties, is custodial in nature (assets equal liabilities), and does not involve measurement of results of operations. The Custodial Fund accounts for the earned income taxes, payroll withholdings, and tax collections for the surrounding municipalities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to citizens 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **Budgetary Accounting Control**

Formal budgetary integration is employed as a management control device during the year for all funds of the City. Annual operating budgets are legally adopted for the General Fund, Water Fund, Sewer Fund, Municipal Golf Fund, Stormwater Fund, all Capital Projects Funds, Community Development Block Grant Fund, and Liquid Fuels Fund.

Upon enactment of the budgets by City Council, any amendments are developed by individual City departments and presented to the Finance Committee of City Council. Amendments as approved by the Finance Committee are submitted to the City Council to be read in a public hearing and ratified. A ratified budget amendment becomes effective twenty days after being enacted. The Office of Budget and Finance can make intrafund budget transfers of up to five percent provided they do not alter total revenues or expenditures of such fund. Appropriations not reserved for encumbrances lapse at year-end.

### **Cash, Cash Equivalents, and Investments**

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and all certificates of deposit to be cash equivalents.

The investments in external investment pools are valued at amortized cost, which approximates fair value. All other investments of the City and its component units are stated at fair value. Fair value is determined based on the last reported sales price on the last business day of the year; securities for which no sale was reported on that date are valued at the last reported bid price. The City and its component units categorize their fair value measurements within the fair value hierarchy established by GAAP. 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.

### **Internal Balances**

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



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the General, Water, Sewer, and Stormwater Funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the months following the close of the calendar year.

During the year ended December 31, 2019, the City approved the sale of 911 equipment and the transfer of 911 services to Northampton County. The total purchase price was \$1,367,000, of which \$341,750 was received annually from Northampton County in 2019, 2020, and 2021. The remaining \$341,750 (included in due from other governments in the governmental funds balance sheet and governmental activities statement of net position) will be received in 2022.

Accounts receivable for the Parking Authority are reported at net realizable value. The Parking Authority recognizes the ticket revenue when received. As of December 31, 2021, the Parking Authority's allowance for uncollectible accounts is \$0.

### Property Taxes

Based upon assessed valuations provided by Lehigh and Northampton Counties, the City bills and collects its own property taxes. Delinquent taxes are turned over to an outside agency, which collects the taxes on behalf of the City.

The schedule for property taxes levied for 2021 is as follows:

January 1, 2021	original levy date
January 1, 2021 – March 31, 2021	2% discount period
April 1, 2021 – May 28, 2021	face payment period
May 29, 2021 - December 31, 2021	10% penalty period

In addition, City taxes may be paid in four installments due approximately February 1, April 5, June 7, and August 9 of the tax year with no discount period allowed. Any delinquent installment is subject to a penalty of 10%.

The City is permitted by the Third Class City Code to levy real estate taxes up to 25 mills on every dollar of assessed valuation for general City purposes. The City's 2021 millage was

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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8.61 for general purposes, 6.17 for public safety, 0.03 for recreation, 3.00 for debt service, 0.50 for landfill debt, and 0.83 for library, for properties in Northampton County; and 2.72 for general purposes, 1.95 for public safety, 0.01 for recreation, 0.95 for debt service, 0.16 for landfill debt, and 0.26 for library, for properties in Lehigh County.

### ***Tax Abatements***

The City's tax abatements are authorized by City Council ordinance. Under the Local Economic Revitalization Tax Assistance (LERTA) program, recipients are eligible for property tax abatement on certain improvements to deteriorated industrial, commercial, and other business property and/or deteriorated residential property. The City's tax abatement agreements do not contain recapture provisions for non-compliance. During the year ended December 31, 2021, the program was amended to include an area known as the Affordable Housing LERTA District (District). Within the District, the amount eligible for exemption is 100% of the assessment attributable to the actual cost of qualifying new construction or improvements provided that throughout the exemption period. The exemption applies when (i) the improvements made for Commercial purposes constitute ten or more dwelling units which are made solely available for use as dwelling units and (ii) 10% of those dwelling units are set aside and reserved exclusively for affordable housing by qualified persons meeting the certain low-income requirements. In the event compliance with the requirements of clauses (i) or (ii) above ceases at any time during the period in which a property is subject to the exemption, the property will be disqualified from the exemption retroactive to the date of the application to make such improvements was filed with the City. As a result of such noncompliance, the record owner of the property at the time of such noncompliance will be liable for payment of 100% of the assessment attributable to the actual cost of the improvements retroactive to the date of the application to make such improvements, which amount will constitute an immediate lien on the property, together with all charges, expenses, and fees.

There were no amounts received or receivable from other governments in association with the forgone taxes. The City did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

During the year ended December 31, 2021, the City's LERTA property tax abatements totaled approximately \$1,919,463.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

### 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, 2021, appropriate interfund receivables or payables have been established.

### Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the City would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The City maintains a capitalization threshold of \$5,000 for all capital assets.

General infrastructure assets acquired prior to December 31, 2002 consist of streets and streetlights, storm sewers, and bridges 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 assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25-50 years
Land improvements	20 years
Buildings and improvements	45 years
Equipment	5-20 years

Amortization of assets purchased under capital leases is included in depreciation expense.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### *Parking Authority*

Capital assets of the Parking Authority are reported at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of 30 years for the parking garage and 3-10 years for all other capital assets. The cost of repairs and maintenance is charged to income as incurred; renewals and betterments over \$1,000 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized as income for the period.

### *Redevelopment Authority*

All capital assets of the Redevelopment Authority are capitalized at historical cost at the acquisition date. Donated capital assets are reported at acquisition value at the date of donation. Acquisition value is the price the Redevelopment Authority would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The Redevelopment Authority maintains a capitalization threshold of \$25,000. All capital assets are depreciated, except for land, land improvements (excavation, fill, grading, landscaping), construction in progress, easements, and rights of way.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40-50 years

### **Restricted Investments**

Restricted investments represent resources set aside for the liquidation of specific obligations and capital acquisitions.

### **Bond Discounts, Bond Premiums, and Prepaid Bond Insurance**

Bond discounts, bond premiums, and prepaid bond insurance are amortized over the term of the bonds using the straight-line method, which approximates the interest method.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **Compensated Absences**

The City's vacation policy provides that employees are to take unused vacation within a year following the year it was earned or the vacation time is lost to the employee, except that with the approval of the department head and the business administrator, employees may carry up to 30 days of vacation leave. In accordance with GAAP, the City accrues such benefits as they are earned. Employees, with the exception of police officers and firefighters, are permitted, under the City's present sick leave policy, to accumulate 200 days of sick leave to be paid to the employee when proper proof of illness is demonstrated. Police officers may accumulate up to 260 days of sick leave. Firefighters may accumulate up to 170 days of sick leave. Accumulated sick leave is not paid to an employee upon termination, except upon retirement. At that time, police and fire employees receive \$30 per day for accumulated sick leave, while all other employees receive \$15 per day for the first 170 days and \$20 per day for each day over 170 days. Employees that have up to twelve years of experience and voluntarily resign receive \$10 per day for accumulated sick leave up to a maximum of 50 days.

### **Unearned Revenues**

Unearned revenue may result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date. Also included in unearned revenue are grants received in advance with eligible expenditures not yet incurred.

As of December 31, 2021, the Parking Authority included \$500,000 in current unearned revenue as a result of contribution received from the Redevelopment Authority for future parking garage improvements.

In addition to receiving advances on monthly parking permits, the Parking Authority has received advance payments under long-term parking leases. Those advances are reported as noncurrent liabilities and recognized as revenue over the life of the lease.

### **Deferred Inflows and Outflows of Resources Related to Pensions and Other Post-Employment Benefits (OPEB)**

In conjunction with pension and OPEB accounting requirements, the differences in the expected and actual experience, contributions subsequent to the measurement date, the changes in assumptions, and the difference between projected and actual earnings on pension plans investments for the City and its component units are recorded as deferred

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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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.

### Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent amount.

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

Net position of governmental activities is restricted for the following:

Community development	\$	231,467
Public works		<u>690,136</u>
Restricted net position	\$	<u><u>921,603</u></u>

**Unrestricted** – This category represents the net position of the City that is not restricted for any project or other purpose.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **Fund Balance**

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

***Nonspendable*** – This category represents funds that are not in spendable form and includes prepaid expenditures.

***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.

***Assigned*** – This category represents intentions of the Business Administrator and/or the Director of Budget and Finance to use funds for specific purposes. Through a resolution of City Council, the Business Administrator and/or Director of Budget and Finance has been delegated the responsibility to assign funds.

***Unassigned*** – This category represents all other funds not otherwise defined.

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

### **Use of Estimates**

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

### **Pending Changes in Accounting Principles**

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years including 87 (Leases), 91 (Conduit Debt Obligations), 96

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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(Information Technology Arrangements), 97 (Deferred Compensation Plans), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

The effect of implementation of these Statements has not yet been determined.

## 2. Reporting Entity

As required by GASB, the City has evaluated all related entities for possible inclusion in the financial reporting entity.

The following component unit has been included in the financial reporting entity as a blended component unit:

### **Bethlehem Authority**

The Bethlehem Authority owns the water supply and distribution systems that service the City and nearby communities while serving as a financing authority for these systems. The City operates these systems. The Bethlehem Authority is governed by five board members who are appointed by the Mayor and approved by City Council. The water supply and distribution systems were acquired through the proceeds of water revenue bonds which are guaranteed by the City. Operations are financed through user-based charges. Repayment of the bonds is financed through a lease between the City and the Bethlehem Authority. The City leases the systems for a fixed rental fee. The Bethlehem Authority does not issue separate audited financial statements.

The following component units have been included in the financial reporting entity as discretely presented component units:

### **Bethlehem Parking Authority**

The Bethlehem Parking Authority (Parking Authority) acquires, constructs, and equips parking facilities in the City. The Parking Authority is governed by five board members, all appointed by the Mayor and approved by City Council. Also, the City may require the Parking Authority to transfer surpluses to the City. During the year ended December 31, 2021, the Parking Authority made contributions to the City's General Fund of \$400,000.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Of these amounts \$30,000 related to the reimbursement of costs for the sharing of one maintenance worker between the City and the Parking Authority. The remaining \$370,000 was a general contribution to the City and is not contingent upon or payments for any services provided by the City. Separate financial statements were issued by the Parking Authority and can be obtained by contacting the Parking Authority.

### **Bethlehem Area Public Library**

The Bethlehem Area Public Library (Library) provides library services to the City and nearby communities. The Library is governed by eleven directors, seven of whom are appointed by City Council on the recommendation of the President of City Council. The remaining members are appointed by the governing boards of the municipalities of Fountain Hill, Hanover Township (Northampton County), and Bethlehem Township. The City supports the Library. The City's 2021 appropriation to the Library was \$1,416,274, which represented 48% of the Library's General Fund revenue. Title to the assets of the Library rests with the City directly or indirectly through the Board of Directors. The Library's main facility occupies, without charge, premises located in a building owned by the City. During the year ended December 31, 2021, the Library paid the City \$136,000 for utility and insurance costs. Separate financial statements were issued by the Library and can be obtained by contacting the Library.

### **Bethlehem Redevelopment Authority**

The Bethlehem Redevelopment Authority (Redevelopment Authority) was incorporated under the provisions of the Pennsylvania Urban Redevelopment Act Number 385 of May 24, 1945, as amended. The Redevelopment Authority accounts for several cooperation agreements with the City's Community Development Block Grant program and other funding sources wherein administration and other costs are provided by the Redevelopment Authority for general administrative, rehabilitation activities, and property acquisition and demolition. The Redevelopment Authority also accounts for the collection of financing district revenues from the various taxing bodies and pays for construction and construction-related costs associated with various projects within the designated Bethlehem Works Tax Increment Financing (TIF) District. This program ended during the year ended June 30, 2021. The Redevelopment Authority is governed by five board members who are appointed by the Mayor and approved by City Council. Separate financial statements were issued by the Redevelopment Authority and can be obtained by contacting the Redevelopment Authority.

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# CITY OF BETHLEHEM, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2021

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### *Related Organizations*

Related organizations are not component units, yet there is some form of accountability, other than financial accountability, that exists between the primary government and the related organization because of the appointment authority. The following are related organizations to the City:

#### **Bethlehem Housing Authority**

The Bethlehem Housing Authority (Housing Authority) has five commissioners who are appointed to staggered, five-year terms by the Mayor with City Council approval. The Housing Authority paid approximately \$466,000 in public safety reimbursements and \$91,000 in lieu of taxes to the City during the year ended December 31, 2021.

#### **Bethlehem Economic Development Corporation**

The Bethlehem Economic Development Corporation (BEDCO) has seven board members who are pre-determined by their position within the City and the Lehigh Valley Economic Development Corporation. A board member will automatically cease to be on the board upon ceasing to hold office. Four of the seven board members are from the City. The City provided enterprise zone loans to BEDCO and, as of December 31, 2021, BEDCO owes the City \$794,875. There were no payments made on this loan during the year ended December 31, 2021. The loan receivables are recorded in the Community Development Block Grant Fund.

#### **Bethlehem Revitalization and Improvement Authority**

The Bethlehem Revitalization and Improvement Authority (BRIA) has five board members who are appointed by the Mayor with City Council approval.

### **3. Deposits and Investments**

The City follows the third class city code for investment of City funds. Authorized types of investments for City funds shall be:

- a. United States Treasury bills.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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- 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 the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
  - d. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth 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.
  - f. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured, however, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations, or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities.
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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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- g. Short-term commercial paper issued by a public corporation.
- h. Banker's acceptances.
- i. Any investment authorized by 20 Pa. C.S. Ch. 73 (relating to fiduciaries' investments) shall be an authorized investment for any pension or retirement fund.

In making investment of City funds, the Council shall have authority to permit assets pledged as collateral under subsection (d)(3), to be pooled in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of public funds.

Investments of the proprietary funds primarily represent debt sinking funds, escrow deposits, and other accounts required to be maintained under bond or trust indentures. These investments are held by fiscal agents and managed in accordance with the terms of the respective indentures. Other unrestricted investments of the proprietary funds are held by fiscal agents and are managed under the direction of City management. Investments of the Employee Benefit Trust Fund are held by a fiscal agent under trust agreements that authorize the trustee to invest in any form of property, at its discretion, without restriction to investments authorized for fiduciaries, provided that the investments of the trust shall be kept separate and apart from other City funds.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **A. Deposits**

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021, the City's book balance was \$85,685,147 and the bank balance was \$84,984,409. Of the bank balance, \$3,065,102 was covered by federal depository insurance and \$81,919,307 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.

Reconciliation to total cash and cash equivalents:	
<hr/>	
Governmental activities:	
Unrestricted	\$ 49,062,834
Business-type activities:	
Unrestricted	29,693,881
Restricted	6,223,604
Fiduciary funds:	
Custodial fund	<u>704,828</u>
Total cash and cash equivalents	<u><u>\$ 85,685,147</u></u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### **B. Investments**

The fair value of the investments of the City at December 31, 2021 was as follows:

Investments:	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Money market funds	\$ 16,234,464	\$ 16,234,464	\$ -	\$ -
U.S. Government obligations	22,354,692	22,354,692	-	-
U.S. Government agency obligations	7,448,864	-	7,448,864	-
Corporate bonds and notes	11,226,004	-	11,226,004	-
Equity mutual funds:				
Domestic	20,718,327	20,718,327	-	-
International	28,518,189	28,518,189	-	-
Equities:				
Consumer discretionary	5,705,168	5,705,168	-	-
Consumer staples	2,843,856	2,843,856	-	-
Energy	579,657	579,657	-	-
Financials	6,320,295	6,320,295	-	-
Health care	7,778,498	7,778,498	-	-
Industrials	8,566,191	8,566,191	-	-
Information technology	11,304,825	11,304,825	-	-
Materials	1,312,228	1,312,228	-	-
Telecommunications	2,610,204	2,610,204	-	-
Utilities	754,491	754,491	-	-
Other	1,036,847	1,036,847	-	-
Limited partnerships	56,326,628	-	-	56,326,628
Real estate equity fund	10,175,977	-	-	10,175,977
Total investments by fair value level	221,815,405	\$ 136,637,932	\$ 18,674,868	\$ 66,502,605
Investments measured at net asset value:				
External investment pool	1,461,482			
Real estate investment trusts	1,886,844			
Total investments measured at fair value	\$ 225,163,731			

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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<u>Reconciliation to total investments</u>	
Governmental activities:	
Unrestricted	\$ 150
Business-type activities:	
Restricted	9,538,579
Fiduciary funds:	
Employee Benefit Trust Fund	<u>215,625,002</u>
Total investments	<u>\$ 225,163,731</u>

The City's investments in money market funds, U.S. Government obligations, equity mutual funds, and equities are considered Level 1 based on active market quotes. The City's investments in U.S. Government agency obligations and corporate bonds and notes are considered Level 2 based on secondary market quotes.

### *Limited partnerships*

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in Hamilton Lane Co-Investment Fund III, LP, a limited partnership, in the amount of \$3,290,156. The partnership is a feeder fund in a master-feeder structure whereby the partnership invests all of its assets in Hamilton Lane Co-Investment Fund III Holdings, LP (Holdings). The partnership's investment activities are currently being conducted indirectly through its investment in Holdings, and Holdings' investment activities are currently being conducted indirectly through its investment in Hamilton Lane Co-Investment Fund III Holdings-2 LP (Holdings-2). Holdings-2's investment objective is to achieve substantial capital appreciation through equity and equity-related investments directly in companies alongside leading buyout and growth-capital financial sponsors. Because Holdings' investments are in private equity and equity-related investments that are generally not publicly traded, market quotations are not available to be used for valuation purposes. Holdings General Partner is required to value these investments at estimated fair values using present value and other subjective techniques, which may include references to market multiples, valuations for corresponding investments prepared by the financial sponsor, valuations for comparable companies, public market or private transactions, subsequent developments concerning the companies to which the securities relate, results of operations, financial condition, cash flows, and projections of such companies provided to the General Partner and such other factors as the General Partner may deem relevant. The General Partner utilizes a valuation committee, consisting of senior members of the management team, to review and approve the valuation results related to investments. The General Partner also utilizes independent

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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valuation firms to provide third-party valuation consulting services. For investments held by the portfolio and investments that are publicly traded and for which market quotations are available, valuations are generally based on the closing sales prices, or an average of the closing bid and ask prices, as of the valuation date. Income, gains, and losses are generally allocated among the partners in proportion to each partner's contribution to the partnership's total investment capital in the portfolio company investment. At December 31, 2021, the Holdings has unfunded commitments to portfolio investments of \$47,181,200. These commitments are expected to be funded from partner capital contributions not yet called by Holdings. The partnership agreement provides that the partnership will terminate on June 20, 2025, unless extended at the discretion of the General Partner for up to two successive one-year terms, and thereafter by the General Partner with the consent of either the advisory committee or more than 50% of the Limited Partners.

