

## **City of Bethlehem, Pennsylvania**

Financial Statements, Required  
Supplementary Information, and  
Supplementary Information

Year Ended December 31, 2022  
with Independent Auditor's Report

**MaherDuessel**

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

# CITY OF BETHLEHEM, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2022

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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, 2022 and 2021. 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 \$41,160,008 during the year ended December 31, 2022 and increased by \$47,297,101 in 2021.

In the City's governmental activities, net position increased by \$29,544,926 in 2022 and increased by \$33,063,102 in 2021. In 2022, the increase in net position is the result of the receipt of grants and other charges not restricted to specific programs revenue in the amount of \$34.7 million primarily related to COVID and gaming revenue. Also, there was a net decrease of \$6.01 million in net pension liability and associated deferred inflows and outflows of resources due to positive market conditions recognized in the GASB No. 68 actuarial valuations. Finally, there was an increase of \$10 million in Police and Fire expenditures due to the increase in personnel expenses.

In the City's business-type activities, net position increased by \$11,615,082 in 2022 and increased by \$14,233,999 in 2021. In 2022, the increase in net position is the result of the approximately \$6.3 million reduction of long-term debt, and a \$2.84 million increase in water revenue related to rate increases and increase in consumption. Finally, the net pension asset and associated deferred inflows and outflows of resources increased by \$2.5 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.

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

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 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

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 19-121 of this report.

### **Other Information**

Required supplementary information can be found on in the Management's Discussion and Analysis section and also on pages 122-138 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 139-140 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, 2022, the City's assets and deferred outflows exceed the liabilities and deferred inflows by \$54,452,846. At December 31, 2021, the City's assets and deferred outflows exceed the liabilities and deferred inflows by \$12,704,296.

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	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 79,053,411	\$ 63,459,297	\$ 44,310,552	\$ 39,336,675	\$ 123,363,963	\$ 102,795,972
Capital/lease assets	66,781,293	61,411,385	89,740,361	90,304,375	156,521,654	151,715,760
Other assets	19,637,848	9,883,822	25,857,122	19,455,005	45,494,970	29,338,827
<b>Total assets</b>	<b>\$ 165,472,552</b>	<b>\$ 134,754,504</b>	<b>\$ 159,908,035</b>	<b>\$ 149,096,055</b>	<b>\$ 325,380,587</b>	<b>\$ 283,850,559</b>
Deferred outflows of resources	\$ 40,302,857	\$ 34,816,072	\$ 2,143,215	\$ 2,911,076	\$ 42,446,072	\$ 37,727,148
Current liabilities	\$ 25,133,344	\$ 22,927,513	\$ 12,376,660	\$ 12,161,454	\$ 37,510,004	\$ 35,088,967
Noncurrent liabilities	149,194,795	131,144,931	87,993,067	94,166,130	237,187,862	225,311,061
<b>Total liabilities</b>	<b>\$ 174,328,139</b>	<b>\$ 154,072,444</b>	<b>\$ 100,369,727</b>	<b>\$ 106,327,584</b>	<b>\$ 274,697,866</b>	<b>\$ 260,400,028</b>
Deferred inflows of resources	\$ 26,837,637	\$ 41,021,965	\$ 11,838,310	\$ 7,451,418	\$ 38,675,947	\$ 48,473,383
Net investment in capital assets	\$ 43,330,671	\$ 38,976,514	\$ 12,746,099	\$ 8,543,902	\$ 56,076,770	\$ 47,520,416
Restricted	821,510	921,603	-	-	821,510	921,603
Unrestricted	(39,542,548)	(65,421,950)	37,097,114	29,684,227	(2,445,434)	(35,737,723)
<b>Total net position (deficit)</b>	<b>\$ 4,609,633</b>	<b>\$ (25,523,833)</b>	<b>\$ 49,843,213</b>	<b>\$ 38,228,129</b>	<b>\$ 54,452,846</b>	<b>\$ 12,704,296</b>

Current assets in governmental activities increased approximately \$15.6 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 \$9.75 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 \$5.49 million. This was due to a \$6.49 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 \$2.21 million. This was due to an increase of \$.55 million in accounts payables, an increase of \$.47 million in escrow liabilities and a \$1.31 million increase in unearned revenue that is related to the COVID-19 pandemic funds received during 2022 that were not expended as of December 31, 2022.

Noncurrent liabilities in governmental activities increased approximately \$18.05 million. This was due to decrease in long-term debt (net of current portion) totaling \$8.27 million (see "Long-Term Debt" section), and a \$27.93 million increase in net pension liability mainly a result of activity recognized in GASB No. 68 valuation.

Deferred inflows of resources in governmental activities decreased by approximately \$14.2 million. This was due to market conditions recognized in the GASB No 68 actuarial valuations creating a decrease of \$17.68 in deferred inflows of resources-pension. There was also an increase of \$3.3 million in deferred inflows of resources-leases which is the result of implementing GASB 87.

Current assets in business-type activities increased approximately \$4.97 million. Cash and cash equivalents increased approximately \$4.36 million. Conservative budget practices and new development resulted in a cash increase in the Water and Sewer Funds. Also, there was a \$1.66 million increase in the Storm Water cash balance because budgeted capital projects were not completed.

Other assets in business-type activities increased approximately \$6.40 million, primarily due to increase in net pension asset due to positive market conditions recognized in the GASB No. 68 actuarial valuation.

Deferred inflows of resources in business-type activities increased approximately \$.768 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 \$6.17 million. This was due to a decrease in long-term debt (net of current portion) totaling \$6.3 million (see 'Long-Term Debt" section).

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 13,219,434	\$ 12,669,986	\$ 49,668,575	\$ 49,011,039	\$ 62,888,009	\$ 61,681,025
Operating grants and contributions	7,995,791	10,237,577	892,850	-	8,888,641	10,237,577
Capital grants and contributions	935,642	1,202,990	27,856	-	963,498	1,202,990
General revenues:						
Taxes	50,441,945	48,706,680	-	-	50,441,945	48,706,680
Sale of capital assets	-	-	-	-	-	-
Investment earnings	593,264	76,532	647,552	268,921	1,240,816	345,453
Unrestricted grants	34,729,387	32,040,486	-	-	34,729,387	32,040,486
<b>Total revenues</b>	<b>107,915,463</b>	<b>104,934,251</b>	<b>51,236,833</b>	<b>49,279,960</b>	<b>159,152,296</b>	<b>154,214,211</b>
Expenses:						
General government	611,870	656,060	-	-	611,870	656,060
Administrative	596,318	879,395	-	-	596,318	879,395
Community development	7,384,366	7,232,254	-	-	7,384,366	7,232,254
Parks and public property	1,547,812	2,013,594	-	-	1,547,812	2,013,594
Public works	13,133,513	13,188,685	-	-	13,133,513	13,188,685
Police	23,593,295	18,481,875	-	-	23,593,295	18,481,875
Fire	16,168,250	11,269,729	-	-	16,168,250	11,269,729
General expenditures	11,919,949	10,902,328	-	-	11,919,949	10,902,328
Civic	631,683	396,004	-	-	631,683	396,004
Library	1,610,912	1,616,123	-	-	1,610,912	1,616,123
Program expenditures	1,928,401	3,138,443	-	-	1,928,401	3,138,443
Interest on long-term debt	3,391,313	3,650,830	-	-	3,391,313	3,650,830
Water fund	-	-	18,851,364	17,495,479	18,851,364	17,495,479
Sewer fund	-	-	13,752,102	13,416,611	13,752,102	13,416,611
Other non-major fund	-	-	2,871,140	2,579,700	2,871,140	2,579,700
<b>Total expenses</b>	<b>82,517,682</b>	<b>73,425,320</b>	<b>35,474,606</b>	<b>33,491,790</b>	<b>117,992,288</b>	<b>106,917,110</b>
Change in net position before transfers	25,397,781	31,508,931	15,762,227	15,788,170	41,160,008	47,297,101
Transfers	4,147,145	1,554,171	(4,147,145)	(1,554,171)	-	-
Change in net position	29,544,926	33,063,102	11,615,082	14,233,999	41,160,008	47,297,101
Net position:						
Beginning	(25,523,833)	(58,586,935)	38,228,131	23,994,132	12,704,298	(34,592,803)
Restatement for GASB 87	588,540	-	-	-	588,540	-
Ending	\$ 4,609,633	\$ (25,523,833)	\$ 49,843,213	\$ 38,228,131	\$ 53,864,306	\$ 12,704,298

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

**Governmental activities.** As stated in Note 1 of the financial statements, Governmental activities net position was restated by \$588,540 for the implementation of GASB Statement No. 87, "Leases," (GASB 87). Governmental activities increased the City's net position by \$29,544,926 for the year ended December 31, 2022. Key elements of this increase are as follows:

- Increase of approximately \$1.74 million in real estate taxes and other taxes
- Grants and other charges of \$34.73 million which includes COVID-19 pandemic funding
- Increase of \$2.59 million of transfers from the Business-Type Activities.
- Increase of approximately \$517,000 of interest income
- Increase of approximately \$146,000 in ambulance transport revenue
- Increase of approximately \$187,000 in first responder fees due to recovery from the COVID-19 pandemic.
- Increase in Police and Fire expenses due to increase in personnel costs related to salaries, wages and fringe benefits.
- Increase in General expenditures due to increase in medical insurance costs.

**Business-type activities.** Business-type activities increased the City's net position by \$11,615,082 for the year ended December 31, 2022. Charges for Services Revenues for the Water, Sewer and Stormwater funds are consistently greater than operating costs. Excess revenues will be used to fund future capital projects.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### Financial Analysis of the Major Funds

#### General Fund

Revenues of the General Fund totaled \$98,350,783 for the year ended December 31, 2022. The following represents a summary of General Fund revenue, for the years ended December 31, 2022 and 2021 by source, along with changes from 2021:

	2022	2021	Change From 2021 to 2022	Percentage Change
Taxes	\$ 51,081,156	\$ 48,807,916	\$ 2,273,240	4.66%
Licenses and permits	3,222,313	3,489,634	(267,321)	-7.66%
Intergovernmental revenues	21,659,406	24,107,689	(2,448,283)	-10.16%
Fines and forfeitures	333,554	422,564	(89,010)	-21.06%
Departmental earnings	7,488,812	6,808,771	680,041	9.99%
Other charges	1,341,697	1,162,429	179,268	15.42%
Municipal recreation	617,945	575,022	42,923	7.46%
Investment income	510,629	59,945	450,684	751.83%
Host fee	11,649,408	11,986,402	(336,994)	-2.81%
Other	445,863	420,839	25,024	5.95%
<b>Total</b>	<b>\$ 98,350,783</b>	<b>\$ 97,841,211</b>	<b>\$ 509,572</b>	<b>0.52%</b>

- An increase in the 2022 real estate assessed values along with increases in earned income tax and deed transfer tax revenues contributed to the \$2.3 million increase in taxes revenue.
- Intergovernmental revenues decreased by \$2,448,283 from 2021 to 2022. The decrease was primarily due to a reduction in spending of \$2.5 million in American Rescue Plan funding related to the COVID-19 pandemic.
- Departmental earnings increased by \$680,041 from 2021 to 2022. The increase was due to several line items including a \$146,000 increase in Ambulance fees, a \$187,000 increase in the First responder's fee, an increase of \$59,000 for compost services and approximately \$300,000 of other revenues related to other services that the City provides.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

- Investment income increased by \$450,684 from 2021 to 2022 due to favorable interest rates.

General Fund expenditures totaled \$74,695,429 for the year ended December 31, 2022, which represents an increase of \$4,510,031 or 6.43% from 2021. The following represents a summary of General Fund expenditures for the years ended December 31, 2022 and 2021, by function, along with changes from 2022:

	2022	2021	Change From 2021 to 2022	Percentage Change
General government	\$ 832,840	\$ 840,362	\$ (7,522)	-0.90%
Administrative	1,013,045	1,065,876	(52,831)	-4.96%
Community development	8,322,441	7,839,654	482,787	6.16%
Public works	9,717,335	8,497,289	1,220,046	14.36%
Police	23,168,301	22,459,890	708,411	3.15%
Fire	16,416,763	15,919,263	497,500	3.13%
General expenditures	12,084,164	10,662,930	1,421,234	13.33%
Civic	631,683	396,004	235,679	59.51%
Library	1,431,503	1,416,274	15,229	1.08%
Debt service - principal	998,495	990,788	7,707	0.78%
Debt service - interest	78,859	97,068	(18,209)	-18.76%
<b>Total</b>	<b>\$ 74,695,429</b>	<b>\$ 70,185,398</b>	<b>\$ 4,510,031</b>	<b>6.43%</b>

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

- Community development increased by \$482,787. This was due to a net increase of \$667,464 of health-related program expenses and an increase in personnel costs related to salaries, wages and fringe benefits throughout the department. Also, there was a decrease in recycling related expenses of \$124,467.
- Public works increased by \$1,220,046. An increase in expenses related to the Water, Sewer, Golf and Stormwater funds of \$541,002. In 2022, additional equipment of \$77,847, was purchased, an increase in utilities of \$275,635, an increase in personnel costs related to salaries, wages and fringe benefits.
- Police expenditures increased by \$708,411 due to increases in several line items including the Police MMO \$70,119 based on the most recent Act 205 actuarial

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

valuation, salary increase of \$555,065 which reflects a 3% Police base salary increase for 2022 and an increase of \$456,844 for the purchase of multiple police vehicles and equipment. The remainder of this variance was due to an increase in operating costs specifically gasoline and uniform expense.

- Fire expenditures increased by \$497,500 due to an increase in salary \$517,731 which reflects a 3% Fire base salary increase for 2022.
- General expenditures increased by \$1,421,234 which was due to increases in medical insurance expense, workmen's compensation, and social security tax.

### **General Fund Budgetary Highlights**

The General Fund expenditure budget for fiscal year 2022 was approximately \$96.56 million. This was an increase of \$8.6 million over the previous year amended budget. There were no material amendments to the 2022 budget. Actual expenditures were approximately \$9.9 million less than the amended budget. There was a balance of \$5.4 million of Community development expenditures remaining primarily due to \$4.5 million in Health bureau expenses that will be carried over to 2023 and savings of \$710,354 in Recycling bureau. General expenditures were lower than budgeted due to a favorable variance in professional services and the reduction of City Insurance package premiums. There was a balance of \$3 million in Civic Expenses primarily due to the unspent Community Recovery funds that will be carried to 2023.

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

Cash and cash equivalents increased by approximately \$4.06 million; this is the result of supply chain and labor constraints faced by the City which has delayed projects and spending.

### **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 \$514 thousand from 2021, 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

### **Pension Trust Fund**

At December 31, 2022, the net position - restricted for employees' retirement pension benefits was \$192,776,022. The average interest rate that is all inclusive with costs of the pension bond is 5.5%. The Fund returned -9.91%, net of fees, in 2022 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, 2022 amounted to \$62,965,213 and \$89,446,830 (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 \$384,098 towards City Hall garage beam repair.
- The City spent \$794,676 towards an storm water improvements and an extension of the Greenway at Saucon Park.
- The City spent \$1,960,688 towards demolition and replacement of a new pole barn structure at the Rodgers Street Facility.
- The City spent \$280,844 towards a new spray patch truck used for pothole repairs.
- The City spent \$164,087 on a Chevy G3500 Ambulance.
- The City spent \$3,116,988 towards Street Overlays throughout the City.
- The City spent \$850,000 towards a new Fire Ladder Truck for the fire station on Catasauqua Road.
- The City spent \$576,918 towards streetscape improvements to South New Street from 3<sup>rd</sup> Street to Farrington Square.
- The City spent \$445,978 towards the various improvements and expansion of Monocracy Way Trail from Schoenersville Road to Illick's Mills Road.



# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

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

- The City spent \$393,788 towards the Greenway Swale Rehab project to prevent flooding, minimize erosion and maintain adequate storm water discharge. upgrading the storm sewer along W Geopp Street to address flooding.
- The City spent \$297,274 to construct and repair the collection system and lift stations in order to comply with federal and state regulations.
- The City spent \$363,937 to rebuild the West Intermediate Clarifier sludge removal mechanisms to improve settling performance.
- The City spent \$356,284 towards replacing the Clarifier Catwalk due to corrosion and safety issues.
- The City spent \$297,274 to construct and repair the collection system and lift stations in order to comply with federal and state regulations
- The City spent \$612,382 towards Act 537 collection system improvements for sewer main replacement/upgrades as identified in Act 537.
- The City spent \$653,419 towards design and construction services to replace pumps, valves, piping and motor controls in the west influent pump room.
- The City spent \$642,850 towards replace 250 lead service lines to residential customers.
- The City spent \$1,429,424 towards replacement, relocation, rehabilitation of the water distribution system. This is annual project

Additional information on the City's capital assets can be found at Note 4 on pages 57-61

### **Long-Term Debt**

As of September 15, 2023, the City's net total principal of direct debt of \$65,169,135 is well below the net nonelectoral debt limit of \$232,797,022. Additional information on the City's long-term debt can be found at Note 8 on pages 71-81 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. An analysis of building permits over the past four years shows that businesses and residents have invested \$1.2 billion. While the former Bethlehem Steel Corporation property has provided the most significant opportunity for development projects, investment has occurred in all areas of the City.