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in Hamilton Lane Co-Investment Fund IV, LP, a limited partnership, in the amount of \$6,744,527. The partnership is a feeder fund in a master-feeder structure whereby the partnership invests all of its assets in Hamilton Lane Co-Investment Fund IV Holdings, LP (Fund IV Holdings). The partnership's investment activities are currently being conducted indirectly through its investment in Fund IV Holdings, and Fund IV Holdings' investment activities are currently being conducted indirectly through its investment in Hamilton Lane Co-Investment Fund IV Holdings-2 LP (Holdings-2). Holdings-2's investment objective is to achieve substantial capital appreciation through equity and equity-related investments directly in companies alongside leading buyout and growth-capital financial sponsors. Because Fund IV Holdings' investments are in private equity and equity-related investments that are generally not publicly traded, market quotations are not available to be used for valuation purposes. The General Partner of Fund IV Holdings is required to value these investments at estimated fair values using present value and other subjective techniques, which may include references to market multiples, valuations for corresponding investments prepared by the financial sponsor, valuations for comparable companies, public market or private transactions, subsequent developments concerning the companies to which the securities relate, results of operations, financial condition, cash flows, and projections of such companies provided to the General Partner and such other factors as the General Partner may deem relevant. The General Partner utilizes a valuation committee, consisting of senior members of the management team, to review and approve the valuation results related to investments. The General Partner also utilizes independent valuation firms to provide third-party valuation consulting services. For investments had by the portfolio investments that are publicly traded and for which market quotations are available, valuations are generally based on the closing sales prices, or an average of the closing bid and ask prices, as of the

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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valuation date. Income, gains, and losses are generally allocated among the partners in proportion to each partner's contribution to the partnership's total investment capital in the portfolio company investment. At December 31, 2021, the Fund IV Holdings has unfunded commitments to portfolio investments of \$6,165,775. These commitments are expected to be funded from partner capital contributions not yet called by Fund V Holdings. The partnership agreement provides that the partnership will terminate on June 20, 2029, unless extended at the discretion of the General Partner for up to two successive one-year terms, and thereafter by the General Partner with the consent of either the advisory committee or more than 50% of the Limited Partners.

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in Hamilton Lane Strategic Opportunities Fund VI (Series 2020), LP, a limited partnership, in the amount of \$4,030,798. The partnership is a feeder fund in a master-feeder structure whereby the partnership invests substantially all of its assets in Hamilton Lane Strategic Opportunities Fund VI (Series 2020) Holdings LP (Fund VI Holdings). At December 31, 2021, the Partnership had a 98.61% ownership interest in Fund VI Holdings. The partnership's investment activities are currently being conducted indirectly through its investment in Fund VI Holdings. Holdings-2's investment objective is to create a portfolio of opportunistically-oriented private market investments that generate risk adjusted returns through a flexible and diversified investment strategy, including investments in direct credit investments, secondary investments, and opportunistic investments. Because Fund VI Holdings' investments are in private equity credit and equity-related investments that are generally not publicly traded, market quotations are not available to be used for valuation purposes. The General Partner of Fund IV Holdings is required to value these investments at estimated fair values using present value and other subjective techniques, which may include references to market multiples, valuations for corresponding investments prepared by the financial sponsor, valuations for comparable companies, public market or private transactions, subsequent developments concerning the companies to which the securities relate, results of operations, financial condition, cash flows, and projections of such companies provided to the General Partner and such other factors as the General Partner may deem relevant. The General Partner utilizes a valuation committee, consisting of senior members of the management team, to review and approve the valuation results related to investments. The General Partner also utilizes independent valuation firms to provide third-party valuation consulting services. For investments had by the direct investments that are publicly traded and for which market quotations are available, valuations are generally based on the closing sales prices, or an average of the closing bid and ask prices, as of the valuation date. Income, gains and losses are generally allocated among the partners in proportion to their investment percentages. The partnership agreement provides that the

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# CITY OF BETHLEHEM, PENNSYLVANIA

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partnership will terminate on February 28, 2026, unless extended at the discretion of the General Partner for up to two successive one-year terms; and for further on-year periods with the consent of the Advisory Committee or a majority interest as defined in the partnership agreement.

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in NB Crossroads Fund XX – Asset Allocation LP (Fund), a limited partnership, in the amount of \$11,191,691. The partnership was formed for the purpose of acquiring, holding, selling, and exchanging, either directly or indirectly, interest in limited partnerships or other pooled investment vehicles that are organized to make investments in large-cap buyout, mid-cap buyout, special situations, and venture/growth capital investment funds, as well as securities, including co-investments. The partnership is one of the constituent funds of NB Crossroads Fund XX and invests substantially all of its assets in NBFOF XX – Holdings LP; which in turn invests substantially all of its assets in the NB Master Holding Funds (MHF), a group of closed-ended investment partnerships that are formed as series limited partnerships. The Fund will continue until December 31, 2022 unless earlier dissolved or extended pursuant to the Fund's limited partnership agreement. The MHF's invest in a diversified portfolio of investment partnerships. The Fund's interest in the MHF's has a defined term and no right of withdraw prior to termination of the partnership. The Fund receives its share of the distributions as the MHF's underlying investments are liquidated. The exact timing of liquidation is unknown. The Fund records its investment in the MHF by recording its proportionate share of the net assets of the MHF's. The cost basis of the investment in the MHF's is determined utilizing the Fund's allocable share of the MHF's cost basis in investee partnerships and their portfolio companies, as well as net other assets and liabilities. Realized gains and losses on the investments in the MHF's reflect the aggregate of the Fund's allocable share of gains and losses realized by the MHFs. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The General Partner has assessed these positions and concluded that all investments not valued using the practical expedient, with the exception of marketable securities, are classified as Level 3 due to significant unobservable inputs. For certain private equity investments, the Fund uses the net asset value (NAV) to value the investment. The General Partner will value the investment based primarily on the value reported as of each quarter end.

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in Adams Street Co-Investment Fund IV, LP, a limited partnership, in the amount of \$5,379,370. The Adams Street Co-Investment Fund IV, LP (Fund) was formed for the purpose of investing in co-investments. A co-investment is generally a minority investment alongside a financial

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# CITY OF BETHLEHEM, PENNSYLVANIA

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investor, which sources and structures the investment. The investment is typically made through an intermediary vehicle controlled by the sponsor, and therefore, the Fund does not have control of the disposition of the underlying asset. In order to estimate fair value, Level 1 investments of the Fund reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. For investments of the Fund measured at net asset value, the input used is the practical expedient. Generally, the fair values of investments made through investment vehicles are based on the capital account balances reported by the underlying vehicles subject to management review and adjustment. These capital account balances reflect the fair value of the underlying vehicles' investments. Profits and losses are allocated first to all partners in proportion to their capital commitments. If the Fund is in a cumulative net gain position and the limited partners have received a preferred return of 7% on unreturned capital contributions, 10% of the net gain (excluding short-term investment income) is allocated to the General Partner. At December 31, 2021, the Fund had unfunded commitments of \$5,075,366. Because of the inherent uncertainty in predicting the timing of these commitments, management is unable to estimate the fair value of these commitments. The Fund believes that it will be able to satisfy such commitments from commitments due from its limited partners, if any, and/or proceeds received from investments. The Fund will continue until January 19, 2029, subject to extension for up to two successive one-year periods at the sole discretion of the General Partner and thereafter for up to three additional one-year periods by the General Partner and a majority interest of limited partners.

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in Boyd Watterson GSA Fund, L.P., a limited partnership, in the amount of \$10,292,144. The Boyd Watterson GSA Fund, L.P. was formed for the purpose of acquiring, developing, owning, and operating a diversified portfolio of real estate investments in commercial property. Real estate investment value is based on estimated fair values. Estimated value considers the financial aspects of property, market transactions, and the relative yield for an asset as measured against alternative investments. Real estate and improvements are valued giving consideration to the income, cost, and sales comparison methods. The income approach estimates an income stream for a property (typically 10 years) and discounts this income plus reversion (presumed sale) into a present value at a risk adjusted rate. Yield rates and growth assumptions utilized in this approach are derived from market transactions as well as other financial and industry data. The cost approach estimates the replacement cost of the building less physical depreciation plus the land value. Generally, this approach provides a check on the value derived using the income approach. The sales comparison approach compares recent transactions to the appraised property. Adjustments are made for

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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dissimilarities which typically provide a range of value. Both income approach and sales comparison were used to value all of the commercial real estate investments for the year ended December 31, 2021. The terminal cap rate, overall cap rate, discount rate and term of the discounted cash flow analysis as well as other market specific inputs are significant inputs to these valuations. These rates are based on the location, type and nature of each property, and current and anticipated market conditions. Significant increases in discount or capitalization rates in isolation would result in a significantly lower fair value measurement. Significant decreases in discount or capitalization rates in isolation would result in a significantly higher fair value measurement. Each property is appraised at regular intervals by a qualified independent appraiser(s) that have the MAI designation (Member Appraisal Institute). Certain properties are recorded at appraised value. The properties were appraised by independent external appraisers and reviewed and approved by management. In accordance with the Fund's limited partnership agreement, profits, losses, or any other items allocable to any period are allocated among the Partners pro rata in proportion to the number of units held by each Partner. The Partners may request that the fund redeem all or a portion of their units by delivering written notice. A total of 1,261.37 controlling units are issued and outstanding as of December 31, 2021. The net asset value per unit calculation is based on the provisions of the Private Placement Memorandum and Operating Agreement. At December 31, 2021, the Fund had outstanding unfunded commitments of \$896,983.

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in BentallGreen Oak US Core Plus Fund, LP, (BentallGreen Fund) a limited partnership, in the amount of \$4,428,996. The BentallGreen Fund was formed for the purpose of investing in real estate and real estate related investments within the core plus investment space primarily in the United States and, to the extent permitted therein, Canada. A valuation advisor determines the fair value of the BentallGreen Funds' investments based upon BentallGreen Fund's allocable share of the fair value of the underlying investment entities net assets. The net assets of the underlying investment entities include a value for the real estate owned which is estimated in good faith by the valuation advisor. The valuation of the underlying investments in real estate is determined using methods considered by the valuation advisor to be the most appropriate for the investment. These methods include but are not limited to discounted cash flows estimates prepared internally, third party appraisals or valuations by qualified real estate appraisers, and contractual sales value of the investments/properties subject to a bona fide purchase contract. At December 31, 2021, there are no unfunded commitments to the BentallGreen Fund. The BentallGreen Fund will continue until dissolved, pursuant to the events of dissolution as defined in the limited partnership agreement.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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At December 31, 2021, the City's Employee Benefit Trust Fund was invested in Portfolio Advisors Credit Strategies Fund (Offshore), LP, a Cayman Islands exempted limited partnership, in the amount of \$7,467,189. The Portfolio Advisors Credit Strategies Fund (Portfolio Fund) was formed for the purpose of investing in credit or credit-related investments. The partnership invests in existing limited partnerships in mezzanine and credit funds in the secondary market, co-investments and direct investments in mezzanine debt and other credit opportunities as well as primary investments in mezzanine and credit funds. Profits and losses are allocated among the partners based on their respective partnership percentage. Limited partners may withdraw any amounts from their capital account upon request. The General Partner has valued the co-investments, which are primarily in privately placed securities, based on consideration of the marketability of shares, the operating results of the investments, valuation ascribed by the co-investment sponsor. The General Partner has valued the partnership's investments in limited partnerships using the net asset value (NAV) calculated by the underlying sponsor as a practical expedient to determine the independent fair value. In the event the partnership is unable to obtain the value of any investment from the applicable investment manager, the fair value of such portfolio investment will be determined by the General Partner. At December 31, 2021, the unfunded commitments related to the investments in limited partnerships was \$145,943,422. The partnership will continue until the cancellation of the Certificate of Limited Partnership.

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in NB Crossroads Fund 23 Onshore LP (NB Fund 23), a limited partnership, in the amount of \$3,501,757. The partnership was formed for the purpose of acquiring, holding, selling, and exchanging, either directly or indirectly, interest in limited partnerships or other pooled investment vehicles that are organized to make investments in large-cap buyout, mid-cap buyout, special situations, and venture/growth capital investment funds, as well as securities, including co-investments. The partnership is one of the constituent funds of NB Crossroads Fund 23 and invests substantially all of its assets in NBFOF 23 – Holdings LP; which in turn invests substantially all of its assets in the NB Master Holding Funds (MHF), a group of closed-ended investment partnerships that are formed as series limited partnerships. The Fund will continue until December 31, 2029 unless earlier dissolved or extended pursuant to the Fund's limited partnership agreement. The MHF's invest in a diversified portfolio of investment partnerships. The Fund's interest in the MHF's has a defined term and no right of withdraw prior to termination of the partnership. The Fund receives its share of the distributions as the MHF's underlying investments are liquidated. The exact timing of liquidation is unknown. The Fund records its investment in the MHF by recording its proportionate share of the net assets of the MHF's. The cost basis of the

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

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investment in the MHF's is determined utilizing the Fund's allocable share of the MHF's cost basis in investee partnerships and their portfolio companies, as well as net other assets and liabilities. Realized gains and losses on the investments in the MHF's reflect the aggregate of the Fund's allocable share of gains and losses realized by the MHFs. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The General Partner has assessed these positions and concluded that all investments not valued using the practical expedient, with the exception of marketable securities, are classified as Level 3 due to significant unobservable inputs. For certain private equity investments, the Fund uses the net asset value (NAV) to value the investment. The General Partner will value the investment based primarily on the value reported as of each quarter end.

### *Real estate equity fund*

At December 31, 2021, the City's Employee Benefit Trust Fund was invested in the Multi-Employer Property Trust, an open-end commingled real estate equity fund, in the amount of \$10,175,977. The fund is a collective investment in real estate properties and loans by funds of retirement, pension, profit sharing, and other organizations that are exempt from federal taxes. The fund's real estate investments are stated at fair value as determined by the Trustees quarterly, utilizing independent third-party appraisals. Real estate investments are affected by, among other things, availability of capital, capitalization rates, discount rates, occupancy levels, rental rates, and interest and inflation rates. As a result, determining real estate investment values involves many assumptions. The fund's investments in joint ventures are presented on a net basis and stated at estimated fair value, which is derived from the fund's equity in the net assets of the joint venture. Mortgages and other loans receivable are carried at fair value as estimated by the trustee quarterly utilizing independent pricing services, appraisals, available market data, or a discounted cash flow methodology. Mortgages and other notes payable are stated at fair value, which is determined based on the present value of future debt-service payments discounted at prevailing interest rates for comparable debt as of the reporting date. Redemption requests received in writing from participants are honored at the Trust's next valuation date. There are no unfunded commitments at December 31, 2021.

### *External investment pool*

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,

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# CITY OF BETHLEHEM, PENNSYLVANIA

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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 available to the public. Further information regarding PLGIT, and its investment strategies can be found at [www.plgit.com](http://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 Commonwealth provides external regulatory oversight for the external investment pool.

At December 31, 2021, the City held PLGIT/PRIME shares in the amount of \$1,461,482. 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, 2021, PLGIT/Reserve-Class and PLGIT/PRIME carried a AAA rating and had an average maturity of less than one year.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

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### *Real estate investment trusts (REIT)*

The following table summarizes the City's Employee Benefit Trust Fund investments in real estate investment trusts:

Real Estate Investment Trusts	Fair Value
American Tower Corporation	\$ 46,800
Digital Realty Trust, Inc.	31,836
Digitalbridge Group, Inc.	132,555
Duke Realty Corporation	53,825
Equity Residential Properties	31,675
Extra Space Storage, Inc.	27,207
Kite Realty Group Trust	410,357
Mid-Amer Apartment Communities	39,005
Nexpoint Residential Trust, Inc.	299,692
PotlatchDeltic Corporation	245,096
Prologics, Inc.	58,926
Simon Property Group, Inc.	23,965
Terreno Realty Corporation	310,285
Umh Properties, Inc.	139,793
Weyerhaesuer CP	35,827
Total real estate investment trusts	<u>\$ 1,886,844</u>

American Tower Corporation's focus is on wireless and broadcast communications infrastructure.

Digital Realty Trust, Inc.'s focus is on providing data center, colocation, and interconnection solutions for domestic and international customers.

Digitalbridge Group, Inc.'s focus is on investing in companies that provide infrastructure solutions focused on next-generation mobile and internet connectivity.

Duke Realty Corporation's focus is on property leasing, construction management, property management, development, asset management, and general contracting services.

Equity Residential Properties' focus in on investing in apartment properties.



# CITY OF BETHLEHEM, PENNSYLVANIA

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Extra Space Storage Inc.'s focus is on owning and managing self-storage units.

Kite Realty Group Trust's focus is on ownership and operation, acquisition, development, and redevelopment of high-quality neighborhood and community open-air shopping centers.

Mid-American Apartment Communities' focus is on ownership, management, acquisition, development, and redevelopment of quality apartment communities in the Southeast, Southwest, and mid-Atlantic regions of the United States.

Nextpoint Residential Trust Inc.'s focus is on the acquisition, asset management, and disposition of multi-family assets.

PotlatchDeltic Corporation's focus is on manufacture and sales of lumber, panels, and particleboard and as well as mineral rights and the leasing of land as well as the sale of land considered expendable.

Prologis, Inc. focuses on high-quality logistics facilities in the world's busiest consumption markets.

Simon Property Group Inc.'s focus is on shopping malls, outlet centers, and community lifestyle centers.

Terreno Realty Corporation's focus is on owning and operating industrial real estate in six major coastal markets.

Umh Properties, Inc's focus is on the ownership and operation of manufactured home communities.

Weyhaeuser's focus is on owning and managing timberlands, selling parcels for higher and better use, and leasing the surface and subsurface rights, and manufacturing lumber-oriented strand board and engineered wood products.

There were no unfunded commitments or redemption restrictions associated with these REITs.

*Custodial credit risk.* Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

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collateral securities that are in possession of an outside party. The City does not have an investment policy for custodial credit risk. Of the City's investments, \$97,999,037 are held by the counterparty's trust department or agent in the City's name, \$8,077,247 are held by the counterparty's trust department or agent not in the name of the City, and the remaining balance of \$119,087,447 is not exposed to custodial credit risk because the investments are not evidenced by securities in book entry or paper form.

*Foreign Currency Risk.* The City's limited partnership investments hold certain portfolio investments that are in currencies other than U.S. dollars. The value of the investments dominated in currencies other than U.S. dollars are translated into U.S. dollars at the date of valuation. The acquisition cost of the investments dominated in currencies other than U.S. dollars were translated into U.S. dollars on the date of acquisition.