With Wind Creek Bethlehem's (WCB) purchase of the Sands Casino in May of 2019, additional investment was projected in the city. WCB completed a \$160 million hotel expansion project which includes more than 30,000 square feet of new convention space and 276 new hotel rooms, further strengthening 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 2022, projects in LVIP VII completed includes Bowery Farming, a \$32 million, 150,000 sf indoor farm; Ecopax 170,000 square foot expansion, which doubled the size of their facility; and, Reeb Millwork completed a 295,000 square foot addition, totaling more than 700,000 sf facility for wood manufacturing in Bethlehem. Majestic Realty saw the addition of Nike, investment by McKesson and permitting initiated for Building 6, an 800,000 square foot industrial/warehousing space.

Lehigh University continues to implement its \$1 billion Path to Prominence campaign. The Health Sciences Building was recently completed, the College of Business Building will soon be completed and the University Center is currently undergoing renovation. The value of those three projects is \$190 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.

Private investment in Bethlehem's downtowns continues. There are several mixed-use projects incorporating both commercial and residential units currently under construction on both sides of the Lehigh River. These new construction projects include the former Boyd Theater, 610 Flats, 3rd and Taylor and the Goodman Building Renovation project.

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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

Currently, the CRIZ is approximately 130 acres on which the city is exploring several different development projects. Projects recently completed projects include the \$1.8 million Wilbur Mansion and the \$160 million Wind Creek hotel expansion and projects currently under construction, including 610 Flats. Additional projects in the planning and construction stages include the \$200 million Martin Tower site.

Proposed projects including those mentioned above and those expected over the next several years, the city expects to see an additional \$1 billion in private investment.

# CITY OF BETHLEHEM, PENNSYLVANIA

## Management's Discussion and Analysis (Unaudited)

The following is a list of other major development projects:

### Residential

565 Lehigh St. Apts	6,500,000	Completed
Overlook at Saucon Creek	3,000,000	Completed
Park View Commons - William Street	3,000,000	Completed
Saucon Square Condominiums - 910 & 930 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	Completed
Selfridge & Jackson Sts. Townhouses	3,056,000	Plans Submitted
Church Apartments - 938 E. 4th Street	2,500,000	Completed
10-16 W. Goepp Street Apartments	1,500,000	Completed
Wilbur Apts., 267 Cherokee St.	6,800,000	Completed
Riverview Heights	5,000,000	Under Construction
"Easton Ave Apts Villani" 2897 Easton Ave	10,500,000	Plans Approved
"Linden Street Apts - Cantelmi" 2854 Linden Street	7,000,000	Plans Approved
"Clermont St Apts - 2039 Clermont Street	1,200,000	Plans Approved
"Blake St. Apts, Villani" - 1052 Blake Street	1,000,000	Plans Approved
"Eaton Ave Apts - Villani"	3,850,000	Under Construction
Frankford Townhomes	850,000	
<b>Residential Subtotal</b>	<b>69,456,000</b>	

### Residential/Senior

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

### Institutional

Terrace Homes at Northwood Gardens/2365 Madison Ave.	14,200,000	Under Construction / Portions Complete
<b>Institutional Subtotal</b>	<b>14,200,000</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	Plans approved- Phase 1; Master planning underway-Phase 2
Pektor Mixed Use - 404 E. 3rd	6,200,000	Plans Submitted
Skyline West - 143 W. Broad St	15,000,000	Site plan only; no record of a LD submission
South New Street Apartments	250,000,000	Plans Approved
Third and Taylor	13,000,000	Under Construction
4th and Vine Benner	19,000,000	Plans Approved
Boyd	30,000,000	Under Construction
250 E. Broad St	12,000,000	Under Construction
2950-70 Linden Street, Lofts at Linden	10,000,000	Under Construction
14-36 W. 3rd Street	22,000,000	Plans Approved
Tower Place Phase I 1170 8th Avenue	40,000,000	Plans Approved
Benner formerly Boys & Girls Club - 117 E. 4th Street	20,000,000	Plans Approved
<b>Mixed-Use Subtotal</b>	<b>615,000,000</b>	
Industrial		
Majestic Lots 6 & 7, 3905 Commerce Center Blvd	39,650,000	Shell completed' Tenant fit-out pending
1405 Easton Rd Expansion	8,000,000	Completed
LVIP VII Lot 81 - 1025 Feather Way	12,000,000	Completed
<b>Industrial Subtotal</b>	<b>59,650,000</b>	
Commercial		
Casino Expansion - 77 Wind Creek Blvd.	90,000,000	Near Completion
Royal Farms Market/Gas Station - 2355 Avenue A	8,000,000	Plans Withdrawn
Wawa Gas Station/Conv. Store, 774-784 Hellertown Rd	6,000,000	Under Construction
Autozone, 505 Wyandotte Street	1,800,000	Completed
Wilbur Mansion Hotel & Event Center 202 Wyandotte St	1,800,000	Completed
Westgate Mall Public Improvements 21-001	1,000,000	Plans Approved
2011 City Line Road Hotel	9,000,000	Under Construction
Commercial Restaurant, Pad Site, Starbucks 2571-2651 Easton Avenue	750,000	Plans Under Review
<b>Commercial Subtotal</b>	<b>118,350,000</b>	
<b>Grand Total</b>	<b>\$ 891,156,000</b>	

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

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

#### 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*.

#### Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases," which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as

inflows of resources or outflows of resources based on the payment provisions of the contract. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 October 9, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maher Duessel*

Harrisburg, Pennsylvania  
October 9, 2023

# CITY OF BETHLEHEM, PENNSYLVANIA

## STATEMENT OF NET POSITION

DECEMBER 31, 2022

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units	Total Reporting Entity
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 63,468,263	\$ 34,054,712	\$ 97,522,975	\$ 5,941,633	\$ 103,464,608
Investments	150	-	150	1,100,002	1,100,152
Receivables (net of allowance for uncollectibles):					
Taxes	4,261,410	-	4,261,410	-	4,261,410
Accounts	934,045	10,534,463	11,468,508	100,374	11,568,882
Leases	143,379	98,139	241,518	385,757	627,275
Other	1,137,097	-	1,137,097	-	1,137,097
Accrued interest	-	33	33	-	33
Due from other governments	7,469,146	-	7,469,146	-	7,469,146
Internal balances	838,092	(838,092)	-	-	-
Inventories	801,829	461,297	1,263,126	-	1,263,126
Prepaid expenses	-	-	-	29,491	29,491
<b>Total current assets</b>	<b>79,053,411</b>	<b>44,310,552</b>	<b>123,363,963</b>	<b>7,557,257</b>	<b>130,921,220</b>
<b>Noncurrent assets:</b>					
Loans receivable	1,187,469	-	1,187,469	-	1,187,469
Restricted cash and cash equivalents	-	2,824,197	2,824,197	235	2,824,432
Restricted investments	-	14,890,409	14,890,409	3,143,784	18,034,193
Lease, net	3,816,080	293,531	4,109,611	2,574,517	6,684,128
Capital assets, not being depreciated	8,384,706	3,543,887	11,928,593	14,508,709	26,437,302
Capital assets, net	54,580,507	85,902,943	140,483,450	52,985,089	193,468,539
Other assets	26,773	-	26,773	-	26,773
Net pension asset	18,423,606	8,142,516	26,566,122	859,213	27,425,335
<b>Total noncurrent assets</b>	<b>86,419,141</b>	<b>115,597,483</b>	<b>202,016,624</b>	<b>74,071,547</b>	<b>276,088,171</b>
<b>Total Assets</b>	<b>165,472,552</b>	<b>159,908,035</b>	<b>325,380,587</b>	<b>81,628,804</b>	<b>407,009,391</b>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources - pensions	30,402,364	1,724,297	32,126,661	251,270	32,377,931
Deferred outflows of resources - other post-employment benefits	1,347,728	250,424	1,598,152	-	1,598,152
Deferred charge on refunding	8,552,765	168,494	8,721,259	311,690	9,032,949
<b>Total Deferred Outflows of Resources</b>	<b>40,302,857</b>	<b>2,143,215</b>	<b>42,446,072</b>	<b>562,960</b>	<b>43,009,032</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	2,428,810	2,071,853	4,500,663	5,515,584	10,016,247
Accrued payroll	1,846,175	360,215	2,206,390	64,394	2,270,784
Accrued vacation and other compensated absences	1,059,788	618,522	1,678,310	16,270	1,694,580
Interest payable	553,621	306,202	859,823	197,349	1,057,172
Current portion of long-term debt	8,110,000	8,467,236	16,577,236	1,282,000	17,859,236
Current portion of lease obligations	940,436	417,009	1,357,445	-	1,357,445
Current portion of total other post-employment benefits liability	516,202	135,623	651,825	-	651,825
Unearned revenue	8,324,966	-	8,324,966	880,571	9,205,537
Escrow liabilities	1,353,346	-	1,353,346	-	1,353,346
<b>Total current liabilities</b>	<b>25,133,344</b>	<b>12,376,660</b>	<b>37,510,004</b>	<b>7,956,168</b>	<b>45,466,172</b>
Noncurrent liabilities:					
Accrued vacation and other compensated absences, net of current portion	3,399,714	-	3,399,714	-	3,399,714
Accrued sick pay	-	143,381	143,381	-	143,381
Long-term debt, net	86,486,958	81,733,086	168,220,044	26,301,697	194,521,741
Lease obligation, net of current portion	774,095	91,911	866,006	-	866,006
Net pension liability	46,837,552	-	46,837,552	-	46,837,552
Total other post-employment benefits liability	11,696,476	2,128,093	13,824,569	-	13,824,569
Unearned revenue	-	3,896,596	3,896,596	-	3,896,596
<b>Total noncurrent liabilities</b>	<b>149,194,795</b>	<b>87,993,067</b>	<b>237,187,862</b>	<b>26,301,697</b>	<b>263,489,559</b>
<b>Total Liabilities</b>	<b>174,328,139</b>	<b>100,369,727</b>	<b>274,697,866</b>	<b>34,257,865</b>	<b>308,955,731</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources - leases	3,330,863	368,749	3,699,612	2,960,274	6,659,886
Deferred inflows of resources - pensions	20,994,302	8,150,398	29,144,700	967,665	30,112,365
Deferred inflows of resources - other post-employment benefits	2,512,472	343,469	2,855,941	-	2,855,941
Deferred gain on refunding	-	2,975,694	2,975,694	-	2,975,694
<b>Total Deferred Inflows of Resources</b>	<b>26,837,637</b>	<b>11,838,310</b>	<b>38,675,947</b>	<b>3,927,939</b>	<b>42,603,886</b>
<b>Net Position</b>					
Net investment in capital assets	43,330,671	12,746,099	56,076,770	35,021,005	91,097,775
Restricted	821,510	-	821,510	3,424,260	4,245,770
Unrestricted	(39,542,548)	37,097,114	(2,445,434)	5,560,695	3,115,261
<b>Total Net Position</b>	<b>\$ 4,609,633</b>	<b>\$ 49,843,213</b>	<b>\$ 54,452,846</b>	<b>\$ 44,005,960</b>	<b>\$ 98,458,806</b>