*Credit risk.* The City does have a formal policy that limits the City's investment in fixed income assets to a rating of investment grade or better (Baa or BBB) for the Employee Benefit Trust Fund, but not for the City's general investments. The City's money market and fixed income investments had the following level of exposure to credit risk as of December 31, 2021:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 631,121	AAA
Money market funds	15,603,343	Unrated
U.S. Government obligations	12,298,185	AAA
U.S. Government obligations	10,056,507	AA+
U.S. Government agency obligations	2,738	Not rated
U.S. Government agency obligations	7,446,126	AAA
Corporate bonds and notes	1,009,400	AA
Corporate bonds and notes	395,103	AA-
Corporate bonds and notes	559,439	A+
Corporate bonds and notes	1,493,396	A
Corporate bonds and notes	2,243,647	A-
Corporate bonds and notes	67,670	BB+
Corporate bonds and notes	2,771,078	BBB+
Corporate bonds and notes	2,227,004	BBB
Corporate bonds and notes	459,267	BBB-
External investment pool	1,461,482	AAA

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

*Concentration of credit risk.* The City does have a formal policy that limits the amount the City may invest in any one issuer to five percent for the Employee Benefit Trust Fund, but not for the City's general investments. At December 31, 2021, the City does not hold more than five percent of the City's investments in any one issuer.

*Interest rate risk.* The City 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. The following is a list of the City's money market and fixed income investments and their related average maturities:

	Fair Value	Investment Maturities			2033 and beyond
		2022	2023-2027	2028-2032	
Money market funds	\$ 16,234,464	\$ 16,234,464	\$ -	\$ -	\$ -
U.S. Government obligations	22,354,692	11,705,483	10,649,209	-	-
U.S. Government agency obligations	7,448,864	7,446,126	-	2,738	-
Corporate bonds and notes	11,226,004	1,807,850	5,962,885	3,455,269	-
External investment pool	1,461,482	1,461,482	-	-	-
	\$ 58,725,506	\$ 38,655,405	\$ 16,612,094	\$ 3,458,007	\$ -

### C. Restricted Cash, Cash Equivalents, and Investments

#### *Business-Type Activities*

The City has restricted assets for the purpose of retiring long-term debt and related interest payments, and funding for certain capital and other projects.

#### Component Units

##### *Parking Authority*

As a component unit of the City, the Parking Authority follows the third class city code for investment of Parking Authority funds. Authorized investments for the Parking Authority are consistent with those presented for the City's investments.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **A. Deposits**

*Custodial credit risk* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Parking Authority does not have a deposit policy for custodial credit risk. As of December 31, 2021, the Parking Authority's book balance was \$4,555,483 and the bank balance was \$4,746,544. Of the bank balance at December 31, 2021, \$251,136 was covered by federal depository insurance and \$4,495,408 was collateralized under the Act No. 72, 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.

### **B. Investments**

The Parking Authority's money market funds are considered Level 1 based on quoted market prices. The fair value of the Parking Authority's money market funds at December 31, 2021 was \$1,138,304.

Restricted investments are restricted for various purposes established by bond trust indentures.

At December 31, 2021, the Parking Authority had \$1,293 invested in the Commonwealth Treasury Department's INVEST Program (INVEST). The Parking Authority uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for Parking Authority funds. INVEST was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth. INVEST's investment objective is to seek current income while maintaining liquidity and a stable net asset value per share of \$1. Further information regarding INVEST and its investment strategies can be found at [www.painvest.gov](http://www.painvest.gov). The fair value of the Parking Authority's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool.

The Parking Authority is invested in the INVEST Daily pool, which requires no minimum balance, no minimum initial investment, and has no minimum investment period.

*Custodial credit risk* – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Parking Authority does

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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not have a formal policy for custodial credit risk. The Parking Authority's investments in money market funds are held by the financial institution, not in the Parking Authority's name.

*Credit risk* – The Parking Authority does not have a formal policy that would limit its investment choices with regard to credit risk. At December 31, 2021, all investments of the Parking Authority were rated AAA.

*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. At December 31, 2021, the investments of the Parking Authority have an average weighted maturity of less than one year.

### *Library*

The deposit and investment policy of the Library adheres to prudent business practice.

#### **A. Deposits**

*Custodial credit risk* - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. As of December 31, 2021, the Library's book balance was \$391,736 and the bank balance was \$567,928. \$250,000 of the bank balance was covered by federal depository insurance and the remaining balance is covered by Act 72.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **B. Investments**

The Library's investments are considered Level 1 based on active market quotes. The fair value of the investments of the Library at December 31, 2021 was as follows:

Money market funds	\$	327,819
Equities:		
Consumer discretionary		118,834
Consumer staples		44,696
Financials		370,110
Healthcare		447,187
Information technology		760,367
Industrials		227,379
Telecommunications		382,661
Total investments	\$	<u>2,679,053</u>

*Custodial credit risk* – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Library does not have an investment policy for custodial credit risk. The Library's investment in equities are held by the financial institution, not in the Library's name. The Library's remaining investments are not exposed to custodial credit risk, because they are not evidenced by securities in book entry or paper form.

*Credit risk* – The Library does not have a formal policy that would limit its investment choices with regard to credit risk. The Library's investments had the following level of exposure to credit risk as of December 31, 2021:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 327,819	Unrated

*Concentration of credit risk* – The Library places no limit on the amount the Library may invest in any one issuer. At December 31, 2021, no investments in any one issuer were more than five percent of the Library's total investments.

*Interest rate risk* – The Library does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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interest rates. The Library's money market funds, in the amount of \$327,819, have maturities of less than one year.

### *Redevelopment Authority*

The Redevelopment Authority Board of Directors and trustee are permitted to invest the Redevelopment Authority's funds as defined in the Local Government Unit Debt Act, the Municipality Authorities Act, and the related trust indenture. Authorized types of investments include the following:

1. U.S. Treasury Bills.
2. Short-term obligations of the U.S. Government and federal agencies.
3. Short-term commercial paper issued by a public corporation.
4. Banker's acceptances.
5. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
6. General obligation bonds of the federal government, the Commonwealth, or any state agency, or of any Pennsylvania political subdivision.
7. Shares of mutual funds whose investments are restricted to the above categories.

When making investments, the Redevelopment Authority Board of Directors and trustee (as governed by the trustee indenture) can combine monies from more than one fund under the Redevelopment Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

### **A. Deposits**

*Custodial credit risk* - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Redevelopment Authority does not have a formal deposit policy for custodial credit.

As of June 30, 2021, the Redevelopment Authority's book balance was \$399,459 and the bank balance was \$407,176. Of the bank balance at June 30, 2021, \$250,000 was covered by federal depository insurance and \$157,176 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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

### **B. Investments**

The Redevelopment Authority's investments are considered Level 1 based on quoted market prices. The fair value of the Redevelopment Authority's money market funds at June 30, 2021 was \$156,311.

*Custodial credit risk* - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Redevelopment Authority does not have an investment policy for custodial credit risk. At June 30, 2021, the Redevelopment Authority was not exposed to custodial credit risk, because the investments held by the Redevelopment Authority are not evidenced by securities in book entry or paper form.

*Credit risk* - The Redevelopment Authority does not have a formal policy that would limit its investment choices with regard to credit risk. The Redevelopment Authority's money market funds were rated AAA as of June 30, 2021.

*Concentration of credit risk* - The Redevelopment Authority places no limit on the amount the Redevelopment Authority may invest in any one issuer.

*Interest rate risk* - The Redevelopment 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. At June 30, 2021 the Redevelopment Authority's money market funds have a maturity of less than one year.

### **C. Restricted Cash, Cash Equivalents, and Investments**

Certain funds are held in trust in order to comply with various restrictions imposed by debt indentures.



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### 4. Capital Assets

A summary of changes in capital assets follows:

	January 1, 2021	Additions and Transfers In	Disposals and Transfers Out	December 31, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,752,780	\$ -	\$ -	\$ 6,752,780
Construction in progress	664,694	843,477	(278,695)	1,229,476
Total capital assets not being depreciated	<u>7,417,474</u>	<u>843,477</u>	<u>(278,695)</u>	<u>7,982,256</u>
Capital assets being depreciated:				
Buildings and related improvements	34,008,088	507,788	-	34,515,876
Improvements other than buildings	55,199,776	179,231	(4,612,830)	50,766,177
Furniture, machinery, and equipment	49,889,521	3,055,710	(4,128,710)	48,816,521
Infrastructure	62,987,158	6,528,598	(6,534,021)	62,981,735
Total capital assets being depreciated	<u>202,084,543</u>	<u>10,271,327</u>	<u>(15,275,561)</u>	<u>197,080,309</u>
Less accumulated depreciation for:				
Buildings and related improvements	(29,785,451)	(965,538)	-	(30,750,989)
Improvements other than buildings	(41,574,325)	(1,670,621)	4,031,725	(39,213,221)
Furniture, machinery, and equipment	(39,857,030)	(2,545,411)	4,112,885	(38,289,556)
Infrastructure	(32,274,947)	(3,481,713)	359,246	(35,397,414)
Total accumulated depreciation	<u>(143,491,753)</u>	<u>(8,663,283)</u>	<u>8,503,856</u>	<u>(143,651,180)</u>
Total capital assets being depreciated, net	<u>58,592,790</u>	<u>1,608,044</u>	<u>(6,771,705)</u>	<u>53,429,129</u>
Governmental activities capital assets, net	<u>\$ 66,010,264</u>	<u>\$ 2,451,521</u>	<u>\$ (7,050,400)</u>	<u>\$ 61,411,385</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

	January 1, 2021	Additions and Transfers In	Disposals and Transfers Out	December 31, 2021
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,144,629	\$ -	\$ -	\$ 2,144,629
Construction in progress	6,585,006	1,590,641	(6,048,163)	2,127,484
Total capital assets not being depreciated	8,729,635	1,590,641	(6,048,163)	4,272,113
Capital assets being depreciated:				
Land improvements	2,724,455	376,206	-	3,100,661
Building and fixtures	14,367,543	190,038	-	14,557,581
Improvements other than buildings	248,599,101	10,139,272	-	258,738,373
Furniture, machinery, and equipment	5,721,209	411,982	(38,558)	6,094,633
Vehicles	6,132,440	749,629	(438,847)	6,443,222
Office equipment	148,556	-	(31,059)	117,497
Infrastructure	-	6,612,100	-	6,612,100
Total capital assets being depreciated	277,693,304	18,479,227	(508,464)	295,664,067
Less accumulated depreciation for:				
Land improvements	(1,221,558)	(117,986)	-	(1,339,544)
Building and fixtures	(13,595,966)	(127,268)	-	(13,723,234)
Improvements other than buildings	(170,598,188)	(9,381,158)	-	(179,979,346)
Furniture, machinery, and equipment	(4,967,694)	(187,369)	(29,838)	(5,184,901)
Vehicles	(4,609,085)	(325,582)	384,944	(4,549,723)
Office equipment	(127,520)	(7,960)	31,059	(104,421)
Infrastructure	-	(311,237)	(4,439,399)	(4,750,636)
Total accumulated depreciation	(195,120,011)	(10,458,560)	(4,053,234)	(209,631,805)
Total capital assets being depreciated, net	82,573,293	8,020,667	(4,561,698)	86,032,262
Business-type activities capital assets, net	\$ 91,302,928	\$ 9,611,308	\$ (10,609,861)	\$ 90,304,375

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Depreciation expense was charged to governmental activities as follows:

Administrative	\$ 69,389
Community development	112,321
Parks and public property	1,784,143
Public works	5,036,585
Police	535,365
Fire	925,631
Library	199,849
	<u>\$ 8,663,283</u>

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

Water Fund	\$ 5,781,241
Sewer Fund	4,248,600
Municipal Golf Fund	109,281
Stormwater	319,438
	<u>\$ 10,458,560</u>

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

	January 1, 2021	Additions	Disposals	December 31, 2021
Parking Authority:				
Capital assets, not being depreciated:				
Land	\$ 4,855,985	\$ -	\$ -	\$ 4,855,985
Construction in progress	2,046,566	96,879	(1,641,584)	501,861
Total capital assets, not being depreciated	<u>6,902,551</u>	<u>96,879</u>	<u>(1,641,584)</u>	<u>5,357,846</u>
Capital assets, being depreciated:				
Parking garages	45,017,686	1,827,175	-	46,844,861
Furniture and fixtures	2,254,865	473,931	-	2,728,796
Automobiles	613,532	39,364	(57,000)	595,896
Leasehold and parking lot improvements	695,726	-	-	695,726
Total capital assets, being depreciated	48,581,809	2,340,470	(57,000)	50,865,279
Less accumulated depreciation	<u>(21,286,022)</u>	<u>(1,681,705)</u>	<u>57,000</u>	<u>(22,910,727)</u>
Total capital assets, being depreciated, net	<u>27,295,787</u>	<u>658,765</u>	<u>-</u>	<u>27,954,552</u>
Total capital assets, net	<u>\$ 34,198,338</u>	<u>\$ 755,644</u>	<u>\$ (1,641,584)</u>	<u>\$ 33,312,398</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

	January 1, 2021	Additions	Disposals	December 31, 2021
Library:				
Capital assets, not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets, not being depreciated	5,000	-	-	5,000
Capital assets, being depreciated:				
Buildings and related improvements	311,677	-	-	311,677
Furniture, machinery, and equipment	864,558	14,771	(39,852)	839,477
Total capital assets, being depreciated	1,176,235	14,771	(39,852)	1,151,154
Less accumulated depreciation	(1,039,157)	(27,807)	39,852	(1,027,112)
Total capital assets, being depreciated, net	137,078	(13,036)	-	124,042
Total capital assets, net	\$ 142,078	\$ (13,036)	\$ -	\$ 129,042

	July 1, 2020	Additions	Disposals	June 30, 2021
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings	\$ 31,267,155	-	-	\$ 31,267,155
Total capital assets being depreciated	31,267,155	-	-	31,267,155
Less accumulated depreciation for:				
Buildings	(3,700,648)	(645,125)	-	(4,345,773)
Total accumulated depreciation	(3,700,648)	(645,125)	-	(4,345,773)
Total capital assets, net	\$ 27,566,507	\$ (645,125)	\$ -	\$ 26,921,382

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 5. Interfund Receivable and Payables Balances

A summary of the total amounts due from and due to other funds, by fund, at December 31, 2021 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental funds:		
General Fund	\$ -	\$ 2,119,838
Non-Utility Capital Improvements Fund	3,178,500	65,570
Other Non-Major Governmental Funds	-	155,000
Proprietary funds:		
Sewer Fund	55,000	-
Other Non-Major Enterprise Funds	10,570	903,662
Total	<u>\$ 3,244,070</u>	<u>\$ 3,244,070</u>

Interfund balances are primarily for reimbursement of expenditures paid on behalf of another fund and interfund loans for cash flow purposes.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 6. Interfund Transfers

Interfund transfers for the year ended December 31, 2021 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 2,611,089	\$ 14,279,170
Non-Utility Capital Improvements Fund	4,632,180	-
Debt Service Fund	10,727,645	-
Proprietary funds:		
Water Fund	8,747	668,745
Sewer Fund	5,267	2,739,278
Other Non-Major Enterprise Funds	2,137,573	297,735
Governmental Activities	-	2,137,573
Total	<u>\$ 20,122,501</u>	<u>\$ 20,122,501</u>

Transfers are used to (1) fulfill budgetary transfer requirements, (2) move receipts restricted to debt service from the funds collecting the receipts as debt service payments become due, and (3) transfer capital assets from governmental activities to proprietary funds.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### 7. Long-Term Obligations

#### Bonds and Notes Payable

A summary of long-term bonds and notes payable of the City at December 31, 2021 and principal and interest maturities through the next five years and thereafter, respectively, are as follows:

	Governmental Activities	Business-type Activities			Total
		Water Fund	Sewer Fund	Golf Fund	
Outstanding at beginning of year	\$ 109,472,000	\$ 73,819,402	\$ 24,351,237	\$ 1,655,000	\$ 99,825,639
Accretion of capital appreciation bonds	-	2,133,162	-	-	2,133,162
Repayment of debt	(7,466,000)	(7,027,000)	(1,075,979)	(70,000)	(8,172,979)
	102,006,000	68,925,564	23,275,258	1,585,000	93,785,822
Plus unamortized bond premium	1,107,328	2,314,609	438,207	-	2,752,816
Less unamortized bond discount	(142,376)	-	-	-	-
Outstanding at end of year	<u>\$ 102,970,952</u>	<u>\$ 71,240,173</u>	<u>\$ 23,713,465</u>	<u>\$ 1,585,000</u>	<u>\$ 96,538,638</u>

	Discretely Presented Component Unit Parking Authority
Outstanding at beginning of year	\$ 27,186,034
Issuance of debt	8,969,216
Repayment of debt	(10,651,944)
	25,503,306
Plus unamortized bond premium	(172,709)
Outstanding at end of year	<u>\$ 25,330,597</u>



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Year	Governmental Activities			Water Fund		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 8,216,000	\$ 3,035,469	\$ 11,251,469	\$ 6,966,397	\$ 1,555,037	\$ 8,521,434
2023	8,110,000	2,773,212	10,883,212	6,613,469	1,906,031	8,519,500
2024	8,380,000	2,505,318	10,885,318	6,273,536	2,248,564	8,522,100
2025	8,655,000	2,234,684	10,889,684	5,949,543	2,570,607	8,520,150
2026	8,950,000	193,422	10,884,227	5,639,801	2,879,099	8,518,900
2027-2031	42,345,000	6,163,996	48,508,996	31,762,818	8,795,808	40,558,626
2032-2035	17,350,000	963,058	18,313,058	5,720,000	214,500	5,934,500
Totals	\$ 102,006,000	\$ 19,609,964	\$ 121,615,964	\$ 68,925,564	\$ 20,169,646	\$ 89,095,210

Year	Sewer Fund			Golf Fund		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,467,297	\$ 574,877	\$ 2,042,174	\$ 70,000	\$ 55,475	\$ 125,475
2023	1,515,859	522,316	2,038,175	70,000	53,025	123,025
2024	1,574,571	467,678	2,042,249	75,000	50,575	125,575
2025	1,628,436	417,838	2,046,274	80,000	47,950	127,950
2026	1,672,457	366,567	2,039,024	80,000	45,150	125,150
2027-2031	8,903,248	1,300,168	10,203,416	445,000	181,475	626,475
2032-2036	6,153,390	396,725	6,550,115	530,000	98,175	628,175
2037-2040	360,000	13,050	373,050	235,000	12,425	247,425
Totals	\$ 23,275,258	\$ 4,059,219	\$ 27,334,477	\$ 1,585,000	\$ 544,250	\$ 2,129,250

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Parking Authority					
Years Ending December 31,	Parking Revenue Bonds Series A and B of 2015 and Series A and B of		Direct Borrowings and Placements -		Total
	2016		Bonds and Notes		
	Principal	Interest	Principal	Interest	
2022	\$ 475,000	\$ 418,137	\$ 789,000	\$ 288,210	\$ 1,970,347
2023	425,000	405,755	857,000	284,718	1,972,473
2024	440,000	394,475	942,006	261,441	2,037,922
2025	450,000	381,825	966,006	234,691	2,032,522
2026	460,000	371,031	992,006	211,115	2,034,152
2027-2031	2,470,000	1,691,775	3,846,034	630,594	8,638,403
2032-2036	2,835,000	1,325,100	499,117	521,130	5,180,347
2037-2041	3,285,000	873,450	752,745	372,610	5,283,805
2042-2046	3,815,000	350,100	752,745	203,241	5,121,086
2047-2051	-	-	451,647	40,648	492,295
	\$ 14,655,000	\$ 6,211,648	\$ 10,848,306	\$ 3,048,398	\$ 34,763,352

Total principal and interest for the primary government due through maturity is \$240,174,901.