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

<u>Function/Programs:</u>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 611,870	\$ -	\$ -	\$ -
Administrative	596,318	261,256	77,183	-
Community development	7,384,366	4,870,672	3,087,627	-
Parks and public property	1,547,812	1,346,225	301,401	582,363
Public works	13,133,513	1,323,000	2,027,579	216,285
Police	23,593,295	1,681,566	554,817	-
Fire	16,168,250	3,736,715	23,158	136,994
General expenditures	11,919,949	-	-	-
Civic	631,683	-	-	-
Library	1,610,912	-	-	-
Program expenditures	1,928,401	-	1,924,026	-
Interest on long-term debt	3,391,313	-	-	-
Total governmental activities	82,517,682	13,219,434	7,995,791	935,642
Business-type activities:				
Water Fund	18,851,364	24,488,479	642,850	-
Sewer Fund	13,752,102	19,151,453	250,000	27,856
Other non-major fund	2,871,140	6,028,643	-	-
Total business-type activities	35,474,606	49,668,575	892,850	27,856
<b>Total primary government</b>	<b>\$ 117,992,288</b>	<b>\$ 62,888,009</b>	<b>\$ 8,888,641</b>	<b>\$ 963,498</b>
<b>Component units:</b>				
Bethlehem Parking Authority	\$ 6,406,283	\$ 7,661,885	\$ 544,078	\$ -
Bethlehem Public Library	3,169,684	148,684	2,915,076	105,420
Bethlehem Redevelopment Authority	846,442	-	116,895	-
<b>Total component units</b>	<b>\$ 10,422,409</b>	<b>\$ 7,810,569</b>	<b>\$ 3,576,049</b>	<b>\$ 105,420</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, restated

End of year

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Units	Total Reporting Entity
Governmental Activities	Business-Type Activities	Total		
\$ (611,870)	\$ -	\$ (611,870)	\$ -	\$ (611,870)
(257,879)	-	(257,879)	-	(257,879)
573,933	-	573,933	-	573,933
682,177	-	682,177	-	682,177
(9,566,649)	-	(9,566,649)	-	(9,566,649)
(21,356,912)	-	(21,356,912)	-	(21,356,912)
(12,271,383)	-	(12,271,383)	-	(12,271,383)
(11,919,949)	-	(11,919,949)	-	(11,919,949)
(631,683)	-	(631,683)	-	(631,683)
(1,610,912)	-	(1,610,912)	-	(1,610,912)
(4,375)	-	(4,375)	-	(4,375)
(3,391,313)	-	(3,391,313)	-	(3,391,313)
<u>(60,366,815)</u>	<u>-</u>	<u>(60,366,815)</u>	<u>-</u>	<u>(60,366,815)</u>
-	6,279,965	6,279,965	-	6,279,965
-	5,677,207	5,677,207	-	5,677,207
-	3,157,503	3,157,503	-	3,157,503
<u>-</u>	<u>15,114,675</u>	<u>15,114,675</u>	<u>-</u>	<u>15,114,675</u>
<u>(60,366,815)</u>	<u>15,114,675</u>	<u>(45,252,140)</u>	<u>-</u>	<u>(45,252,140)</u>
-	-	-	1,799,680	1,799,680
-	-	-	(504)	(504)
-	-	-	(729,547)	(729,547)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,069,629</u>	<u>1,069,629</u>
50,441,945	-	50,441,945	-	50,441,945
34,729,387	-	34,729,387	-	34,729,387
593,264	647,552	1,240,816	(460,227)	780,589
4,147,145	(4,147,145)	-	-	-
<u>89,911,741</u>	<u>(3,499,593)</u>	<u>86,412,148</u>	<u>(460,227)</u>	<u>85,951,921</u>
29,544,926	11,615,082	41,160,008	609,402	41,769,410
<u>(24,935,293)</u>	<u>38,228,131</u>	<u>13,292,838</u>	<u>43,396,558</u>	<u>56,689,396</u>
<u>\$ 4,609,633</u>	<u>\$ 49,843,213</u>	<u>\$ 54,452,846</u>	<u>\$ 44,005,960</u>	<u>\$ 98,458,806</u>

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	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	\$ 50,070,107	\$ 10,290,172	\$ -	\$ 3,088,558	\$ 63,448,837
Investments	-	150	-	-	150
Receivables, net:					
Taxes	4,261,410	-	-	-	4,261,410
Accounts	934,045	-	-	-	934,045
Leases	3,959,459	-	-	-	3,959,459
Loans	-	-	-	1,187,469	1,187,469
Other	1,133,568	3,529	-	-	1,137,097
Due from other funds	2,580,162	178,500	-	-	2,758,662
Due from other governments	4,541,319	2,181,747	-	746,080	7,469,146
<b>Total Assets</b>	<b>\$ 67,480,070</b>	<b>\$ 12,654,098</b>	<b>\$ -</b>	<b>\$ 5,022,107</b>	<b>\$ 85,156,275</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable and other accrued expenses	\$ 726,248	\$ 804,837	\$ -	\$ 656,234	\$ 2,187,319
Accrued payroll	1,846,175	-	-	-	1,846,175
Accrued vacation and other compensated absences	1,059,788	-	-	-	1,059,788
Due to other funds	-	1,765,570	-	155,000	1,920,570
Escrow liabilities	1,353,346	-	-	-	1,353,346
Unearned revenues	4,540,619	163,517	-	3,620,830	8,324,966
<b>Total Liabilities</b>	<b>9,526,176</b>	<b>2,733,924</b>	<b>-</b>	<b>4,432,064</b>	<b>16,692,164</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - leases	3,330,863	-	-	-	3,330,863
Unavailable revenue - taxes	1,290,887	-	-	-	1,290,887
<b>Total Deferred Inflows of Resources</b>	<b>4,621,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,621,750</b>
<b>Fund Balance:</b>					
<b>Restricted for:</b>					
Community development	231,467	-	-	-	231,467
Capital projects	-	9,920,174	-	-	9,920,174
Public works	-	-	-	590,043	590,043
Assigned for capital projects	6,629,238	-	-	-	6,629,238
Assigned for excess medical claims	1,073,580	-	-	-	1,073,580
Unassigned	45,397,859	-	-	-	45,397,859
<b>Total Fund Balance</b>	<b>53,332,144</b>	<b>9,920,174</b>	<b>-</b>	<b>590,043</b>	<b>63,842,361</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 67,480,070</b>	<b>\$ 12,654,098</b>	<b>\$ -</b>	<b>\$ 5,022,107</b>	<b>\$ 85,156,275</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, 2022