Under the terms of its respective debt agreements, the City is required to maintain certain balances in restricted trust accounts, to make timely payments to the trustee or to a sinking fund for principal and interest, and to insure and maintain assets acquired with the proceeds of the debt.

During the year ended December 31, 2017, the City funded the outstanding balance of the City's Series A of 2011 Bonds and the outstanding balance of the Bethlehem Authority's Series A of 2011 Bonds by irrevocably placing in trust, direct obligations of the United States of America sufficient to satisfy the semi-annual interest payments and bond redemption requirements. These bonds are considered to be extinguished for financial reporting purposes and are excluded from the City's financial statements. The advance refunded portions of the City's Series A of 2011 Bonds and Bethlehem Authority's Series A of 2011 Bonds were fully redeemed in June 2021.

During the year ended December 31, 2019, the City funded the outstanding balances of the City's Series B of 2011 Notes, Series B of 2014 Bonds, and Series C of 2014 Bonds by irrevocably placing in trust, direct obligations of the United States of America sufficient to

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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satisfy the semi-annual interest payments and bond redemption requirements. These bonds are considered to be extinguished for financial reporting purposes and are excluded from the City's financial statements. The advance refunded portions of the City's Series B of 2011 Bonds were fully redeemed in June 2021. The balance outstanding on the advance refunded portions of the City's Series B of 2014 Bonds and Series C of 2014 Bonds at December 31, 2021 was \$17,585,000, and \$20,230,000, respectively.

The City has guaranteed the Bethlehem Authority Guaranteed Water Revenue Bonds, Series of 2014 for the Bethlehem Authority, a blended component unit of the City. The full amount of the Guaranteed Parking System Revenue Bonds, Series A of 2015, Series A of 2016, Series B of 2016, Series A of 2021, Series B of 2021, and Series C of 2021 issued by the Parking Authority, are guaranteed by the City for the full term of the bonds. The reimbursement obligation of the Parking Authority to the City for payments made under the Guaranty Agreement shall be subordinate to debt service payments on the bonds, reimbursement to and rights of the bond insurer, and replenishment of the debt service reserve account. The City's legal authority and limits for extending the guarantees and types of obligations guaranteed is pursuant to the provisions of the Pennsylvania Local Government Unit Debt Act. The guarantees extend through the year ending December 31, 2055 and have a total amount outstanding at December 31, 2021 of \$51,444,306. The City was not required to make any payments in accordance with the guarantee agreements during the year ended December 31, 2021.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Long-term obligations payable at December 31, 2021 are as follows:

Governmental Activities:	<u>Current Portion</u>	<u>Balance at December 31, 2021</u>
General Obligation Notes, Series of 2007, due in annual installments of \$273,000 to \$356,000 through August 2022; interest rates fixed at 3.65% through August 2017 and variable through maturity. The interest rate at December 31, 2021 is 0.00%.	\$ 356,000	\$ 356,000
Federally Taxable General Obligation Refunding Notes, Series B of 2013, due in annual installments of \$20,000 to \$840,000 through October 2026; interest rates vary from 1.688% to 4.643%.	710,000	3,865,000
General Obligation Notes, Series A of 2014, due in annual installments of \$5,000 to \$630,000 through October 2024; interest rates vary from 0.75% to 4.00%.	325,000	1,060,000
General Obligation Bonds, Series A of 2015, due in annual installments of \$30,000 to \$1,275,000 through August 2028; interest rates vary from 1.00% to 3.125%.	35,000	5,050,000
General Obligation Bonds, Series B of 2015, due in annual installments of \$250,000 to \$365,000 through August 2024; interest rates vary from 0.28% to 2.50%.	350,000	1,075,000
General Obligation Bonds, Series A of 2017, due in annual installments of \$185,000 to \$1,960,000 through December 2032; interest rates vary from 1.15% to 3.25%.	200,000	9,900,000

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Governmental Activities:	<u>Current Portion</u>	<u>Balance at December 31, 2021</u>
General Obligation Bonds, Series B of 2017, due in annual installments of \$35,000 to \$460,000 through December 2034; interest rates vary from 2.00% to 4.00%.	310,000	4,975,000
General Obligation Bonds, Series E of 2017, due in annual installments of \$5,000 to \$3,230,000 through December 2028; interest rates vary from 0.80% to 5.00%.	2,000,000	15,130,000
General Obligation Bonds, Series of 2019, due in annual installments of \$80,000 to \$430,000 through December 2034; interest rates vary from 2.00% to 3.00%.	315,000	4,770,000
General Obligation Bonds, Series A of 2019, due in annual installments of \$465,000 to \$5,230,000 through December 2034; interest rates vary from 1.89% to 3.04%.	3,330,000	51,790,000
General Obligation Bonds, Series AA of 2019, due in annual installments of \$15,000 to \$380,000 through December 2033; interest rates vary from 2.37% to 4.00%.	<u>285,000</u>	<u>4,035,000</u>
Total Governmental Activities	<u><u>\$ 8,216,000</u></u>	<u><u>\$ 102,006,000</u></u>

Governmental activities debt is expected to be liquidated by the General Fund.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Business-Type Activities:	Current	Balance at
Water Fund:	<u>Portion</u>	<u>December 31, 2021</u>
Bethlehem Authority Capital Appreciation Bonds, Series of 1998, due in annual installments of \$425,000 to \$7,320,000 from 2018 to 2028. The interest rates vary from 5.25% to 5.35%.	\$ 6,862,397	\$ 40,686,564
General Obligation Note, Series of 2007, due in annual installments of \$41,000 to \$69,000 through August 2022; interest rates fixed at 3.65% through August 2017 and variable through maturity. The interest rate at December 31, 2021 is 0.00%.	69,000	69,000
Bethlehem Authority Guaranteed Water Revenue Bonds, Series of 2014, due in annual installments of \$15,000 to \$7,625,000 through November 15, 2032; interest rates vary from 2.00% to 5.00%.	<u>35,000</u>	<u>28,170,000</u>
Total Water Fund	<u>6,966,397</u>	<u>68,925,564</u>
Sewer Fund:		
2013 Pennvest loan payable in monthly installments vary from \$416 to \$49,379, including interest at 1.00% through July 2021, followed by monthly installments of \$52,122, including interest at 1.743% through July 2036.	487,297	8,020,258
General Obligation Bonds, Series C of 2017, due in annual installments of \$5,000 to \$360,000 through December 2037; interest rates vary from 2.00% to 4.00%.	215,000	4,515,000

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Business-Type Activities:	Current	Balance at
Sewer Fund:	Portion	December 31, 2021
General Obligation Bonds, Series AA of 2019, due in annual installments of \$130,000 to \$430,000 through December 2032; interest rates vary from 2.37% to 4.00%.	335,000	4,265,000
General Obligation Bonds, Series of 2020, due in annual installments of \$55,000 to \$595,000 through April 2034; interest rates vary from 2.00% to 5.00%.	430,000	6,475,000
Total Sewer Fund	1,467,297	23,275,258
Golf Fund:		
General Obligation Bonds, Series C of 2018, due in annual installments through November 2038; including interest at 3.5%.	70,000	1,585,000
Total Business-Type Activities	\$ 8,503,694	\$ 93,785,822

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Component Units:	Balance at
Parking Authority:	<u>December 31, 2021</u>
Guaranteed Parking System Revenue Bonds, Series A of 2015, due in annual installments of \$60,000 to \$100,000, maturing in October 2022. Interest rates range from 1.091% to 3.319%. Secured by future revenues of the Parking Authority.	\$ 60,000
Guaranteed Parking System Revenue Bonds, Series A of 2016, due in annual installments of \$5,000 to \$440,000, maturing in October 2025. Interest rates range from 1.442% to 3.025%. Secured by future revenues of the Parking Authority.	1,455,000
Guaranteed Parking System Revenue Bonds, Series B of 2016, due in annual installments of \$275,000 to \$810,000, maturing in October 2046. Interest rates range from 2.00% to 3.00%. Secured by future revenues of the Parking Authority.	13,140,000
\$726,069 Guaranteed Parking System Revenue Bonds, Series A of 2021 (direct placement), authorized. Due in semiannual installments, maturing in October 2034 with interest rate of 3.5%. Secured by future revenues of the Authority.	726,069
\$2,258,237 Guaranteed Parking System Revenue Bonds, Series B of 2021 (direct placement), authorized. Due in semiannual installments, maturing in October 2049 with interest rate of 2.92%. Secured by future revenues of the Authority.	2,258,237
\$5,635,000 Guaranteed Parking System Revenue Bonds, Series C of 2021 (direct placement), authorized. Due in semiannual installments, maturing in October 2030 with interest rate of 2.44%. Secured by future revenues of the Authority.	5,635,000
\$2,550,000 Promissory Note, Series 2019, authorized and \$2,550,000 issued as of December 31, 2020, maturing December 1, 2029 and interest rates ranging from 3.400% to 4.00%. Note is secured by revenue, receipts, and money derived from or in connection with the parking system of the Parking Authority.	2,229,000
Total Parking Authority	<u>\$ 25,503,306</u>

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Other Changes in Long-Term Debt

The following represents changes in long-term liabilities, other than bond and note issues:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021
Governmental activities:				
Accrued vacation and other compensated absences	\$ 4,380,749	\$ 247,858	\$ -	\$ 4,628,607
Capital leases	3,085,858	435,440	(990,788)	2,530,510
	<u>\$ 7,466,607</u>	<u>\$ 683,298</u>	<u>\$ (990,788)</u>	<u>\$ 7,159,117</u>
Business-type activities:				
Accrued vacation and other compensated absences	\$ 634,274	\$ 178,289	\$ -	\$ 812,563
Capital leases	473,679	565,648	(375,204)	664,123
	<u>\$ 1,107,953</u>	<u>\$ 743,937</u>	<u>\$ (375,204)</u>	<u>\$ 1,476,686</u>

### Capitalized Lease Obligations Payable

The City has agreements for the lease of lighting equipment, other equipment, and vehicles, which are classified as capital leases. As of December 31, 2021, the net book value of the equipment and vehicles held under capital leases and included in capital assets was \$2,014,065 for governmental activities and \$1,088,921 for business-type activities.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

As of December 31, 2021, future minimum payments were as follows:

Year	Governmental Activities	Business-Type Activities
2022	\$ 1,011,707	\$ 356,819
2023	931,341	339,813
2024	268,237	-
2025	276,488	-
2026	212,036	-
Total commitment under capital leases	2,699,809	696,632
Less amount representing interest	169,299	32,509
Present value of future minimum lease payments	2,530,510	664,123
Less current portion	932,845	335,065
Long-term portion	<u>\$ 1,597,665</u>	<u>\$ 329,058</u>

## 8. Pension Plans

### Plan Descriptions and Administration

The City has two single-employer defined benefit plans covering Police and Firemen. The Police Plan is governed by the Bethlehem Police Pension Fund Association, comprised of the Mayor, the Director of Accounts and Finance, the Director of Public Safety, the Director of Streets and Public Improvements, the Director of Park and Public Property, the City Treasurer, and one member of the Police Department to be selected by a majority vote of the members of the Police Department who are contributors to the Police Pension Fund. The Firemen Plan is governed by the Board of Managers consisting of the Mayor, the Director of Accounts and Finance, the Director of Public Safety, the City Controller, the Chief of the Fire Department of the City, and two paid members of the Fire Department to be chosen by the members of the paid Fire Department.

The plans provide for retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided at the discretion of the Police and Firemen Retirement Boards. Benefit provisions and their amendments are authorized by the separate Pension Boards for the Police and Firemen. Contributions to the plans are

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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governed by ordinances and collective bargaining agreements. These plans do not issue separate reports.

The City previously had a single-employer benefit plan covering certain non-uniform employees known as the Officers' and Employees' Pension Plan (O&E). The O&E plan was closed for eligibility as of January 1, 1964 and was replaced by the Pennsylvania Municipal Retirement System (PMRS) plan noted below. The O&E plan was still active for those retirees who were participants prior to January 1, 1964 and elected not to transfer to PMRS. During the year ended December 31, 2017, the City purchased annuities for all retired O&E members. The City is no longer responsible for meeting the retirement obligations for these members. The insurance company is obligated to pay the remaining retirement benefits for these retired O&E members. During the year ended December 31, 2018, the remaining assets of the O&E plan were transferred to the PMRS plan.

The City participates in a pension plan administered by the PMRS covering the remainder, and larger group, of non-uniformed employees. Benefit provisions and their amendments are authorized by Pennsylvania State Act 15 for 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 Financial Report (AFR) which may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

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

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

The combining information as of the year ended December 31, 2021 for the plans is as follows:

	Police Pension Fund	Firemen Pension Fund	Employee Benefit Trust Fund Total
<b>Assets</b>			
Interest and dividends receivable	\$ 92,391	\$ 69,528	\$ 161,919
Investments	123,030,387	92,594,615	215,625,002
<b>Total Assets</b>	<b>\$ 123,122,778</b>	<b>\$ 92,664,143</b>	<b>\$ 215,786,921</b>
<b>Net Position</b>			
Restricted for employees' retirement benefits	\$ 123,122,778	\$ 92,664,143	\$ 215,786,921
<b>Total Net Position</b>	<b>\$ 123,122,778</b>	<b>\$ 92,664,143</b>	<b>\$ 215,786,921</b>
<b>Additions:</b>			
Employee contributions	\$ 775,927	\$ 694,045	\$ 1,469,972
Employer contributions	6,258,279	3,652,422	9,910,701
Investment income	1,404,032	1,055,636	2,459,668
Realized and unrealized gains (losses), net	15,179,988	11,373,377	26,553,365
Investment expense	(617,614)	(462,357)	(1,079,971)
<b>Total additions</b>	<b>23,000,612</b>	<b>16,313,123</b>	<b>39,313,735</b>
<b>Deductions:</b>			
Benefits paid	8,918,724	4,535,202	13,453,926
<b>Total deductions</b>	<b>8,918,724</b>	<b>4,535,202</b>	<b>13,453,926</b>
<b>Change in Net Position</b>	14,081,888	11,777,921	25,859,809
<b>Net Position:</b>			
Beginning of year	109,040,890	80,886,222	189,927,112
End of year	<b>\$ 123,122,778</b>	<b>\$ 92,664,143</b>	<b>\$ 215,786,921</b>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### Plan Memberships

Membership related to the Police and Firemen Plans at December 31, 2021 and membership related to the PMRS Plan at December 31, 2020 consisted of the following:

	Police	Firemen	PMRS
	All Full-time Members of the Police Force	All Full-time Members of the Fire Department	All Full-time Employees Not Previously Covered
Covered Employees			
Inactive plan members or beneficiaries currently receiving benefits	194	117	370
Inactive plan members entitled to but not yet receiving benefits	-	-	12
Active plan members	153	105	397
Total	347	222	779

### Benefit Provisions – Police

#### Members Hired Before January 1, 2012

*Retirement Benefit* - A member is eligible for normal retirement after completion of 20 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or to dependent children under the age of 18 equal to 100% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 60% of average monthly compensation after 20 years of benefit service, increasing by 2% per additional year of benefit service, up to a maximum of 70% of average monthly compensation after 25 or more years of benefit service; plus a service increment equal to 1/40<sup>th</sup> of such pension amount per year of benefit service completed by the member in excess of 20 years, up to an additional \$100 per month. Average monthly compensation is equal to the higher of 1/12<sup>th</sup> of the average annual compensation over the highest five

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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consecutive calendar years of employment or the monthly salary of the member at retirement.

*Disability Benefit* – If an active member is disabled in the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula. If an active member who has completed ten years of benefit service, but less than 15 years of benefit service, is disabled outside the line of duty, the member is eligible for a monthly disability pension equal to 30% of average monthly compensation. If an active member who has completed 15 years of benefit service, but less than 21 years of benefit service, is disabled outside of the line of duty, the member is eligible for a monthly disability pension equal to 60% of average monthly compensation. If an active member who has completed 21 or more years of benefit service is disabled outside of the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula. The disability benefit is payable upon discontinuance of any workers' compensation benefits being paid to the member.

*Death Benefit* – If an active member dies prior to retirement, a death benefit is payable to the member's surviving spouse or to dependent children under the age of 18 equal to 100% of the benefit the member would have been receiving had the member been retired at the time of the member's death.

### Members Hired On or After January 1, 2012

*Retirement Benefit* - A member is eligible for normal retirement after completion of 20 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or to dependent children under the age of 18 equal to 100% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to 1/40<sup>th</sup> of such pension amount per year of benefit service completed by the member in excess of 20 years, up to an additional \$100 per month. Average monthly compensation is equal to the higher of 1/12<sup>th</sup> of the average annual compensation over the highest five consecutive calendar years of employment or the monthly salary of the member at retirement.

*Disability Benefit* – If an active member is disabled in the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula. If an active member who has completed ten years of benefit service, but less than 15 years of benefit service, is disabled outside the line of duty, the member is

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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eligible for a monthly disability pension equal to 30% of average monthly compensation. If an active member who has completed 15 years of benefit service, but less than 21 years of benefit service, is disabled outside of the line of duty, the member is eligible for a monthly disability pension equal to 50% of average monthly compensation. If an active member who has completed 21 or more years of benefit service is disabled outside of the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula. The disability benefit is payable upon discontinuance of any workers' compensation benefits being paid to the member.

*Death Benefit* – If an active member dies prior to retirement, a death benefit is payable to the member's surviving spouse or to dependent children under the age of 18 equal to 100% of the benefit the member would have been receiving had the member been retired at the time of the member's death.

### **Benefit Provisions – Firemen**

#### Members Hired Before October 24, 2011

*Retirement Benefit* - A member is eligible for normal retirement after completion of 20 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or to dependent children under the age of 18 equal to 100% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 60% of average monthly compensation after 20 years of benefit service, increasing by 2% per additional year of benefit service, up to a maximum of 70% of average monthly compensation after 25 or more years of benefit service; plus a service increment equal to 1/40<sup>th</sup> of such pension amount per year of benefit service completed by the member in excess of 20 years, up to an additional \$100 per month. Average monthly compensation is equal to the higher of 1/12<sup>th</sup> of the average annual compensation over the highest five consecutive calendar years of employment or the monthly salary of the member at retirement.