<b>Total Fund Balance - Governmental Funds</b>	\$ 63,842,361
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.	62,965,213
Deferred outflows related to pensions and net pension asset	48,825,970
Deferred outflows related to other post-employment benefits	1,347,728
Real estate taxes and earned income taxes not collected until subsequent to year-end are recognized as revenue in the statement of net position.	1,290,887
Inventory is recorded on the statement of net position.	801,829
Accrued vacation and other compensated absences not due within the next twelve months are recorded on the statement of net position.	(3,399,714)
Net pension liability and deferred inflows related to pensions	(67,831,854)
Total other post-employment benefits liability and deferred inflows related to other post-employment benefits	(14,725,150)
Prepaid bond insurance and deferred charge on refunding are amortized on the statement of net position.	8,579,538
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	(94,596,958)
Leases	(1,714,531)
Accrued interest payable is included on the statement of net position.	(553,621)
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.	
	(222,065)
<b>Net Position - Governmental Activities</b>	<u><u>\$ 4,609,633</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, 2022

	General Fund	Non-Utility Capital Improvements Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 51,081,156	\$ -	\$ -	\$ -	\$ 51,081,156
Licenses and permits	3,222,313	-	-	-	3,222,313
Intergovernmental revenues	21,659,406	5,740,545	-	3,898,113	31,298,064
Fines and forfeitures	333,554	-	-	-	333,554
Departmental earnings	7,488,812	-	-	-	7,488,812
Other charges	1,341,697	-	-	-	1,341,697
Municipal recreation	617,945	-	-	-	617,945
Investment income	510,629	63,473	-	19,162	593,264
Host fee	11,649,408	-	-	-	11,649,408
Other	445,863	592,215	-	-	1,038,078
<b>Total revenues</b>	<b>98,350,783</b>	<b>6,396,233</b>	<b>-</b>	<b>3,917,275</b>	<b>108,664,291</b>
<b>Expenditures:</b>					
Current:					
General government	832,840	-	-	-	832,840
Administrative	1,013,045	-	-	-	1,013,045
Community development	8,322,441	-	-	-	8,322,441
Public works	9,717,335	-	-	2,088,967	11,806,302
Police	23,168,301	-	-	-	23,168,301
Fire	16,416,763	-	-	-	16,416,763
General expenditures	12,084,164	-	-	-	12,084,164
Civic	631,683	-	-	-	631,683
Library	1,431,503	-	-	-	1,431,503
Program expenditures	-	-	-	1,928,401	1,928,401
Capital outlays	-	9,505,146	-	-	9,505,146
Debt service - principal	998,495	-	8,216,000	-	9,214,495
Debt service - interest	78,859	-	3,025,913	-	3,104,772
<b>Total expenditures</b>	<b>74,695,429</b>	<b>9,505,146</b>	<b>11,241,913</b>	<b>4,017,368</b>	<b>99,459,856</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>23,655,354</b>	<b>(3,108,913)</b>	<b>(11,241,913)</b>	<b>(100,093)</b>	<b>9,204,435</b>
<b>Other Financing Sources (Uses):</b>					
Lease proceeds	182,516	-	-	-	182,516
Sale of capital assets	341,750	-	-	-	341,750
Transfers in	3,033,896	3,048,703	11,241,913	-	17,324,512
Transfers out	(13,177,367)	-	-	-	(13,177,367)
<b>Total other financing sources (uses)</b>	<b>(9,619,205)</b>	<b>3,048,703</b>	<b>11,241,913</b>	<b>-</b>	<b>4,671,411</b>
<b>Net Change in Fund Balance</b>	<b>14,036,149</b>	<b>(60,210)</b>	<b>-</b>	<b>(100,093)</b>	<b>13,875,846</b>
<b>Fund Balance:</b>					
Beginning of the year, restated	39,295,995	9,980,384	-	690,136	49,966,515
End of the year	<u>\$ 53,332,144</u>	<u>\$ 9,920,174</u>	<u>\$ -</u>	<u>\$ 590,043</u>	<u>\$ 63,842,361</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, 2022**

**Net Change in Fund Balance - Governmental Funds** \$ 13,875,846

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 (\$9,893,737) were less than depreciation (\$8,339,909) in the current period. 1,553,828

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. (748,828)

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 lease (182,516)

    Repayment of principal 9,214,495

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. 48,280

Change in deferred outflows of resources related to pensions in the statement of activities. 6,491,907

Change in deferred outflows of resources related to other post-employment benefits in the statement of activities. (519,592)

Change in inventory in the statement of activities. 149,596

Change in accrued vacation and other compensated absences not due within the next twelve months in the statement of activities. 209,143

Change in net pension liability (asset) and deferred inflows of resources related to pensions in the statement of activities. (482,956)

Change in other post-employment benefits liability and deferred inflows of resources related to other post-employment benefits in the statement of activities. 448,079

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. 164,215

**Change in Net Position - Governmental Activities** \$ 29,544,926

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## BALANCE SHEET - PROPRIETARY FUNDS

DECEMBER 31, 2022

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	\$ 9,880,583	\$ 19,371,047	\$ 4,803,082	\$ 34,054,712	\$ 19,426
Accounts receivable, net	4,332,554	4,998,824	1,203,085	10,534,463	-
Accrued interest	33	-	-	33	-
Lease receivable	-	-	98,139	98,139	-
Due from other funds	-	55,000	10,570	65,570	-
Inventories	364,878	87,845	8,574	461,297	-
Total current assets	14,578,048	24,512,716	6,123,450	45,214,214	19,426
Restricted assets:					
Cash and cash equivalents	2,824,197	-	-	2,824,197	-
Investments	14,890,409	-	-	14,890,409	-
Lease receivable, net	-	-	293,531	293,531	-
Capital assets, not being depreciated	1,702,721	1,631,820	209,346	3,543,887	-
Capital assets, net	58,571,179	22,959,720	4,372,044	85,902,943	-
Other assets	-	-	-	-	-
Net pension asset	3,554,547	4,128,375	459,594	8,142,516	-
Total Assets	96,121,101	53,232,631	11,457,965	160,811,697	19,426
<b>Deferred Outflows of Resources:</b>					
Deferred outflows of resources - pensions	752,736	874,196	97,365	1,724,297	-
Deferred outflows of resources - other post-employment benefits	152,043	84,965	13,416	250,424	-
Deferred charge on refunding	-	168,494	-	168,494	-
Total Deferred Outflows of Resources	904,779	1,127,655	110,781	2,143,215	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 97,025,880</b>	<b>\$ 54,360,286</b>	<b>\$ 11,568,746</b>	<b>\$ 162,954,912</b>	<b>\$ 19,426</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	\$ 150,631	\$ 617,676	\$ 404,651	\$ 1,172,958	\$ 241,491
Accrued payroll	173,132	168,236	18,847	360,215	-
Accrued vacation and other compensated absences	311,408	271,659	35,455	618,522	-
Construction accounts payable	898,895	-	-	898,895	-
Interest payable	209,322	88,042	8,838	306,202	-
Current portion of long-term debt	6,881,377	1,515,859	70,000	8,467,236	-
Current portion of lease obligation	122,974	294,035	-	417,009	-
Current portion of total other post-employment benefits liability	82,342	46,015	7,266	135,623	-
Due to other funds	-	-	903,662	903,662	-
<b>Total current liabilities</b>	<b>8,830,081</b>	<b>3,001,522</b>	<b>1,448,719</b>	<b>13,280,322</b>	<b>241,491</b>
Accrued sick pay	92,259	45,272	5,850	143,381	-
Long-term debt, net	59,591,893	20,696,193	1,445,000	81,733,086	-
Lease obligation, net	26,566	65,345	-	91,911	-
Total other post-employment benefits liability	1,292,057	722,031	114,005	2,128,093	-
Unearned revenue	336,000	3,560,596	-	3,896,596	-
<b>Total Liabilities</b>	<b>70,168,856</b>	<b>28,090,959</b>	<b>3,013,574</b>	<b>101,273,389</b>	<b>241,491</b>
<b>Deferred Inflows of Resources:</b>					
Deferred inflows of resources - leases	-	-	368,749	368,749	-
Deferred inflows of resources - pensions	3,557,988	4,132,371	460,039	8,150,398	-
Deferred inflows of resources - other post-employment benefits	208,534	116,534	18,401	343,469	-
Deferred gain on refunding	2,975,694	-	-	2,975,694	-
<b>Total Deferred Inflows of Resources</b>	<b>6,742,216</b>	<b>4,248,905</b>	<b>847,189</b>	<b>11,838,310</b>	<b>-</b>
<b>Net Position:</b>					
Net investment in capital assets	7,491,107	2,188,602	3,066,390	12,746,099	-
Unrestricted	12,623,701	19,831,820	4,641,593	37,097,114	(222,065)
<b>Total Net Position</b>	<b>20,114,808</b>	<b>22,020,422</b>	<b>7,707,983</b>	<b>49,843,213</b>	<b>(222,065)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 97,025,880</b>	<b>\$ 54,360,286</b>	<b>\$ 11,568,746</b>	<b>\$ 162,954,912</b>	<b>\$ 19,426</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, 2022