*Disability Benefit* – If an active member is disabled in the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula based upon a minimum of 20 years of benefit service. If an active member who has completed ten years of benefit service, but less than 15 years of benefit service, is disabled outside the line of duty, the member is eligible for a monthly disability pension equal to 30% of average monthly compensation. If an active member who has completed 15

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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years of benefit service, but less than 21 years of benefit service, is disabled outside of the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula based upon a minimum of 20 years of benefit service.

*Death Benefit* – If an active member dies prior to retirement, a death benefit is payable to the member’s surviving spouse or to dependent children under the age of 18 equal to 100% of the benefit the member would have been receiving had the member been retired at the time of the member’s death.

*Deferred Retirement Option Plan (DROP) Benefit* – An active member who has attained age 57 and completed 20 years of vesting service may elect to participate in the deferred retirement option plan for a period of not more than 36 months. The member’s monthly pension shall be calculated as of the member’s date of participation in the DROP and shall be accumulated with 3.0% annual interest, compounded monthly, and distributed in a lump sum at retirement. As of December 31, 2021, there were three participants in the DROP. As of December 31, 2021, the balance held by the Firemen Plan for the DROP totaled \$218,597.

### Members Hired On or After October 24, 2011

*Retirement Benefit* - A member is eligible for normal retirement after completion of 20 years of vesting service. The normal retirement pension is payable monthly during the member’s lifetime, with payments continuing after the member’s death to the surviving spouse or to dependent children under the age of 18 equal to 100% of the amount payable to the member at the time of the member’s death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to 1/40<sup>th</sup> of such pension amount per year of benefit service completed by the member in excess of 20 years, up to an additional \$100 per month. Average monthly compensation is equal to the higher of 1/12<sup>th</sup> of the average annual compensation over the highest five consecutive calendar years of employment or the monthly salary of the member at retirement.

*Disability Benefit* – If an active member is disabled in the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula based on a minimum of 20 years of benefit service. If an active member who has completed ten years of benefit service, but less than 15 years of benefit service, is disabled outside the line of duty, the member is eligible for a monthly disability pension equal to 30% of average monthly compensation. If an active member who has completed 15



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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years of benefit service, but less than 21 years of benefit service, is disabled outside of the line of duty, the member is eligible for a monthly disability pension equal to the benefit based upon the normal retirement benefit formula based upon a minimum of 20 years of benefit service.

*Death Benefit* – If an active member dies prior to retirement, a death benefit is payable to the member’s surviving spouse or to dependent children under the age of 18 equal to 100% of the benefit the member would have been receiving had the member been retired at the time of the member’s death.

### **Benefit Provisions – PMRS**

*Retirement Benefit* - A member is eligible for normal retirement after attainment of age 55 if hired before October 4, 2013 and age 65 if hired on or after October 4, 2013. A member is 100% vested after 12 years of service. The pension benefit is equal to 2% times credited service times final average salary, but in no event is the basic benefit greater than 80% of final average salary if hired before October 4, 2013 and 65% if hired on or after October 4, 2013. Final average salary is based upon the final five years of annualized salary.

*Disability Benefit* – In the instance of a service-related disability, a 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. In the instance of a non-service related disability, a 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

*Death Benefit* – If a member is eligible to retire at time of death, the beneficiary receives the present value of the accrued benefit. At retirement, the member may select a survivor benefit.

### **Contributions**

Pennsylvania Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act of the Commonwealth (as amended) (Act 205), requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plans’ biennial actuarial valuation. According to Act 205, actuarial valuations may be made biennially and the most recent valuations for all of the City’s plans were completed as of January 1, 2019. The MMO includes the normal cost, estimated administrative expenses and an amortization of the unfunded actuarial accrued liability, less estimated member

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds that must be used for pension funding. Any financial requirements established by the MMO which exceed state and member contributions must be funded by the employer.

Police and firemen are required to contribute 7% and 8% of covered payroll, respectively, plus \$1 per month to their respective pension plans. Effective July 1, 2015, police hired on or after January 1, 2012 contribute 5% of covered payroll, plus \$1 per month. The PMRS plan requires contributions of 7.5% of covered payroll.

During the year ended December 31, 2021, the City made its annual required contribution of \$6,258,279 and \$3,652,422 for the City's Police and Firemen Plans, respectively. During the year ended December 31, 2020, the City contributed its annual required contribution of \$1,826,749 for the City's PMRS plan. During the year ended December 31, 2021, the City contributed its annual required contribution of \$1,870,888 for the City's PMRS plan. The 2021 contribution is reported as deferred outflows of resources at December 31, 2021.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### Changes in Net Pension Liability - Police

The changes in the net pension liability for the City for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 130,353,447	\$ 109,040,890	\$ 21,312,557
Changes for the year:			
Service cost	2,209,302	-	2,209,302
Interest	9,583,616	-	9,583,616
Difference between actual and expected experience	2,239,002	-	2,239,002
Changes in assumption	6,566,411	-	6,566,411
Contributions - employer	-	6,258,279	(6,258,279)
Contributions - employees	-	775,927	(775,927)
Net investment income	-	15,966,406	(15,966,406)
Benefit payments, including refunds	(8,918,724)	(8,918,724)	-
Net changes	11,679,607	14,081,888	(2,402,281)
Balances at December 31, 2021	\$ 142,033,054	\$ 123,122,778	\$ 18,910,276
Plan fiduciary net position as a percentage of the total pension liability			86.69%

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### Changes in Net Pension Liability (Asset) - Firemen

The changes in the net pension liability (asset) for the City for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2020	\$ 85,256,061	\$ 80,886,222	\$ 4,369,839
Changes for the year:			
Service cost	1,456,853	-	1,456,853
Interest	6,137,201	-	6,137,201
Differences between actual and expected experience	(695,586)	-	(695,586)
Changes in assumptions	4,006,667	-	4,006,667
Contributions - employer	-	3,652,422	(3,652,422)
Contributions - employees	-	694,045	(694,045)
Net investment income	-	11,966,656	(11,966,656)
Benefit payments, including refunds	(4,535,202)	(4,535,202)	-
Net changes	6,369,933	11,777,921	(5,407,988)
Balances at December 31, 2021	\$ 91,625,994	\$ 92,664,143	\$ (1,038,149)
Plan fiduciary net position as a percentage of the total pension liability			101.13%

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### Changes in Net Pension Liability (Asset) - PMRS

The changes in the net pension liability (asset) for the City for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	\$ 151,794,787	\$ 155,499,371	\$ (3,704,584)
Changes for the year:			
Service cost	2,601,815	-	2,601,815
Interest	7,866,690	-	7,866,690
Difference between actual and expected experience	1,031,261	-	1,031,261
Changes in assumptions	6,440,218	-	6,440,218
Contributions - employer	-	1,826,749	(1,826,749)
Contributions - employees	-	1,646,874	(1,646,874)
Net investment gain	-	22,311,623	(22,311,623)
Benefit payments, including refunds	(9,227,804)	(9,227,804)	-
Administrative expense	-	(348,491)	348,491
Net changes	8,712,180	16,208,951	(7,496,771)
Balances at December 31, 2021 (based on the measurement date of December 31, 2020)	\$ 160,506,967	\$ 171,708,322	\$ (11,201,355)
Plan fiduciary net position as a percentage of the total pension liability			106.98%

The net pension asset of the PMRS plan is allocated between governmental activities and business-type activities in the amounts of \$7,616,921 and \$3,584,434, respectively, at December 31, 2021.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### *Actuarial Assumptions – Police and Firemen*

The net pension liability (asset) was measured as of December 31, 2021 and was determined by rolling forward liabilities from the January 1, 2021 actuarial valuation. The January 1, 2021 actuarial valuations for the Police and Firemen Plans utilized the entry age normal cost method. The actuarial assumptions for the two City Plans included (a) investment rate of return of 7.0%, (b) projected salary increases of 4.0% per year, (c) inflation component of 3.0%, and (d) PubS-2010 mortality table and incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement. No significant events or changes occurred between the valuation date and the fiscal year-ends.

*Change in assumptions:* Effective with the December 31, 2021 measurement date were the following assumption changes: the discount rate was changed from 7.5% to 7.0%; mortality tables were updated to use rates projected generationally using Scale MP-2020; and projected salary increases were also adjusted.

### *Actuarial Assumptions – PMRS*

The total pension liability (asset) was determined by an actuarial valuation performed on January 1, 2021 with liabilities rolled forward to December 31, 2020, using the following actuarial assumptions, applied to all periods in the measurement:

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Actuarial assumptions:

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

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

Preretirement mortality:

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

Postretirement mortality:

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

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

*Investment Policy – Police and Firemen*

The Police and Firemen investment policy, most recently amended in 2009, outlines the goals and objectives of the Funds as well as specifies the target asset allocation, guidelines for the selection of investment managers, permissible securities, and the criteria for evaluating investment performance of the Funds. The benefit obligations for the Funds are long-term in nature and the investment of the assets should also have a long-term focus. The investment objectives for the Funds' assets are to:

- Achieve a positive rate of return over the long term sufficient to meet the Funds' actuarial interest rate and provide for payment of benefit obligations and expenses in perpetuity in a secure and prudent fashion.
- Maintain a prudent risk level that balances growth with the need to preserve capital.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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- Diversify the Funds' assets so as to minimize the risk of large losses or excessive fluctuations in market value from year to year.
- Achieve investment results over the long term that competes favorably with other pension funds' and appropriate market indices.

The Plans' policies in regard to the allocation of invested assets are established and may be amended by the respective pension Board.



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

This policy specifies the allocation of each asset class to be held by the Police and Firemen Plans:

<u>Asset Class</u>	<u>Target Percentage</u>	<u>Acceptable Range</u>
Equities:		
Large Cap Growth	10%	+/- 5%
Large Cap Core	10%	+/- 5%
Large Cap Value	10%	+/- 5%
Small Cap Core	8%	+/- 5%
Small Cap Value	2%	+/- 1%
Foreign Equities	10%	+/- 5%
Total Equities	<u>50%</u>	<u>+/- 10%</u>
Fixed Income:		
Intermediate Fixed (Cash flow manager)	20%	+/- 5%
Intermediate Fixed	18%	+/- 5%
High Yield	3%	+/- 2%
Total Fixed Income	<u>41%</u>	<u>+/- 10%</u>
Alternate Investments:		
Real Estate	3%	+/- 2%
Managed Futures	3%	+/- 2%
Life Settlement	3%	+/- 2%
Total Alternate Investments	<u>9%</u>	<u>+/- 3%</u>

### *Long-Term Expected Rate of Return – Police and Firemen*

The long-term expected rates of return on the Police and Firemen Plans investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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The target allocation and best estimates of arithmetic real rates of return for each major asset class for the Police and Firemen Plans as of December 31, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	34.0%	5.5% - 7.5%
International equity	14.0%	4.5% - 6.5%
Fixed income	30.0%	1.0% - 3.0%
Real estate	10.0%	4.5% - 6.5%
Alternative investments	12.0%	4.5% - 6.5%
	<u>100.0%</u>	

### *Long-Term Expected Rate of Return – PMRS*

The PMRS System's (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class. The methodology used by the System and an in-depth description for the process, including the anticipated rate of return by asset class, can be found at [www.pMrs.state.pa.us](http://www.pMrs.state.pa.us). Based on this methodology, the PMRS Board established the System's long-term expected rate of return at 7.8%. The rationale for the difference between the System's long-term expected rate of return and the discount rate can be found at [www.pMrs.state.pa.us](http://www.pMrs.state.pa.us).

*Rate of Return* - The money-weighted rate of return expresses investment performance, net of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2021, the annual money-weighted rate of return on Police and Firemen Plan investments, net of investment expense, was 15.10%.

*Concentrations* - The City does have a formal policy that limits the amount the City may invest in any one issuer to five percent for each individual Plan. At December 31, 2021, the City does not hold more than five percent of each individual Plans' investments in any one issuer.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### *Discount Rate – Police and Firemen*

The discount rate used to measure the total pension liability for the Police and Firemen Plans as of December 31, 2021 was 7.0%. The Plans' fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

### *Discount Rate – PMRS*

The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2020 was 5.25%. The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

*Sensitivity of the Net Pension Liability (Asset) Changes in the Discount Rate* – The following presents the net pension liability (asset) of the Police and Firemen Plans and the net pension liability (asset) of the PMRS Plan calculated using the discount rate 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 higher than the current rates:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Police	\$ 37,341,799	\$ 18,910,276	\$ 3,711,747
Firemen	\$ 10,246,318	\$ (1,038,149)	\$ (10,425,817)
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
PMRS	\$ 7,397,470	\$ (11,201,355)	\$ (26,897,822)

*Pension Expense, Deferred Outflows of Resources, and Deferred Outflows of Resources Related to Pensions*

For the year ended December 31, 2021, the City recognized pension expense of \$93,228 in the governmental activities and (\$2,736,911) in the business-type activities.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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At December 31, 2021, the City reported deferred outflows of resources related to pensions from the following sources:

	Governmental Activities	Business-Type Activities
	<u>                    </u>	<u>                    </u>
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 5,976,280	\$ 293,730
Changes in assumptions	16,661,162	1,545,652
City contributions subsequent to the measurement date	<u>1,273,015</u>	<u>597,873</u>
Total deferred outflows of resources	<u>\$ 23,910,457</u>	<u>\$ 2,437,255</u>
 <u>Deferred Inflows of Resources:</u>		
Net difference between projected and actual earnings on pension plan investments	\$ 35,332,516	\$ 6,876,198
Differences between expected and actual experience	<u>3,337,570</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 38,670,086</u>	<u>\$ 6,876,198</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending December 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ (4,332,837)	\$ (1,933,343)
2023	(6,437,622)	(887,319)
2024	(6,514,788)	(1,730,513)
2026	(3,969,682)	(485,641)
2026	1,814,137	-
Thereafter	3,408,148	-
	<u>\$ (16,032,644)</u>	<u>\$ (5,036,816)</u>

### Component Units' Pension Plans

#### Plan Description and Administration

##### *Library*

Effective January 1, 2013, the Library is no longer a part of the City's PMRS pension plan. The Library will pay the City \$165,444 per year for ten years as part of an agreement to assist the City in meeting unfunded pension plan obligations on retired or fully vested Library employees. During the year ended December 31, 2021, the Library paid \$165,444 to PMRS on behalf of the City for the eighth of the ten payments.

##### *Parking Authority*

The Parking Authority pension plan is a single-employer defined benefit pension plan controlled by the provisions of a resolution dated October 2, 2013 adopted pursuant to Act 15 of 1974. The Parking Authority pension plan participates in the PMRS.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Prior to January 1, 2013, the Parking Authority participated in the City's PMRS plan. Based on an actuarial calculation, the City transferred approximately \$2.3 million in cash and investments from its pension plan to the Parking Authority's plan during the year ended December 31, 2013. The Parking Authority will pay the City \$188,592 per year for ten years as part of a verbal agreement to assist the City in meeting unfunded pension plan obligations on retired or fully vested Parking Authority employees. During the year ended December 31, 2021, the Parking Authority paid \$188,592 to PMRS on behalf of the City for the ninth of the ten payments.

### *Redevelopment Authority*

The Redevelopment Authority's pension plan is a defined benefit pension plan adopted pursuant to Act 15 of 1974. The plan participates in the PMRS.

### Benefit Provisions

#### *Parking Authority*

Act 205 grants the authority to establish and amend the benefit terms to the Parking Authority's Board of Directors.

All full-time employees hired prior to January 1, 2018 are required to participate in the Parking Authority's pension plan.

*Normal Benefit* – Active members are eligible for normal retirement at age of 55. The basic annual benefit is equal to 2% times credited service times the final average salary but in no event is the basic benefit greater than 80% of final average salary. The final annual salary is the annual average compensation earned and paid during the member's final five years of employment. A member is 100% vested after 12 years of service.

*Early Retirement Benefit* – Early retirement may be taken any time after eight years of service, if the member is involuntarily terminated, or after 20 years of service, if the member voluntarily leaves. The benefit will be actuarially reduced for each year or partial year prior to normal retirement age that early retirement takes place.

*Survivor Benefit* – If a member is eligible to retire at the time of death, their beneficiary receives the present value of the accrued benefit.

*Disability Benefit* – In the instance of a service related disability, a 50% disability benefit is

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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provided to a member who is unable to perform gainful employment. In the instance of a non-service related disability, a 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

*Cost-of-Living Adjustments* – The Parking Authority has the option to award post-retirement adjustments based on investment performance. Currently, the adjustment is not available.

### *Redevelopment Authority*

Act 205 grants the authority to establish and amend the benefit terms to the Redevelopment Authority's Board.

All full-time employees are required to participate in PMRS. A member is 100% vested after 12 years of service.

The plan provides retirement, disability, and death benefits to plan members and their beneficiaries as outlined in the plan document.

### Plan Membership

#### *Parking Authority*

Membership of the Parking Authority's pension plan consisted of the following at the most recent actuarial valuation date of January 1, 2021:

Active employees	11
Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	<u>1</u>
Total	<u><u>28</u></u>



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### *Redevelopment Authority*

Membership of the Redevelopment Authority's pension plan consisted of the following at the most recent actuarial valuation date of January 1, 2021:

Active employees	2
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	<u>-</u>
Total	<u><u>5</u></u>

### Contributions

#### *Parking Authority*

The Parking Authority's funding policy is to fund the minimum pension plan requirement computed in accordance with Act 205. The Parking Authority's funding policy requires that annual contributions be based upon the Parking Authority pension plan's MMO, which are actuarially determined rates that should result in the accumulation of assets that are sufficient to pay benefits when due. Active employees are required to contribute an amount equal to 7.50% of compensation.

During the year ended December 31, 2020, the Parking Authority did not make the required 2020 MMO contribution and as a result, the required 2020 MMO contribution of \$104,859 was included in accounts payable and other accrued expenses in the Parking Authority's financial statements as of December 31, 2020. During the year ended December 31, 2021, the Parking Authority made a contribution of \$98,712, which was equivalent to the MMO. The 2021 contribution is reported as a deferred outflow of resources at December 31, 2021. Due to the 2020 contribution not being paid as of December 31, 2020, the accrued amount was included in December 31, 2020 pension expense. The 2020 contribution was made during the year ended December 31, 2021.