	Enterprise Funds			Total	Internal Service
	Water Fund	Sewer Fund	Other Enterprise Funds		
<b>Operating Revenues:</b>					
Charges for services	\$ 23,921,150	\$ 17,431,592	\$ 5,921,717	\$ 47,274,459	\$ 13,627,768
<b>Operating Expenses:</b>					
Salaries, wages, and fringe benefits	3,075,973	3,111,443	541,208	6,728,624	-
Professional fees	634,569	92,316	282,898	1,009,783	-
Utilities	272,307	637,217	26,479	936,003	-
Maintenance and repairs	184,624	450,437	457,930	1,092,991	-
Department contracts	566,923	970,638	47,107	1,584,668	-
Supplies	453,497	1,012,913	278,555	1,744,965	-
Service charges	3,169,261	2,115,829	645,374	5,930,464	-
Depreciation and amortization	5,992,217	4,629,976	461,666	11,083,859	-
Insurance claims	-	-	-	-	13,706,018
Administration	-	-	-	-	46,588
Other	392,763	150,894	74,856	618,513	-
Total operating expenses	14,742,134	13,171,663	2,816,073	30,729,870	13,752,606
<b>Operating Income (Loss)</b>	9,179,016	4,259,929	3,105,644	16,544,589	(124,838)
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	483,604	132,676	31,272	647,552	857
Intergovernmental grants	642,850	250,000	-	892,850	-
Interest expense	(4,109,230)	(580,439)	(55,067)	(4,744,736)	-
Tapping fees	-	638,870	-	638,870	-
Other revenues	567,329	1,108,847	106,926	1,783,102	288,196
Total non-operating revenues (expenses)	(2,415,447)	1,549,954	83,131	(782,362)	289,053
Change in net position before transfers	6,763,569	5,809,883	3,188,775	15,762,227	164,215
Transfers in	-	-	-	-	-
Transfers out	(676,856)	(3,171,504)	(298,785)	(4,147,145)	-
<b>Change in Net Position</b>	6,086,713	2,638,379	2,889,990	11,615,082	164,215
<b>Net Position:</b>					
Beginning of year	14,028,095	19,382,043	4,817,993	38,228,131	(386,280)
End of year	\$ 20,114,808	\$ 22,020,422	\$ 7,707,983	\$ 49,843,213	\$ (222,065)

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, 2022

	Enterprise Funds				Internal Service
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers	\$ 23,755,053	\$ 17,419,022	\$ 5,661,031	\$ 46,835,106	\$ 13,627,768
Payments to suppliers for services	(5,756,766)	(6,075,493)	(1,814,389)	(13,646,648)	(13,917,205)
Payment to employees	(4,154,379)	(4,398,833)	(689,860)	(9,243,072)	-
Net cash provided by (used in) operating activities	<u>13,843,908</u>	<u>6,944,696</u>	<u>3,156,782</u>	<u>23,945,386</u>	<u>(289,437)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Net transfers in (out)	(676,856)	(3,171,504)	(298,785)	(4,147,145)	-
Other revenues received	550,529	832,943	84,005	1,467,477	288,196
Net cash provided by (used in) noncapital financing activities	<u>(126,327)</u>	<u>(2,338,561)</u>	<u>(214,780)</u>	<u>(2,679,668)</u>	<u>288,196</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(4,756,568)	(3,353,162)	(1,009,098)	(9,118,828)	-
Proceeds from issuance of debt	31,654,483	-	-	31,654,483	-
Debt issuance costs	(472,717)	-	-	(472,717)	-
Principal payments on debt	(35,444,000)	(1,467,297)	(70,000)	(36,981,297)	-
Interest payments on debt	(1,651,532)	(590,588)	(55,475)	(2,297,595)	-
Principal payments on lease obligations	(123,209)	(311,196)	-	(434,405)	-
Intergovernmental grants	642,850	250,000	-	892,850	-
Tapping fees	-	1,157,490	-	1,157,490	-
Net cash provided by (used in) capital and related financing activities	<u>(10,150,693)</u>	<u>(4,314,753)</u>	<u>(1,134,573)</u>	<u>(15,600,019)</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>					
Net sale (purchase) of investments	(5,351,830)	-	-	(5,351,830)	-
Interest and dividends on investments	483,607	132,676	31,272	647,555	857
Net cash provided by (used in) investing activities	<u>(4,868,223)</u>	<u>132,676</u>	<u>31,272</u>	<u>(4,704,275)</u>	<u>857</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,301,335)</b>	<b>424,058</b>	<b>1,838,701</b>	<b>961,424</b>	<b>(384)</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of year	14,006,115	18,946,989	2,964,381	35,917,485	19,810
End of year	<u>\$ 12,704,780</u>	<u>\$ 19,371,047</u>	<u>\$ 4,803,082</u>	<u>\$ 36,878,909</u>	<u>\$ 19,426</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)	\$ 9,179,016	\$ 4,259,929	\$ 3,105,644	\$ 16,544,589	\$ (124,838)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	5,992,217	4,629,976	461,666	11,083,859	-
Changes in balance sheet accounts:					
Accounts receivable	(166,097)	(12,570)	(260,686)	(439,353)	-
Inventories	(96,007)	19,667	786	(75,554)	-
Deferred outflows of resources - pensions	312,999	348,576	51,383	712,958	-
Deferred outflows of resources - other post-employment benefits liability	26,282	14,688	2,319	43,289	-
Accrued vacation and other compensated absences	(20,183)	(28,960)	(1,517)	(50,660)	-
Accrued payroll	(1,415)	(2,505)	868	(3,052)	-
Accounts payable and other accrued expenses	13,185	(664,916)	(1,976)	(653,707)	(164,599)
Net pension asset	(1,986,357)	(2,336,158)	(235,567)	(4,558,082)	-
Total OPEB liability	98,687	55,148	8,708	162,543	-
Deferred inflows of resources - pensions	549,651	694,272	30,277	1,274,200	-
Deferred inflows of resources - other post-employment benefits liability	(58,070)	(32,451)	(5,123)	(95,644)	-
Net cash provided by (used in) operating activities	<u>\$ 13,843,908</u>	<u>\$ 6,944,696</u>	<u>\$ 3,156,782</u>	<u>\$ 23,945,386</u>	<u>\$ (289,437)</u>
<b>Non-cash Capital and Related Financing Activities:</b>					
Accretion of capital appreciation bonds	<u>\$ 2,143,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,143,746</u>	<u>\$ -</u>
Issuance of leases	<u>\$ 80,737</u>	<u>\$ 198,465</u>	<u>\$ -</u>	<u>\$ 279,202</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, 2022

	Employee Benefit Trust Fund	Custodial Fund
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 566,416
Interest and dividends receivable	130,998	-
Investments	192,645,024	-
<b>Total Assets</b>	<b>192,776,022</b>	<b>566,416</b>
<b>Net Position</b>		
Restricted for employees' retirement benefits and other purposes	192,776,022	566,416
<b>Total Net Position</b>	<b>\$ 192,776,022</b>	<b>\$ 566,416</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, 2022

	Employee Benefit Trust Fund	Custodial Fund
<b>Additions:</b>		
<hr/>		
Contributions:		
Employee contributions	\$ 1,487,906	\$ -
Employer contributions	9,994,195	-
Total contributions	11,482,101	-
Funds received on behalf of others	-	152,696
Investment earnings (losses):		
Investment income	2,430,087	16,517
Realized and unrealized gains (losses), net	(21,978,948)	-
Total investment earnings (loss)	(19,548,861)	16,517
Less investment expense	(967,647)	-
Net investment earnings (losses)	(20,516,508)	16,517
Total additions	(9,034,407)	169,213
<b>Deductions:</b>		
<hr/>		
Benefits paid	13,976,492	-
Disbursements made on behalf of others	-	307,625
Total deductions	13,976,492	307,625
<b>Change in Net Position</b>	(23,010,899)	(138,412)
<b>Net Position:</b>		
<hr/>		
Beginning of year	215,786,921	704,828
End of year	\$ 192,776,022	\$ 566,416