#### *Redevelopment Authority*

The Redevelopment Authority's funding policy is to fund the minimum pension plan requirement computed in accordance with Act 205. The Redevelopment Authority's funding policy requires that annual contributions be based upon the Redevelopment Authority pension plan MMO, which are actuarially determined rates that should result in the accumulation of assets that are sufficient to pay benefits when due. All full-time employees

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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are required to contribute five and a half percent of their annual covered salary. The MMO for the year ended December 31, 2020 was \$34,544. During the year ended June 30, 2020, the Redevelopment Authority made a contribution to the Redevelopment Authority pension plan in the amount of \$42,956. The MMO for the year ended December 31, 2021 was \$30,864. During the year ended June 30, 2021, the Redevelopment Authority made a contribution to the Redevelopment Authority pension plan in the amount of \$24,068.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### Changes in the Net Pension (Asset) Liability

#### *Parking Authority*

The changes in the net pension liability (asset) of the Parking Authority for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	\$ 3,679,303	\$ 3,472,917	\$ 206,386
Changes for the year:			
Service cost	90,397	-	90,397
Interest	191,641	-	191,641
Changes in assumptions	98,188	-	98,188
Difference between expected and actual experience	(196,038)	-	(196,038)
Contributions - employer	-	104,859	(104,859)
Contributions - employees	-	47,737	(47,737)
PMRS investment income	-	163,738	(163,738)
Market value investment income	-	331,603	(331,603)
Benefit payments	(241,881)	(241,881)	-
Administrative expense	-	(7,814)	7,814
Net changes	(57,693)	398,242	(455,935)
Balances at December 31, 2021 (based on the measurement date of December 31, 2020)	\$ 3,621,610	\$ 3,871,159	\$ (249,549)
Plan fiduciary net position as a percentage of the total pension liability			106.9%

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation performed on January 1, 2021, with liabilities rolled forward to December 31, 2020, using the

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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actuarial assumptions consistent with that presented for the City's PMRS pension plan, applied to all periods in the measurement.

*Changes in Assumptions* - The changes in assumptions for the Parking Authority's pension plan are consistent with that presented for the City's PMRS pension plan.

*Long-Term Expected Rate of Return* – The System's long-term expected rate of return on plan investments for the Parking Authority's pension plan is consistent with that presented for the City's PMRS pension plan.

*Discount Rate* – The System's discount rate for the Parking Authority's pension plan is consistent with that presented for the City's PMRS pension plan.

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* – The following presents the net pension liability (asset) of the Parking Authority's pension plan calculated using the discount rates described above, as well as what the Parking Authority pension plan's net pension (asset) liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
<u>\$ 188,159</u>	<u>\$ (249,549)</u>	<u>\$ (616,502)</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### *Redevelopment Authority*

The changes in the net pension liability (asset) of the Redevelopment Authority for the year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balances at June 30, 2020 (based on the measurement date of December 31, 2019)	\$ 1,042,885	\$ 1,054,188	\$ (11,303)
Changes for the year:			
Service cost	26,019	-	26,019
Interest	54,214	-	54,214
Changes in assumptions	70,311	-	70,311
Difference between expected and actual experience	23,196	-	23,196
Contributions - employer	-	34,544	(34,544)
Contributions - employees	-	9,969	(9,969)
Net investment income	-	222,791	(222,791)
Benefit payments, including refunds	(73,458)	(73,458)	-
Administrative expense	-	(2,341)	2,341
Net changes	100,282	191,505	(91,223)
Balances at June 30, 2021 (based on the measurement date of December 31, 2020)	\$ 1,143,167	\$ 1,245,693	\$ (102,526)
Plan fiduciary net position as a percentage of the total pension liability			109.0%

*Actuarial Assumptions* – The total pension liability was based on the actuarial valuation performed on January 1, 2021, measured at December 31, 2020, using the actuarial assumptions consistent with that presented for the City’s PMRS pension plan, applied to all periods in the measurement.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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*Changes in assumptions* – The System’s changes in assumptions for the Redevelopment Authority’s pension plan is consistent with that presented for the City’s PMRS pension plan.

*Long-Term Expected Rate of Return* – The System’s long-term expected rate of return on plan investments for the Redevelopment Authority’s pension plan is consistent with that presented for the City’s PMRS pension plan.

*Discount Rate* – The System’s discount rate for the Redevelopment Authority’s pension plan is consistent with that presented for the City’s PMRS pension plan.

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* – The following presents the net pension liability (asset) of the Redevelopment Authority pension plan calculated using the discount rates described above, as well as what the Redevelopment Authority pension plan’s net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
\$ 15,122	\$ (102,526)	\$ (204,521)

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

#### *Parking Authority*

For the year ended December 31, 2021, the Parking Authority recognized pension expense of \$13,025.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

At December 31, 2021, the Parking Authority reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 75,592	\$ 163,365
Parking Authority's contributions subsequent to the measurement date	98,712	-
Changes in assumptions	81,823	-
Net difference between projected and actual earnings on pension plan investments	-	487,209
Total	\$ 256,127	\$ 650,574

The differences in the Parking Authority'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 projected and actual earnings on the pension plan investments is recognized over five years. Parking Authority contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending December 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2022	\$ (153,028)
2023	(93,770)
2024	(147,424)
2025	(82,627)
2026	(16,310)
	\$ (493,159)

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### *Redevelopment Authority*

For the year ended June 30, 2021, the Redevelopment Authority recognized pension expense of (\$24,842).

At June 30, 2021, the Redevelopment Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,464	\$ -
Changes in assumptions	46,874	-
Authority contributions subsequent to the measurement date	15,432	-
Net difference between projected and actual earnings on pension plan investments	-	225,388
Total	\$ 77,770	\$ 225,388

The differences in the Redevelopment Authority's expected and actual experience and change in assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Redevelopment Authority contributions subsequent to the measurement date in the amount of \$15,432 will be recorded as a reduction to the pension liability during the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	
2022	\$ (42,164)
2023	(22,055)
2024	(64,559)
2025	(34,272)
	\$ (163,050)



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### ***Defined Contribution Pension Plan***

#### *Parking Authority*

For all employees hired after January 1, 2018, the Parking Authority administers a single-employer defined contribution plan, in which all eligible, full-time employees may elect to participate. The plan provisions are established and may be amended by the Parking Authority through the collective bargaining process. According to the 2018 to 2020 union contract, the Parking Authority will contribute 4% of each employees' wages and employees will contribute 3.5% of their wages. Vesting will occur 20% in year three and an additional 20% per year, until fully vested in year 7. An active participant must work a minimum of 1,950 hours during the plan year in order to receive an employer contribution.

## **9. Post-Employment Benefits Other Than Pensions**

### Plan Descriptions

In addition to pension benefits described in Note 8, the City provides certain post-retirement healthcare benefits to its retirees through one single-employer, defined benefit OPEB plan. However, within this one plan, there are three groups of employees with different types of benefits. The plan does not issue a separate report. No assets are accumulated in a trust for the OPEB plan.

#### Police:

Article XI of the Collective Bargaining Agreement between the City and the Fraternal Order of Police, Star Lodge #20, effective January 1, 2015, establishes retirees' eligibility for post-retirement medical benefits. Article VII Section D of the personnel manual establishes retirees' eligibility for post-retirement life-insurance benefits.

Eligibility: Any police officer who retires after completion of 20 years of service. Any employee who retires under the disability provision may begin coverage no earlier than age 41, regardless of service.

Any employee hired on or after January 1, 2012 shall not be entitled to any City-funded retiree healthcare upon retirement.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Benefits: The City will provide medical and prescription drug coverage for the retiree and spouse until Medicare eligibility. The City's maximum monthly contribution for health insurance coverage for each retiree was \$380 as of January 1, 2016 with an increase to \$400 as of January 1, 2017. If the retiree dies, his or her spouse will be covered and the City will contribute to coverage for the spouse until Medicare eligibility, unless the spouse remarries or has a job in which health insurance coverage is normally granted. If the retiree reaches Medicare eligibility prior to his or her spouse, the spouse may continue coverage and the City will contribute to coverage for the spouse until Medicare eligibility.

The City will provide each retiree \$1,500 of post-retirement life insurance coverage upon retirement. The City will also make available an additional \$1,000 of coverage at the employee's expense, if the employee paid for an additional \$30,000 of life insurance coverage while an active employee. Employees retiring on or after January 1, 2013 will only be eligible to purchase post-retirement life insurance coverage upon retirement in any amount that they are eligible for at a non-group rate.

### Firefighters:

Article X of the Collective Bargaining Agreement between the City and the Local 735 of the International Association of Firefighters (AFL-CIO), effective January 1, 2015, establishes retirees' eligibility for post-retirement medical benefits. Article VII Section D of the personnel manual establishes retirees' eligibility for post-retirement life-insurance benefits.

Eligibility: Any firefighter who retires after completion of 20 years of service and after attainment of age 38. Any employee who retires under the disability provision may begin coverage no earlier than age 38, regardless of service.

Any firefighter hired on or after October 24, 2011 shall not be entitled to any City-funded retiree healthcare upon retirement.

Benefits: The City will provide medical and prescription drug coverage for the retiree and spouse until Medicare eligibility. The City's maximum monthly contribution for health insurance coverage for each retiree was \$380 as of January 1, 2016 with an increase to \$400 as of January 1, 2017. If the retiree dies, his or her spouse will be covered and the City will contribute to coverage for the spouse until Medicare eligibility, unless the spouse remarries or has a job in which health insurance coverage is normally

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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granted. If the retiree reaches Medicare eligibility prior to his or her spouse, the spouse may continue coverage and the City will contribute to coverage for the spouse until Medicare eligibility. An employee who retires prior to age 38 shall be eligible to enter the plan at the contribution rate equal to the negotiated rate for contributions.

The City will provide each retiree \$1,500 of post-retirement life insurance coverage upon retirement. The City will also make available an additional \$1,000 of coverage at the employee's expense, if the employee paid for an additional \$30,000 of life insurance coverage while an active employee. Employees retiring on or after January 1, 2013 will only be eligible to purchase post-retirement life insurance coverage upon retirement in any amount that they are eligible for at a non-group rate.

Non-uniformed union and non-union employees:

Article IX of the Collective Bargaining Agreement between the City and the Service Employees International Union (SEIU), Local 32BJ, Mid-Atlantic District, effective January 1, 2016, establishes retirees' eligibility for post-retirement medical benefits. Article VII Section D of the personnel manual establishes retirees' eligibility for post-retirement life-insurance benefits.

Eligibility: Any non-uniformed union or non-union employee who retires after completion of 20 years of service and after attainment of age 55. Any employee who retires under the disability provision may begin coverage after 20 years of service.

Any non-uniformed union or non-union employee hired on or after October 4, 2013 shall not be entitled to any City-funded retiree healthcare upon retirement.

Benefits: The City will provide medical and prescription drug coverage for the retiree and spouse until Medicare eligibility. The City's maximum monthly contribution for health insurance coverage for each retiree is \$280. If the retiree dies, his or her spouse will be covered and the City will contribute to coverage for the spouse until Medicare eligibility, unless the spouse remarries or has a job in which health insurance coverage is normally granted. If the retiree reaches Medicare eligibility prior to his or her spouse, the spouse may continue coverage and the City will contribute to coverage for the spouse until Medicare eligibility.

The City will provide each retiree who has completed 12 years of service with \$1,500 of post-retirement life insurance coverage upon retirement. The City will also make

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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available an additional \$1,000 of coverage at the employee's expense, if the employee paid for an additional \$30,000 of life insurance coverage while an active employee. Employees retiring on or after January 1, 2013 will only be eligible to purchase post-retirement life insurance coverage upon retirement in any amount that they are eligible for at a non-group rate.

### Plan Membership

As of January 1, 2020, the latest actuarial valuation date, the OPEB plan membership was as follows:

	Police	Firefighters	Non-Uniformed Union	Non-Uniformed Non-Union	Total
Active plan members	81	69	122	68	340
Inactive plan members entitled to, but not yet receiving benefits	-	-	-	-	-
Inactive plan members or beneficiaries currently receiving benefits	110	81	118	102	411
Total	191	150	240	170	751

### Contributions

The City's contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2021, the City contributed \$621,422 to the OPEB plan.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Changes in Total OPEB Liability

The changes in total OPEB liability of the City for the year ended December 31, 2021 were as follows:

Service cost	\$ 525,709
Interest	437,852
Changes in assumptions	1,338,404
Benefit payments	<u>(621,422)</u>
Net changes	1,680,543
OPEB Liability at December 31, 2020 (based on the measurement date of December 31, 2019)	<u>13,241,980</u>
OPEB Liability at December 31, 2021 (based on the measurement date of December 31, 2020)	<u>\$ 14,922,523</u>

The total OPEB liability is allocated between the governmental activities and business-type activities in the amounts of \$12,821,350 and \$2,101,173, respectively, at December 31, 2021.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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The total OPEB liability was determined by an actuarial valuation performed on January 1, 2020 and measured at December 31, 2021, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate of return	1.93%
Projected salary increases	4.50%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later
Mortality - Police and Firefighter	PubS-2010
Mortality - Nonuniform	PubG-2010
Actuarial value of assets	Not applicable

### Changes in Actuarial Assumptions

The interest rate changed from 3.64% at December 31, 2020 to 1.93% at December 31, 2021.

### Discount Rate

The discount rate used to measure the total OPEB liability was 1.93% at December 31, 2021. The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds at January 1, 2021 with an average rating of AA or higher. 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 BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

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

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total OPEB Liability	<u>\$ 16,014,179</u>	<u>\$ 14,922,523</u>	<u>\$ 13,904,521</u>

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

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	<u>\$ 13,764,100</u>	<u>\$ 14,922,523</u>	<u>\$ 16,277,849</u>

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

For the year ended December 31, 2021 the City recognized OPEB expense of (\$93,172) in the governmental activities and (\$42,568) in business-type activities.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

At December 31, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Governmental Activities	Business-Type Activities
<b>Deferred Outflows of Resources:</b>		
Changes in assumptions	\$ 1,256,216	\$ 174,302
Differences between expected and actual experience	62,935	(4,485)
Payments subsequent to the measurement date	548,169	123,896
Total	\$ 1,867,320	\$ 293,713
	Governmental Activities	Business-Type Activities
<b>Deferred Inflows of Resources:</b>		
Changes in assumptions	\$ 206,975	\$ 30,287
Difference between expected and actual experience	2,144,904	408,826
Total	\$ 2,351,879	\$ 439,113

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 will be recorded as a decrease to the total OPEB liability during the year ending December 31, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	Governmental Activities	Business-Type Activities
2022	\$ (330,831)	\$ (96,403)
2023	(520,045)	(110,507)
2024	(416,555)	(95,363)
2025	234,703	32,977
	\$ (1,032,728)	\$ (269,296)



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **10. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The City provides a 1% matching contribution to the plan up to 4% contributed by the participants. The City contributed \$302,808 to the plan during 2021. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

### **11. Risk, Commitment and Contingencies**

#### **Federal and State Grants**

Under the terms of federal and state grants, periodic audits are required and certain costs may be disallowed as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

#### **Litigation**

The City is defending a number of lawsuits, the outcome of which, in the opinion of management, will not materially affect the financial position of the City.

#### **Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages in 2021. Settlement amounts have not exceeded insurance coverages for the current year or three prior years.

#### **Construction**

The City is committed in various construction contracts in the total amount of approximately \$3.65 million at December 31, 2021.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **Tax Incremental Financing Project**

The City, along with the Redevelopment Authority, agreed to participate in a TIF Project to finance a portion of costs associated with various redevelopment of the Bethlehem Steel site. Some of the larger projects include the Steelstacks Plaza, Levitt Pavilion, Festival Center Plaza, Hoover-Mason Trestle, and various parking lots. The City has agreed to pay to the Redevelopment Authority specified portions of the incremental real estate tax revenues created by the Project for payment of the debt service on the TIF Bonds and loans. The TIF Bonds and loans were paid in full during the year ended June 30, 2020. The program ended June 30, 2021.

As of June 30, 2021, the TIF program still had a restricted cash and cash equivalents and investment balances of \$235 and \$156,311, respectively. These funds are committed for remaining TIF related projects.

### **ArtsQuest Lease**

During the year ended June 30, 2011, the Redevelopment Authority entered into a lease agreement with ArtsQuest. The Redevelopment Authority has leased to ArtsQuest certain property, including the Levitt Pavilion, the Bethlehem Landing Building, and the Improved Plazas. The initial term of the lease was set to expire on June 1, 2020. The initial term can be extended for one additional 10-year term upon written agreement by both parties, which took place during 2020 and the new lease term is now through June 1, 2030. The lease is subject to two additional 10-year renewals, which will automatically renew unless one party provides a written termination notice to the other at least one year in advance of the applicable renewal date. ArtsQuest is to surrender the assets upon the termination of this lease, in as good order and condition as they are at the start of the lease, ordinary wear and tear and depreciation excepted. Consideration for the lease was \$1.

### **Consulting Agreement**

In March 2021, the Redevelopment Authority Board approved a consulting agreement between the Authority and the retired Executive Director to continue fulfilling duties and responsibilities as the Redevelopment Authority's Executive Director for the period April 1, 2021 through February 28, 2022. In February 2022, per an amended agreement, the retired Executive Director will act in a consulting capacity, to supplement services/duties/responsibilities of the new Executive Director for the period of March 1, 2022 through December 31, 2022. The amended agreement approved payment for services

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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in the amount of \$24,000 for year ended June 30, 2022 and \$12,000 for the year ended June 30, 2023.

### **Intergovernmental Cooperation Agreement**

In August 2021, under Resolution 1489, the Redevelopment Authority entered into the Intergovernmental Cooperation Agreement with the City, which creates a Grant Program Manager position for the City. The Grant Program Manager will also have the responsibilities of the Authority's former Administrative Coordinator position and thus eliminates all employees at the Authority. The Grant Program Manager's salary will be paid by the City, with a portion of the salary being reimbursed by the Authority to the City. The Authority has no plans at this time of hiring additional employees. Thus, creating no salaries expense for the Authority, beyond this point.

## **12. Credit Risk and Market Risk**

The City uses its authority to levy certain general purpose taxes. Major taxing revenue sources include real estate, earned income, mercantile, and business privilege taxes. These taxes account for approximately 92% of the total taxes collected by the City in 2021. Although the City has a diversified taxing base, its citizens' ability to honor their taxing obligations is substantially dependent upon the general economic condition of the region.

The fair value of the City's investments is subject to fluctuations in the prevailing market prices of those investments.

## **13. Negative Net Position**

### **Municipal Golf Fund**

The Municipal Golf Fund had a deficit net position of \$141,001 at December 31, 2021. This represents a reduction of \$539,992 from the December 31, 2020 deficit net position. The City has made several changes the last few years including a reduction in full-time positions, renegotiated the lease with the restaurant at the golf course, and made significant capital investment that should continue to reduce the deficit net position.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### **14. Conduit Debt**

#### *Redevelopment Authority*

In January 2017, the Redevelopment Authority entered into a single bond issue for which it has limited liability. The Redevelopment Authority serves as a financing conduit. In June 2019, the Authority entered into a single bond issue with Moravian College for which it has limited liability. Although the Authority is a party to the trust indentures with the associated Trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reported in the Authority's balance sheet or statement of net position. At June 30, 2021, the total conduit debt balance outstanding is \$6,270,826.