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## BALANCE SHEET - COMPONENT UNITS

DECEMBER 31, 2022

	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	\$ 4,579,043	\$ 558,455	\$ 804,135	\$ 5,941,633
Investments	1,100,000	2	-	1,100,002
Lease receivable	385,757	-	-	385,757
Accounts receivable, net	34,624	-	65,750	100,374
Other receivables	-	-	-	-
Prepaid expenses	29,491	-	-	29,491
<b>Total current assets</b>	<b>6,128,915</b>	<b>558,457</b>	<b>869,885</b>	<b>7,557,257</b>
Restricted cash and cash equivalents	-	-	235	235
Restricted investments	1,007,521	2,054,834	81,429	3,143,784
Capital assets, not being depreciated	14,503,709	5,000	-	14,508,709
Capital assets, net	26,581,700	127,132	26,276,257	52,985,089
Lease receivable, net of current	2,574,517	-	-	2,574,517
Net pension asset	635,537	-	223,676	859,213
<b>Total Assets</b>	<b>51,431,899</b>	<b>2,745,423</b>	<b>27,451,482</b>	<b>81,628,804</b>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows of resources - pension	205,296	-	45,974	251,270
Deferred charge on refunding	311,690	-	-	311,690
<b>Total Deferred Outflows of Resources</b>	<b>516,986</b>	<b>-</b>	<b>45,974</b>	<b>562,960</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 51,948,885</b>	<b>\$ 2,745,423</b>	<b>\$ 27,497,456</b>	<b>\$ 82,191,764</b>

(Continued)

\* - As of June 30, 2022

	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	\$ 5,408,805	\$ 99,413	\$ 7,366	\$ 5,515,584
Accrued payroll	-	64,394	-	64,394
Accrued vacation and other compensated absences	-	16,270	-	16,270
Interest payable	197,349	-	-	197,349
Current portion of long-term debt	1,282,000	-	-	1,282,000
Unearned revenue	378,571	-	502,000	880,571
Total current liabilities	7,266,725	180,077	509,366	7,956,168
Long-term debt, net	26,301,697	-	-	26,301,697
Total Liabilities	33,568,422	180,077	509,366	34,257,865
<b>Deferred Inflows of Resources:</b>				
Deferred inflows of resources - leases	2,960,274	-	-	2,960,274
Deferred inflows of resources - pension	732,304	-	235,361	967,665
Total Deferred Inflows of Resources	3,692,578	-	235,361	3,927,939
<b>Net Position:</b>				
Net investment in capital assets	8,612,616	132,132	26,276,257	35,021,005
Restricted	1,007,521	2,416,739	-	3,424,260
Unrestricted	5,067,748	16,475	476,472	5,560,695
Total Net Position	14,687,885	2,565,346	26,752,729	44,005,960
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 51,948,885</b>	<b>\$ 2,745,423</b>	<b>\$ 27,497,456</b>	<b>\$ 82,191,764</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, 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bethlehem Parking Authority	Bethlehem Public Library	Bethlehem Redevelopment Authority	
Bethlehem Parking Authority	\$ 6,406,283	\$ 7,661,885	\$ 544,078	\$ -	\$ 1,799,680	\$ -	\$ -	\$ 1,799,680
Bethlehem Public Library	3,169,684	148,684	2,915,076	105,420	-	(504)	-	(504)
Bethlehem Redevelopment Authority *	846,442	-	116,895	-	-	-	(729,547)	(729,547)
<b>Total Component Units</b>	<b>\$ 10,422,409</b>	<b>\$ 7,810,569</b>	<b>\$ 3,576,049</b>	<b>\$ 105,420</b>	<b>1,799,680</b>	<b>(504)</b>	<b>(729,547)</b>	<b>1,069,629</b>
General Revenues:								
					19,125	(479,908)	556	(460,227)
					19,125	(479,908)	556	(460,227)
					<b>1,818,805</b>	<b>(480,412)</b>	<b>(728,991)</b>	<b>609,402</b>
					12,869,080	3,045,758	27,481,720	43,396,558
					<b>\$ 14,687,885</b>	<b>\$ 2,565,346</b>	<b>\$ 26,752,729</b>	<b>\$ 44,005,960</b>

\* - Year ended June 30, 2022

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022

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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 fiduciary 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, 2022

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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, 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, 2022

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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, 2022

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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, 2021, and 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, 2022, the Parking Authority's allowance for uncollectible accounts is \$0.

### Leases

The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements. The Authority is a lessor for a non-cancellable lease of parking spaces.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

1. The City uses its estimated incremental borrowing rate as the discount rate for leases.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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2. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

### **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 2022 is as follows:

January 1, 2022	original levy date
January 1, 2022 – March 31, 2022	2% discount period
April 1, 2022 – May 31, 2022	face payment period
June 1, 2022 - December 31, 2022	10% penalty period

In addition, City taxes may be paid in four installments due approximately February 7, April 4, June 6, and August 8 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 2022 millage was 8.61 for general purposes, 6.20 for public safety, 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, 1.96 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

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022, the City's LERTA property tax abatements totaled approximately \$1,531,814.

### **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, 2022, appropriate interfund receivables or payables have been established.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### 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.

### *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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### *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.

### **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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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.

The Parking Authority receives monthly parking permits and funds in advance for various other projects or events. These amounts are reported as unearned revenue.

### **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 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

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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		590,043
Restricted net position	\$	<u>821,510</u>

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

### 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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.

### **Adopted Pronouncements**

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

GASB Statement No. 87, "*Leases*," (GASB 87) requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this statement have been adopted and incorporated into these financial statements. As a result of this implementation, there was a restatement of \$588,540 to increase governmental activities net position and General Fund fund balance. The remaining effects of this adoption were not material to beginning net position balances and were adjusted through the statements of net position.

The following GASB Statements were also adopted for the year ended December 31, 2022: Statement Nos. 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 97 (Deferred Compensation Plans), and 99 (Omnibus 2022 – paragraphs 26 through 32). These



# CITY OF BETHLEHEM, PENNSYLVANIA

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statements had no significant impact on the City's financial statements for the year ended December 31, 2022.

For the Parking Authority, as the deferred inflow of resources for leases approximated the lease receivable as of January 1, 2022, there was no restatement of net position for the adoption of GASB 87.

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

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022, the Parking Authority made contributions to the City's General Fund of \$400,000. 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 2022 appropriation to the Library was \$1,431,503, which represented 45% 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, 2022, the Library paid the City \$138,250 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

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Redevelopment Authority for general administrative, rehabilitation activities, and property acquisition and demolition. 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.

### *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 \$366,232 in public safety reimbursements to the City during the year ended December 31, 2022.

#### **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, 2022, BEDCO owes the City \$794,875. There were no payments made on this loan during the year ended December 31, 2022. 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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### 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.
- 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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

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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.

- 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, 2022

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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, 2022, the City's book balance was \$100,913,588 and the bank balance was \$104,914,541. Of the bank balance, \$2,428,644 was covered by federal depository insurance and \$102,485,870 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	\$ 63,468,263
Business-type activities:	
Unrestricted	34,054,712
Restricted	2,824,197
Fiduciary funds:	
Custodial fund	566,416
Total cash and cash equivalents	<u>\$ 100,913,588</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

### **B. Investments**

The fair value of the investments of the City at December 31, 2022 was as follows:

Investments:	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Money market funds	\$ 14,746,475	\$ 14,746,475	\$ -	\$ -
U.S. Government obligations	20,175,474	20,175,474	-	-
U.S. Government agency obligations	7,412,546	-	7,412,546	-
Corporate bonds and notes	9,816,898	-	9,816,898	-
Equity mutual funds:				
Domestic	25,278,238	25,278,238	-	-
International	26,073,213	26,073,213	-	-
Equities:				
Consumer discretionary	4,605,485	4,605,485	-	-
Consumer staples	2,322,774	2,322,774	-	-
Energy	2,394,722	2,394,722	-	-
Financials	5,681,147	5,681,147	-	-
Health care	5,615,488	5,615,488	-	-
Industrials	5,781,633	5,781,633	-	-
Information technology	7,105,794	7,105,794	-	-
Materials	629,804	629,804	-	-
Telecommunications	1,227,332	1,227,332	-	-
Utilities	529,758	529,758	-	-
Other	878,644	878,644	-	-
Limited partnerships	59,158,849	-	-	59,158,849
Real estate equity fund	5,526,246	-	-	5,526,246
Total investments by fair value level	204,960,520	<u>\$ 123,045,981</u>	<u>\$ 17,229,444</u>	<u>\$ 64,685,095</u>
Investments measured at net asset value:				
External investment pool	931,827			
Real estate investment trusts	1,643,236			
Total investments measured at fair value	<u>\$ 207,535,583</u>			