### **15. Subsequent Event**

#### *Bethlehem Authority*

In June 2022, the Bethlehem Authority issued Guaranteed Water Revenue Bonds, Series of 2022, in the amount of \$27,100,000.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

# CITY OF BETHLEHEM, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND

YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 46,869,835	\$ 46,869,835	\$ 48,544,265	\$ 1,674,430
Licenses and permits	3,437,800	3,437,800	3,487,622	49,822
Intergovernmental	11,775,778	12,297,242	8,464,272	(3,832,970)
Departmental earnings	6,827,000	6,827,000	6,793,870	(33,130)
Fines and forfeitures	400,000	400,000	423,244	23,244
Investment income	275,000	275,000	46,683	(228,317)
Municipal recreation	635,000	635,000	720,207	85,207
Host fees	9,525,000	9,525,000	9,522,009	(2,991)
Other operating revenues	1,066,000	1,066,000	1,449,488	383,488
Miscellaneous	2,686,000	2,717,565	1,548,083	(1,169,482)
Total revenues	<u>83,497,413</u>	<u>84,050,442</u>	<u>80,999,743</u>	<u>(3,050,699)</u>
<b>Expenditures:</b>				
Current:				
General government	1,096,201	1,113,791	1,077,673	36,118
Administration	2,051,075	2,120,320	2,022,626	97,694
Community development	11,284,246	11,740,526	7,465,740	4,274,786
Public works	10,649,263	10,828,753	9,848,008	980,745
Police	16,500,231	16,297,041	15,784,988	512,053
Fire	11,886,571	12,225,698	12,022,547	203,151
General	24,102,465	23,796,952	23,343,956	452,996
Civic	187,300	187,300	146,003	41,297
Library	1,416,274	1,416,274	1,416,274	-
Debt service:				
Principal	4,956,000	4,956,000	4,956,000	-
Interest	2,392,005	2,392,005	2,372,839	19,166
Total expenditures	<u>86,521,631</u>	<u>87,074,660</u>	<u>80,456,654</u>	<u>6,618,006</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(3,024,218)</u>	<u>(3,024,218)</u>	<u>543,089</u>	<u>3,567,307</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of assets	341,750	341,750	341,750	-
Transfers in	3,560,837	3,560,837	3,540,338	(20,499)
Transfers out	(878,369)	(878,369)	(878,364)	5
Total other financing sources (uses)	<u>3,024,218</u>	<u>3,024,218</u>	<u>3,003,724</u>	<u>(20,494)</u>
<b>Net Change in Fund Balance</b>	-	-	3,546,813	3,546,813
<b>Fund Balance:</b>				
Beginning of the year, budgetary basis	-	-	14,069,602	14,069,602
End of the year, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,616,415</u>	<u>\$ 17,616,415</u>

See accompanying notes to budgetary comparison schedule.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2021

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### 1. Budgetary Basis of Accounting

The City of Bethlehem prepares its budget for the General Fund on the cash basis of accounting.

### 2. Adjustment to Convert From Budgetary Basis to GAAP – General Fund

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Budgetary basis	\$ 84,881,831	\$ 81,335,018
Accrual adjustments:		
Receivables:		
Beginning of year	(10,849,617)	-
End of year	11,172,813	-
Due from/to:		
Beginning of year	7,047,699	6,325,829
End of year	(7,047,699)	(6,107,191)
Accrued liabilities:		
Beginning of year	-	(4,085,767)
End of year	-	4,479,805
Unearned and unavailable revenues:		
Beginning of year	3,189,934	-
End of year	(5,407,934)	-
Custodial transactions	19,313,985	1,445,352
Reclassifications	(1,071,522)	1,071,522
GAAP basis	<u>\$ 101,229,490</u>	<u>\$ 84,464,568</u>

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# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN THE POLICE PENSION PLAN'S NET PENSION LIABILITY AND RELATED RATIOS

	2021*	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>								
Service cost	\$ 2,209,302	\$ 2,063,923	\$ 1,975,046	\$ 2,209,414	\$ 2,114,272	\$ 2,132,733	\$ 2,040,893	\$ 2,051,464
Interest	9,583,616	9,383,511	9,144,897	8,689,540	8,420,015	7,764,382	7,503,420	6,976,913
Differences between expected and actual experience	2,239,002	-	213,001	-	3,269,690	-	4,010,737	-
Changes in assumptions	6,566,411	-	2,688,981	-	2,182,081	-	-	-
Benefit payments, including refunds	(8,918,724)	(8,287,075)	(7,767,535)	(7,222,763)	(6,848,745)	(6,328,562)	(5,984,760)	(6,032,142)
<b>Net Changes in Total Pension Liability</b>	<b>11,679,607</b>	<b>3,160,359</b>	<b>6,254,390</b>	<b>3,676,191</b>	<b>9,137,313</b>	<b>3,568,553</b>	<b>7,570,290</b>	<b>2,996,235</b>
<b>Total Pension Liability - Beginning</b>	<b>130,353,447</b>	<b>127,193,088</b>	<b>120,938,698</b>	<b>117,262,507</b>	<b>108,125,194</b>	<b>104,556,641</b>	<b>96,986,351</b>	<b>93,990,116</b>
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$142,033,054</u></b>	<b><u>\$130,353,447</u></b>	<b><u>\$127,193,088</u></b>	<b><u>\$120,938,698</u></b>	<b><u>\$117,262,507</u></b>	<b><u>\$108,125,194</u></b>	<b><u>\$104,556,641</u></b>	<b><u>\$ 96,986,351</u></b>
<b>Plan Fiduciary Net Position:</b>								
Contributions - employer	\$ 6,258,279	\$ 5,372,729	\$ 5,316,066	\$ 4,515,210	\$ 4,463,427	\$ 4,430,587	\$ 4,298,925	\$ 3,520,610
Contributions - employee	775,927	746,772	849,972	775,370	812,201	846,396	823,385	817,800
Net investment income (loss)	15,966,406	13,856,600	14,580,959	(4,267,003)	11,522,639	6,264,754	414,168	3,608,964
Benefit payments, including refunds	(8,918,724)	(8,287,075)	(7,767,535)	(7,222,763)	(6,848,745)	(6,328,562)	(5,984,760)	(6,032,142)
Administrative expense	-	(14,300)	-	(21,952)	(18,241)	(32,879)	(18,920)	(7,400)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>14,081,888</b>	<b>11,674,726</b>	<b>12,979,462</b>	<b>(6,221,138)</b>	<b>9,931,281</b>	<b>5,180,296</b>	<b>(467,202)</b>	<b>1,907,832</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>109,040,890</b>	<b>97,366,164</b>	<b>84,386,702</b>	<b>90,607,840</b>	<b>80,676,559</b>	<b>75,496,263</b>	<b>75,963,465</b>	<b>74,055,633</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>\$123,122,778</u></b>	<b><u>\$109,040,890</u></b>	<b><u>\$ 97,366,164</u></b>	<b><u>\$ 84,386,702</u></b>	<b><u>\$ 90,607,840</u></b>	<b><u>\$ 80,676,559</u></b>	<b><u>\$ 75,496,263</u></b>	<b><u>\$ 75,963,465</u></b>
<b>Net Pension Liability - Ending (a-b)</b>	<b><u>\$ 18,910,276</u></b>	<b><u>\$ 21,312,557</u></b>	<b><u>\$ 29,826,924</u></b>	<b><u>\$ 36,551,996</u></b>	<b><u>\$ 26,654,667</u></b>	<b><u>\$ 27,448,635</u></b>	<b><u>\$ 29,060,378</u></b>	<b><u>\$ 21,022,886</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b><u>86.69%</u></b>	<b><u>83.65%</u></b>	<b><u>76.55%</u></b>	<b><u>69.78%</u></b>	<b><u>77.27%</u></b>	<b><u>74.61%</u></b>	<b><u>72.21%</u></b>	<b><u>78.32%</u></b>
<b>Covered Payroll</b>	<b><u>\$ 13,060,571</u></b>	<b><u>\$ 12,741,001</u></b>	<b><u>\$ 12,894,055</u></b>	<b><u>\$ 11,814,880</u></b>	<b><u>\$ 11,580,766</u></b>	<b><u>\$ 12,453,621</u></b>	<b><u>\$ 11,756,420</u></b>	<b><u>\$ 11,524,100</u></b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b><u>144.79%</u></b>	<b><u>167.28%</u></b>	<b><u>231.32%</u></b>	<b><u>309.37%</u></b>	<b><u>230.16%</u></b>	<b><u>220.41%</u></b>	<b><u>247.19%</u></b>	<b><u>182.43%</u></b>

\* 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.



# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PENSION PLAN

	2021*	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Schedule of City Contributions</b>										
Actuarially determined contribution	\$ 6,258,279	\$ 5,372,729	\$ 5,316,066	\$ 4,515,210	\$ 4,463,427	\$ 4,430,587	\$ 4,298,925	\$ 3,520,610	\$ 3,494,690	\$ 2,520,216
Contributions in relation to the actuarially determined contributions	6,258,279	5,372,729	5,316,066	4,515,210	4,463,427	4,430,587	4,298,925	3,520,610	3,494,690	2,520,217
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)
Covered payroll	\$ 13,060,571	\$ 12,741,001	\$ 12,894,055	\$ 11,814,880	\$ 11,580,766	\$ 12,453,621	\$ 11,756,420	\$ 11,524,100		
Contributions as a percentage of covered payroll	47.92%	42.17%	41.23%	38.22%	38.54%	35.58%	36.57%	30.55%		
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	15.10%	15.24%	17.90%	-4.35%	14.27%	8.75%	0.84%			

Methods and assumptions used to determine contribution rate for the year ended December 31, 2021:

Actuarial valuation date:	January 1, 2019
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	13 years
Asset valuation method:	Market value of assets as determined by the trustee
Inflation:	3.00%
Salary increases:	4.50%
Investment rate of return:	7.50%
Retirement age:	Attainment of age 57 and completion of 20 years of service
Mortality	PubS-2010 table, including rates for disabled and retirees and contingent survivors. Incorporating rates projected generationally using Scale MP-2018 to reflect mortality improvement
Change in benefit terms:	None since January 1, 2019
Changes in actuarial assumptions:	The January 1, 2019 mortality was updated from IRS 2017 Static Combined Table for Small Plans to PubS-2010 mortality table The January 1, 2017 mortality was updated from RP2000 Table to IRS 2017 Static Combined Table for Small Plans

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# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN THE FIREMEN PENSION PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	2021*	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>								
Service cost	\$ 1,456,853	\$ 1,427,400	\$ 1,365,933	\$ 1,534,859	\$ 1,468,765	\$ 1,355,990	\$ 1,297,598	\$ 1,290,085
Interest	6,137,201	6,106,680	5,906,366	5,926,728	5,733,824	5,213,255	5,067,577	4,837,270
Differences between expected and actual experience	(695,586)	-	(4,797,370)	-	3,339,533	-	1,257,475	-
Changes in assumptions	4,006,667	-	1,993,678	-	1,635,967	-	-	-
Benefit payments, including refunds	(4,535,202)	(4,584,716)	(4,702,435)	(4,864,612)	(5,015,911)	(4,335,057)	(4,563,169)	(4,629,623)
<b>Net Changes in Total Pension Liability</b>	<b>6,369,933</b>	<b>2,949,364</b>	<b>(233,828)</b>	<b>2,596,975</b>	<b>7,162,178</b>	<b>2,234,188</b>	<b>3,059,481</b>	<b>1,497,732</b>
<b>Total Pension Liability - Beginning</b>	<b>85,256,061</b>	<b>82,306,697</b>	<b>82,540,525</b>	<b>79,943,550</b>	<b>72,781,372</b>	<b>70,547,184</b>	<b>67,487,703</b>	<b>65,989,971</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 91,625,994</b>	<b>\$ 85,256,061</b>	<b>\$ 82,306,697</b>	<b>\$ 82,540,525</b>	<b>\$ 79,943,550</b>	<b>\$ 72,781,372</b>	<b>\$ 70,547,184</b>	<b>\$ 67,487,703</b>
<b>Plan Fiduciary Net Position:</b>								
Contributions - employer	\$ 3,652,422	\$ 3,422,628	\$ 3,384,368	\$ 2,668,509	\$ 2,595,844	\$ 2,550,742	\$ 2,683,110	\$ 2,223,040
Contributions - employee	694,045	613,288	727,233	620,702	617,367	644,461	570,801	572,480
Net investment income (loss)	11,966,656	10,344,208	10,602,860	(3,092,763)	8,420,260	4,634,719	269,203	2,701,705
Benefit payments, including refunds	(4,535,202)	(4,584,716)	(4,702,435)	(4,864,612)	(5,015,911)	(4,335,057)	(4,563,169)	(4,629,623)
Administrative expense	-	(12,300)	-	(21,965)	(13,894)	(22,991)	(14,450)	(6,900)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>11,777,921</b>	<b>9,783,108</b>	<b>10,012,026</b>	<b>(4,690,129)</b>	<b>6,603,666</b>	<b>3,471,874</b>	<b>(1,054,505)</b>	<b>860,702</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>80,886,222</b>	<b>71,103,114</b>	<b>61,091,088</b>	<b>65,781,217</b>	<b>59,177,551</b>	<b>55,705,677</b>	<b>56,760,182</b>	<b>55,899,480</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 92,664,143</b>	<b>\$ 80,886,222</b>	<b>\$ 71,103,114</b>	<b>\$ 61,091,088</b>	<b>\$ 65,781,217</b>	<b>\$ 59,177,551</b>	<b>\$ 55,705,677</b>	<b>\$ 56,760,182</b>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<b>\$ (1,038,149)</b>	<b>\$ 4,369,839</b>	<b>\$ 11,203,583</b>	<b>\$ 21,449,437</b>	<b>\$ 14,162,333</b>	<b>\$ 13,603,821</b>	<b>\$ 14,841,507</b>	<b>\$ 10,727,521</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>101.13%</b>	<b>94.87%</b>	<b>86.39%</b>	<b>74.01%</b>	<b>82.28%</b>	<b>81.31%</b>	<b>78.96%</b>	<b>84.10%</b>
<b>Covered Payroll</b>	<b>\$ 8,639,120</b>	<b>\$ 8,425,386</b>	<b>\$ 8,398,361</b>	<b>\$ 7,711,777</b>	<b>\$ 7,639,322</b>	<b>\$ 8,021,606</b>	<b>\$ 6,860,596</b>	<b>\$ 7,065,479</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>-12.02%</b>	<b>51.87%</b>	<b>133.40%</b>	<b>278.14%</b>	<b>185.39%</b>	<b>169.59%</b>	<b>216.33%</b>	<b>151.83%</b>

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# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - FIREMEN PENSION PLAN

	2021*	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Schedule of City Contributions</b>										
Actuarially determined contribution	\$ 3,652,422	\$ 3,422,628	\$ 3,384,368	\$ 2,668,509	\$ 2,595,844	\$ 2,550,742	\$ 2,683,110	\$ 2,223,040	\$ 2,245,105	\$ 1,492,988
Contributions in relation to the actuarially determined contributions	3,652,422	3,422,628	3,384,368	2,668,509	2,595,844	2,550,742	2,683,110	2,223,040	2,245,105	1,492,989
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)
Covered payroll	\$ 8,639,120	\$ 8,425,386	\$ 8,398,361	\$ 7,711,777	\$ 7,639,322	\$ 8,021,606	\$ 6,860,596	\$ 7,065,479		
Contributions as a percentage of covered payroll	42.28%	40.62%	40.30%	34.60%	33.98%	31.80%	39.11%	31.46%		
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	15.10%	15.24%	17.90%	-4.35%	14.27%	8.75%	0.84%	5.73%		

Methods and assumptions used to determine contribution rate for the year ended December 31, 2021:

Actuarial valuation date:	January 1, 2019
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	10 years
Asset valuation method:	Market value of assets as determined by the trustee
Inflation:	3.00%
Salary increases:	4.50%
Investment rate of return:	7.50%
Retirement age:	Attainment of age 57 and completion of 20 years of service
Mortality	PubS-2010 table, including rates for disabled and retirees and contingent survivors. Incorporating rates projected generationally using Scale MP-2018 to reflect mortality improvement
Change in benefit terms:	None since January 1, 2019
Changes in actuarial assumptions:	The January 1, 2019 mortality was updated from IRS 2017 Static Combined Table for Small Plans to Pubs-2010 mortality table The January 1, 2017 mortality was updated from RP2000 Table to IRS 2017 Static Combined Table for Small Plans

\* 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN THE OFFICERS' AND EMPLOYEES' PENSION PLAN'S NET PENSION ASSET AND RELATED RATIOS

	2021*	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>								
Interest	\$ -	\$ -	\$ -	\$ -	\$ 105,005	\$ 364,258	\$ 398,088	\$ 444,150
Differences between expected and actual experience	-	-	-	-	1,375,308	-	(128,970)	-
Changes in assumptions	-	-	-	-	269,994	-	-	-
Benefit payments, including refunds	-	-	-	-	(6,562,548)	(817,601)	(880,698)	(977,981)
<b>Net Changes in Total Pension Liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,812,241)</b>	<b>(453,343)</b>	<b>(611,580)</b>	<b>(533,831)</b>
<b>Total Pension Liability - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,812,241</b>	<b>5,265,584</b>	<b>5,877,164</b>	<b>6,410,995</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,812,241</b>	<b>\$ 5,265,584</b>	<b>\$ 5,877,164</b>
<b>Plan Fiduciary Net Position:</b>								
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,515	\$ 1,040,430
Net investment income	-	-	-	1,794	634,981	582,408	45,544	338,756
Benefit payments, including refunds	-	-	-	-	(6,562,548)	(817,601)	(880,698)	(977,981)
Transfer to agent multiple employer plan	-	-	-	(1,115,000)	-	-	-	-
Administrative expense	-	-	-	(218)	(3,643)	(6,332)	(1,811)	(5,000)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,113,424)</b>	<b>(5,931,210)</b>	<b>(241,525)</b>	<b>(138,450)</b>	<b>396,205</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,113,424</b>	<b>7,044,634</b>	<b>7,286,159</b>	<b>7,424,609</b>	<b>7,028,404</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,113,424</b>	<b>\$ 7,044,634</b>	<b>\$ 7,286,159</b>	<b>\$ 7,424,609</b>
<b>Net Pension Asset - Ending (a-b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,113,424)</b>	<b>\$ (2,232,393)</b>	<b>\$ (2,020,575)</b>	<b>\$ (1,547,445)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>146.39%</b>	<b>138.37%</b>	<b>126.33%</b>
<b>Covered Payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Pension Asset as a Percentage of Covered Payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - OFFICERS' AND EMPLOYEES' PENSION PLAN

	2021*	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Schedule of City Contributions</b>										
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,515	\$ 1,040,430	\$ 1,051,497	\$ 432,314
Contributions in relation to the actuarially determined contributions	-	-	-	-	-	-	698,515	1,040,430	1,051,497	432,315
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	14.27%	8.75%	0.84%	5.73%	-	-	-
Methods and assumptions used to determine contribution rate for the year ended December 31, 2016:										
Actuarial valuation date:	January 1, 2015									
Actuarial cost method:	Entry age normal									
Amortization method:	Level dollar closed									
Remaining amortization period:	N/A years									
Asset valuation method:	Market value of assets as determined by the trustee									
Inflation:	3.00%									
Salary increases	4.50%									
Investment rate of return	7.50%									
Mortality	RP2000 Table. This table does not include projected mortality improvements									
Change in benefit terms:	None since January 1, 2015									

\* 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN THE CITY'S PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM PENSION PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	2021*	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>							
Service cost	\$ 2,601,815	\$ 2,563,348	\$ 2,654,019	\$ 2,563,555	\$ 2,561,288	\$ 2,610,686	\$ 2,788,823
Interest	7,866,690	7,784,805	7,594,795	7,483,384	7,409,285	7,143,983	6,983,880
Transfers	-	148,075	98,153	72,665	1,242	8,868	408,927
Changes of benefits	-	-	989,720	-	-	-	-
Changes in assumptions	6,440,218	-	-	-	3,737,933	2,482,253	-
Differences between expected and actual experience	1,031,261	-	577,841	-	1,849,458	-	425,849
Benefit payments, including refunds	(9,227,804)	(8,586,430)	(7,878,883)	(8,316,599)	(7,233,675)	(7,502,216)	(7,143,060)
<b>Net Changes in Total Pension Liability</b>	<b>8,712,180</b>	<b>1,909,798</b>	<b>4,035,645</b>	<b>1,803,005</b>	<b>8,325,531</b>	<b>4,743,574</b>	<b>3,464,419</b>
<b>Total Pension Liability - Beginning</b>	<b>151,794,787</b>	<b>149,884,989</b>	<b>145,849,344</b>	<b>144,046,339</b>	<b>135,720,808</b>	<b>130,977,234</b>	<b>127,512,815</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$160,506,967</b>	<b>\$151,794,787</b>	<b>\$149,884,989</b>	<b>\$145,849,344</b>	<b>\$144,046,339</b>	<b>\$135,720,808</b>	<b>\$130,977,234</b>
<b>Plan Fiduciary Net Position:</b>							
Contributions - employer	\$ 1,826,749	\$ 1,838,373	\$ 2,311,003	\$ 1,181,609	\$ 1,177,999	\$ 1,118,126	\$ 28,582,658
Contributions - employee	1,646,874	1,632,541	1,648,602	1,621,913	1,657,679	1,539,086	1,625,488
Net investment income	22,311,623	27,312,657	(6,213,738)	22,018,223	10,428,786	8,161	4,481,780
Transfers	-	148,075	98,153	72,665	1,242	8,868	408,927
Benefit payments, including refunds	(9,227,804)	(8,586,430)	(7,878,883)	(8,316,599)	(7,233,675)	(7,502,216)	(7,143,060)
Administrative expense	(348,491)	(265,737)	(323,867)	(327,935)	(365,238)	(301,278)	(229,161)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>16,208,951</b>	<b>22,079,479</b>	<b>(10,358,730)</b>	<b>16,249,876</b>	<b>5,666,793</b>	<b>(5,129,253)</b>	<b>27,726,632</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>155,499,371</b>	<b>133,419,892</b>	<b>143,778,622</b>	<b>127,528,746</b>	<b>121,861,953</b>	<b>126,991,206</b>	<b>99,264,574</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$171,708,322</b>	<b>\$155,499,371</b>	<b>\$133,419,892</b>	<b>\$143,778,622</b>	<b>\$127,528,746</b>	<b>\$121,861,953</b>	<b>\$126,991,206</b>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<b>\$ (11,201,355)</b>	<b>\$ (3,704,584)</b>	<b>\$ 16,465,097</b>	<b>\$ 2,070,722</b>	<b>\$ 16,517,593</b>	<b>\$ 13,858,855</b>	<b>\$ 3,986,028</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>106.98%</b>	<b>102.44%</b>	<b>89.01%</b>	<b>98.58%</b>	<b>88.53%</b>	<b>89.79%</b>	<b>96.96%</b>
<b>Covered Payroll</b>	<b>\$ 22,131,759</b>	<b>\$ 21,785,668</b>	<b>\$ 22,100,890</b>	<b>\$ 21,347,566</b>	<b>\$ 22,036,333</b>	<b>\$ 20,428,871</b>	<b>\$ 20,610,195</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>-50.61%</b>	<b>-17.00%</b>	<b>74.50%</b>	<b>9.70%</b>	<b>74.96%</b>	<b>67.84%</b>	<b>19.34%</b>

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CITY CONTRIBUTIONS - CITY'S PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

	2021*	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 1,870,888	\$ 1,837,872	\$ 1,195,583	\$ 1,181,049	\$ 1,177,599	\$ 1,117,586	\$ 821,609	\$ 4,033,848	\$ 2,939,785	\$ 3,041,355
Contributions in relation to the actuarially determined contributions	(a) 1,826,749	1,838,373	2,311,003	1,181,609	1,177,999	1,118,126	1,172,109	4,033,848	2,939,785	3,041,355
Contribution deficiency (excess)	\$ 44,139	\$ (501)	\$ (1,115,420)	\$ (560)	\$ (400)	\$ (540)	\$ (350,500)	\$ -	\$ -	\$ -
Covered payroll	\$ 22,131,759	\$ 21,785,668	\$ 22,100,890	\$ 21,347,566	\$ 22,036,333	\$ 20,428,871	\$ 20,610,195			
Contributions as a percentage of covered payroll	8.25%	8.44%	10.46%	5.54%	5.35%	5.47%	5.69%			

(a) During the year ended December 31, 2018, the City transferred the remaining assets of the O&E plan to the PMRS plan in the amount of \$1,115,000.

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Methods and assumptions used to determine contribution rates:

Actuarial valuation date:	January 1, 2017
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	Based on periods in Act 205
Asset valuation method:	Based on the municipal reserves
Underlying inflation rate:	2.80%
Projected salary increases:	Age related scale with merit and inflation component
Investment rate of return:	5.25%
Cost-of-living adjustment increase:	2.80%
Pre-retirement mortality:	Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
Post-retirement mortality:	Males: RP 2000 Annuitant Male table projected 5 years with Scale AA Females: RP 2000 Annuitant Female table projected 10 years with Scale AA, setback five years

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; post-retirement cost of living decreased from 2.8% to 2.2%; projected salary increases were also adjusted.

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN THE BETHLEHEM PARKING AUTHORITY PENSION PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	2021*	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>							
Service cost	\$ 90,397	\$ 122,656	\$ 148,920	\$ 140,452	\$ 135,799	\$ 142,903	\$ 158,054
Interest	191,641	190,432	178,494	169,771	143,736	135,565	131,874
Changes in assumptions	98,188	-	-	-	88,483	72,908	-
Benefit payments, including refunds	(241,881)	(273,305)	(177,825)	(127,881)	(88,057)	(300,495)	(84,529)
Differences between expected and actual experience	(196,038)	-	151,186	-	355,416	-	162,885
<b>Net Changes in Total Pension Liability</b>	(57,693)	39,783	300,775	182,342	635,377	50,881	368,284
<b>Total Pension Liability - Beginning</b>	3,679,303	3,639,520	3,338,745	3,156,403	2,521,026	2,470,145	2,101,861
<b>Total Pension Liability - Ending (a)</b>	\$ 3,621,610	\$ 3,679,303	\$ 3,639,520	\$ 3,338,745	\$ 3,156,403	\$ 2,521,026	\$ 2,470,145
<b>Plan Fiduciary Net Position:</b>							
Contributions - employer	\$ 104,859	\$ 114,185	\$ 68,231	\$ 67,090	\$ 64,855	\$ 59,568	\$ 64,369
Contributions - employee	47,737	64,776	76,989	72,673	71,208	74,413	68,403
PMRS Net investment income (loss)	163,738	155,900	156,148	441,283	209,374	181,173	(98,056)
Market value investment income	331,603	449,947	(268,254)	296,295	-	-	-
Benefit payments, including refunds	(241,881)	(273,305)	(177,825)	(127,881)	(88,057)	(300,495)	(84,529)
Administrative expense	(7,814)	(6,069)	(7,628)	(7,268)	(7,550)	(5,984)	(5,978)
<b>Net Change in Plan Fiduciary Net Position</b>	398,242	505,434	(152,339)	742,192	249,830	8,675	(55,791)
<b>Plan Fiduciary Net Position - Beginning</b>	3,472,917	2,967,483	3,119,822	2,673,925	2,424,095	2,415,420	2,471,211
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 3,871,159	\$ 3,472,917	\$ 2,967,483	\$ 3,416,117	\$ 2,673,925	\$ 2,424,095	\$ 2,415,420
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	\$ (249,549)	\$ 206,386	\$ 672,037	\$ (77,372)	\$ 482,478	\$ 96,931	\$ 54,725
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	106.89%	94.39%	81.54%	102.32%	84.71%	96.16%	97.78%
<b>Covered Payroll</b>	\$ 636,520	\$ 863,672	\$ 1,027,379	\$ 968,961	\$ 949,433	\$ 992,174	\$ 901,337
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	-39.21%	23.90%	65.41%	-7.99%	50.82%	9.77%	6.07%

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. 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.



# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF BETHLEHEM PARKING AUTHORITY CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016	2015	2014	2013 **
Actuarially determined contribution	\$ 104,859	\$ 114,185	\$ 68,231	\$ 66,979	\$ 64,835	\$ 59,488	\$ 64,309	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	104,859	114,185	68,231	67,090	64,855	59,568	64,369	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (111)	\$ (20)	\$ (80)	\$ (60)	\$ -	\$ -
Covered payroll	\$ 636,520	\$ 863,672	\$ 1,027,379	\$ 968,961	\$ 949,433	\$ 992,174	\$ 1,125,402		
Contributions as a percentage of covered payroll	16.47%	13.22%	6.64%	6.92%	6.83%	6.00%	5.72%		

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. 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.

\*\* Prior to January 1, 2013, the Parking Authority participated in the City's PMRS plan. During the year ended December 31, 2013, the Parking Authority adopted their own PMRS pension plan.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date:	January 1, 2017
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	Based on periods in Act 205
Asset valuation method:	Based on the municipal reserves
Underlying inflation rate:	2.80%
Projected salary increases:	Age related scale with merit and inflation component
Investment rate of return:	5.25%
Cost-of-living adjustment increase:	2.80%
Pre-retirement mortality:	Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
Post-retirement mortality:	Males: RP 2000 Annuitant Male table projected 5 years with Scale AA Females: RP 2000 Annuitant Female table projected 10 years with Scale AA, setback five years

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; post-retirement cost of living decreased from 2.8% to 2.2%; projected salary increases were also adjusted.

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS SCHEDULE OF CHANGES IN THE BETHLEHEM REDEVELOPMENT AUTHORITY PENSION PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	2021*	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>							
Service cost	\$ 26,019	\$ 25,264	\$ 24,297	\$ 23,589	\$ 23,110	\$ 22,509	\$ 21,777
Interest	54,214	53,876	52,994	52,803	51,724	50,385	49,383
Benefit payments, including refunds	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)
Differences between expected and actual experience	23,196	-	12,002	-	38,737	-	19,796
Changes in assumptions	70,311	-	-	-	24,749	24,308	-
<b>Net Changes in Total Pension Liability</b>	100,282	5,682	15,835	2,934	64,862	23,744	17,498
<b>Total Pension Liability - Beginning</b>	1,042,885	1,037,203	1,021,368	1,018,434	953,572	929,828	912,330
<b>Total Pension Liability - Ending (a)</b>	\$ 1,143,167	\$ 1,042,885	\$ 1,037,203	\$ 1,021,368	\$ 1,018,434	\$ 953,572	\$ 929,828
<b>Plan Fiduciary Net Position:</b>							
Contributions - employer	\$ 34,544	\$ 34,097	\$ 30,415	\$ 30,522	\$ 27,449	\$ 27,007	\$ 18,097
Contributions - employee	9,969	9,679	9,398	9,125	9,191	8,592	8,304
Net investment income (loss)	222,791	200,448	(11,385)	145,234	84,414	19,218	50,638
Benefit payments, including refunds	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)
Administrative expense	(2,341)	(1,794)	(2,121)	(2,155)	(2,311)	(1,918)	(1,746)
<b>Net Change in Plan Fiduciary Net Position</b>	191,505	168,972	(47,151)	109,268	45,285	(20,559)	1,835
<b>Plan Fiduciary Net Position - Beginning</b>	1,054,188	885,216	932,367	823,099	777,814	798,373	796,538
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 1,245,693	\$ 1,054,188	\$ 885,216	\$ 932,367	\$ 823,099	\$ 777,814	\$ 798,373
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	\$ (102,526)	\$ (11,303)	\$ 151,987	\$ 89,001	\$ 195,335	\$ 175,758	\$ 131,455
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	108.97%	101.08%	85.35%	91.29%	80.82%	81.57%	85.86%
<b>Covered Payroll</b>	\$ 181,248	\$ 175,989	\$ 170,882	\$ 165,905	\$ 167,105	\$ 156,218	\$ 156,502
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	-56.57%	-6.42%	88.94%	53.65%	116.89%	112.51%	84.00%

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Redevelopment Authority is presenting information for those years only for which information is available.

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF BETHLEHEM REDEVELOPMENT AUTHORITY CONTRIBUTIONS

	2021*	2020*	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 34,544	\$ 34,097	\$ 30,415	\$ 30,522	\$ 27,449	\$ 27,007	\$ 18,097	\$ 17,598	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	34,544	34,097	30,415	30,522	27,449	27,007	18,097	17,598	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 181,248	\$ 175,989	\$ 170,882	\$ 165,905	\$ 167,105	\$ 156,218	\$ 156,502			
Contributions as a percentage of covered payroll	19.06%	19.37%	17.80%	18.40%	16.43%	17.29%	11.56%			

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Methods and assumptions used to determine contribution rates:

Actuarial valuation date:	January 1, 2017
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	Based on periods in Act 205
Asset valuation method:	Based on the municipal reserves
Underlying inflation rate:	2.80%
Projected salary increases:	Age related scale with merit and inflation component
Investment rate of return:	5.25%
Cost-of-living adjustment increase:	2.80%
Pre-retirement mortality:	Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
Post-retirement mortality:	Males: RP 2000 Annuitant Male table projected 5 years with Scale AA Females: RP 2000 Annuitant Female table projected 10 years with Scale AA, setback five years

Changes in actuarial assumptions:

The December 31, 2015 assumptions were based on the PMRS Experience Study for the period covering January 1, 2009  
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; post-retirement cost of living decreased from 2.8% to 2.2%; projected salary increases were also adjusted.

**CITY OF BETHLEHEM, PENNSYLVANIA**  
**REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**SCHEDULE OF CHANGES IN THE OPEB PLAN'S**  
**TOTAL OPEB LIABILITY**

YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018
<b>Total OPEB Liability:</b>				
Service cost	\$ 525,709	\$ 725,223	\$ 754,179	\$ 678,935
Interest	437,852	615,130	538,439	576,183
Differences between expected and actual experience	-	(4,256,218)	-	292,245
Changes in assumptions	1,338,404	358,211	(593,155)	724,337
Benefit payments, including refunds	(621,422)	(816,755)	(803,197)	(879,720)
<b>Net Changes in Total OPEB Liability</b>	1,680,543	(3,374,409)	(103,734)	1,391,980
<b>Total OPEB Liability - Beginning</b>	13,241,980	16,616,389	16,720,123	15,328,143
<b>Total OPEB Liability - Ending</b>	<u>\$ 14,922,523</u>	<u>\$ 13,241,980</u>	<u>\$ 16,616,389</u>	<u>\$ 16,720,123</u>

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

YEAR ENDED DECEMBER 31, 2021

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### 1. Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedule:

Valuation date	1/1/2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate	1.93%
Projected salary increases	4.50%
Mortality	Police and Firefighters: PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Non-Uniformed Employees: PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. (Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement).
Health insurance premiums	Based on 2020 health and dental insurance premiums.
Health care cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Actuarial value of assets	Not applicable

No assets are accumulated in a trust for the OPEB Plan.

#### Changes in Actuarial Assumptions

The interest rate was changed from 3.64% as of December 31, 2020 to 1.93% as of December 31, 2021.

The interest rate was changed from 3.64% in the January 1, 2018 actuarial valuation as of December 31, 2019 to 3.26% in the January 1, 2020 actuarial valuation as of December 31, 2020. The healthcare cost trend rates and mortality tables were also updated.

The interest rate was changed from 3.16% in the January 1, 2018 actuarial valuation as of December 31, 2018 to 3.64% in the January 1, 2018 actuarial valuation as of December 31, 2019.

## **SUPPLEMENTARY INFORMATION**

# CITY OF BETHLEHEM, PENNSYLVANIA

## COMBINING BALANCE SHEET - OTHER NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	Community Development Block Grant Fund	Liquid Fuels Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,570,522	\$ 694,712	\$ 3,265,234
Receivables:			
Loans	1,194,694	-	1,194,694
Due from other governments	336,200	-	336,200
<b>Total Assets</b>	<b>\$ 4,101,416</b>	<b>\$ 694,712</b>	<b>\$ 4,796,128</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable and other accrued expenses	\$ 354,572	\$ 4,576	\$ 359,148
Due to other funds	155,000	-	155,000
Unearned revenues	3,591,844	-	3,591,844
Total Liabilities	4,101,416	4,576	4,105,992
<b>Fund Balance:</b>			
Restricted for:			
Public works	-	690,136	690,136
Total Fund Balance	-	690,136	690,136
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,101,416</b>	<b>\$ 694,712</b>	<b>\$ 4,796,128</b>

# CITY OF BETHLEHEM, PENNSYLVANIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - OTHER NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2021

	Community Development Block Grant Fund	Liquid Fuels Fund	Total
<b>Revenues:</b>			
Intergovernmental revenues	\$ 2,914,211	\$ 1,971,322	\$ 4,885,533
Investment income	5,344	1,694	7,038
Other	218,888	-	218,888
Total revenues	3,138,443	1,973,016	5,111,459
<b>Expenditures:</b>			
Current:			
Public works	-	2,216,495	2,216,495
Program expenditures	3,138,443	-	3,138,443
Total expenditures	3,138,443	2,216,495	5,354,938
<b>Deficiency of Revenues Under Expenditures</b>	-	(243,479)	(243,479)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Total other financing sources (uses)	-	-	-
<b>Net Change in Fund Balance</b>	-	(243,479)	(243,479)
<b>Fund Balance:</b>			
Beginning of year	-	933,615	933,615
End of year	\$ -	\$ 690,136	\$ 690,136