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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<u>Reconciliation to total investments</u>	
Governmental activities:	
Unrestricted	\$ 150
Business-type activities:	
Restricted	14,890,409
Fiduciary funds:	
Employee Benefit Trust Fund	<u>192,645,024</u>
Total investments	<u>\$ 207,535,583</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, 2022, the City's Employee Benefit Trust Fund was invested in Hamilton Lane Co-Investment Fund III, LP, a limited partnership, in the amount of \$1,923,149. 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, 2022

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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, 2022, the Holdings has unfunded commitments to portfolio investments of \$24,931,671. 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, 2022, the City's Employee Benefit Trust Fund was invested in Hamilton Lane Co-Investment Fund IV, LP, a limited partnership, in the amount of \$6,135,140. 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, 2022

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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, 2022, the Fund IV Holdings has unfunded commitments to portfolio investments of \$5,950,517. 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, 2022, 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 \$5,926,394. 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, 2022, 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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YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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 \$8,402,975. 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's term expired December 31, 2022. The General Partner extended the partnership for one year pursuant to the Fund's limited partnership agreement. At such time, after payments to creditors, the remaining assets will be distributed to the partners in proportion to the amounts in their capital accounts. 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. 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, 2022, the City's Employee Benefit Trust Fund was invested in Adams Street Co-Investment Fund IV, LP, a limited partnership, in the amount of \$593,025. 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, 2022, the Fund had unfunded commitments of \$4,466,733. 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, 2022, the City's Employee Benefit Trust Fund was invested in Adams Street Co-Investment Fund V, LP, a limited partnership, in the amount of \$5,838,676. The Adams Street Co-Investment Fund V, LP (Fund) began operations on June 9, 2021 for the purpose of investing in co-investments. 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. Income and expenses of the Fund are allocated to the partners in accordance with the terms of the Fund Agreement. The General Partner is allocated a carried interest of 12.5% of the cumulative profits after the limited partners have received a preferred return of 8% on capital contributions. Carried interest will be paid to the General Partner after the limited partners have received distributions equal to such partners' aggregate capital contributions plus the applicable preferred return. At December 31, 2022, the Fund had unfunded commitments of \$7,868,221. The Fund will continue until October 16, 2032, subject to extension for up to two successive one-year periods at the sole discretion of the

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022, the City's Employee Benefit Trust Fund was invested in Boyd Watterson GSA Fund, L.P., a limited partnership, in the amount of \$10,913,050. 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 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, 2022. 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 1,696.89 controlling units are issued and outstanding as of December 31, 2022. The net asset value per unit calculation is based on the provisions of the Private Placement Memorandum and Operating Agreement. At December 31, 2022, the Fund had outstanding unfunded commitments of \$480,380.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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At December 31, 2022, 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 \$5,142,133. 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, 2022, 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.

At December 31, 2022, 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 \$7,789,054. 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, 2022, the unfunded commitments related to the investments in limited partnerships was \$165,988,785. The partnership will continue until the cancellation of the Certificate of Limited Partnership.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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At December 31, 2022, 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 \$6,495,253. 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 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, 2022, 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 \$5,526,246. 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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022.

### *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, 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, 2022, the City held PLGIT/PRIME shares in the amount of \$931,827. PLGIT/PRIME is a variable rate investment portfolio, requires no minimum balance and no minimum initial investment, and limits redemptions or exchanges to two per calendar month. At December 31, 2022, 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

YEAR ENDED DECEMBER 31, 2022

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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	\$ 81,430
Apple Hospitality	220,730
Avalon Bay Communities	56,532
CBRE Group	42,174
Equity Residential Properties	29,736
Host Hotels and Resorts	43,656
Kite Realty Group Trust	393,719
PotlatchDeltic Corporation	266,931
Stag Industrial	113,085
Terreno Realty Corporation	261,261
Umh Properties, Inc.	104,408
Weyerhaesuer CP	<u>29,574</u>
Total real estate investment trusts	<u><u>\$ 1,643,236</u></u>

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

Apple Hospitality's focus is on upscale, rooms-focused hotels in the United States.

Avalon Bay Communities is focused on developing, redeveloping, acquiring, and managing distinctive apartment homes within U.S. markets.

CBRE Group focuses on commercial real estate.

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

Host Hotels and Resorts focuses on luxury and upscale hotels.

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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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.

Stag Industrial focuses on the acquisition and operation of industrial properties throughout the United States.

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 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, \$74,965,242 are held by the counterparty's trust department or agent in the City's name, \$13,958,732 are held by the counterparty's trust department or agent not in the name of the City, and the remaining balance of \$118,611,609 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

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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fixed income investments had the following level of exposure to credit risk as of December 31, 2022:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 4,637,272	AAA
Money market funds	10,109,203	Unrated
U.S. Government obligations	17,873,652	AAA
U.S. Government obligations	2,301,822	AA+
U.S. Government agency obligations	2,263	Not rated
U.S. Government agency obligations	1,364,503	AAA
U.S. Government agency obligations	6,045,780	AA+
Corporate bonds and notes	821,877	AAA
Corporate bonds and notes	56,804	AA+
Corporate bonds and notes	218,357	AA-
Corporate bonds and notes	295,535	A+
Corporate bonds and notes	1,618,995	A
Corporate bonds and notes	1,835,936	A-
Corporate bonds and notes	37,600	A3
Corporate bonds and notes	58,125	BB+
Corporate bonds and notes	2,263,780	BBB+
Corporate bonds and notes	1,967,635	BBB
Corporate bonds and notes	574,302	BBB-
Corporate bonds and notes	67,952	Baa2
External investment pool	931,827	AAA

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

*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, 2022, 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			
		2023	2024-2028	2029-2033	2034 and beyond
Money market funds	\$ 14,746,475	\$ 14,746,475	\$ -	\$ -	\$ -
U.S. Government obligations	20,175,474	11,578,928	6,944,940	-	1,651,606
U.S. Government agency obligations	7,412,546	1,364,503	-	2,263	6,045,780
Corporate bonds and notes	9,816,898	491,803	5,210,547	1,971,533	2,143,015
External investment pool	931,827	931,827	-	-	-
	\$ 53,083,220	\$ 29,113,536	\$ 12,155,487	\$ 1,973,796	\$ 9,840,401

### 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, 2022

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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, 2022, the Parking Authority's book balance was \$4,579,043 and the bank balance was \$3,593,482. Of the bank balance at December 31, 2022, \$250,000 was covered by federal depository insurance and \$3,343,482 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, 2022 was \$2,107,521. Of this amount, \$1,100,000 was invested in PSDLAF.

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

At December 31, 2022, 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.

The Parking Authority uses PSDLAF, external investment pool, to ensure safety and maximize efficiency, liquidity, and yield for Parking Authority funds. PSDLAF was created to meet the investment needs of local governments, school districts, municipal authorities,

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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and other types of governments in the Commonwealth. The fair value of the Parking Authority's position in the external investment pools is equivalent to the value of the pool shares. PSDLAF issues separately audited financial statements that are available to the public.

PSDLAF's general objective is to provide its investors with current income while preserving capital in a manner that is compatible with the needs and requirements of public school and local governmental entities in the Commonwealth. Further information regarding PSDLAF and its investment strategies can be found at [www.psdlaf.com](http://www.psdlaf.com). PSDLAF is sponsored by the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials, and the respective executive directors of those associations serve as trustees of PSDLAF.

The Parking Authority is invested in PSDLAF's Max Series, which have no deposit requirements. At December 31, 2022, the Authority's book balance of Max Series was \$1,100,320. At December 31, 2022, the Max Series carried a AAA rating and had an average maturity of less than one year. These collateralized investment pools require participating banks to deliver a minimum of 102% market value of collateral consisting of acceptable securities as outlined under the Act. The required collateral is segregated for PSDLAF settlors only and maintained for safekeeping by the Bank of New York or the Federal Reserve Bank of Boston, which provides custodian services to the fund for the investment pools. In addition to the collateral requirements noted, institutions may also secure PSDLAF investments via a Federal Home Loan Bank Irrevocable Letter of Credit. Therefore, the collateral is secured for PSDLAF settlors at 102% of the principal deposit or through the irrevocable letter of credit through a Federal Home Loan Bank.

*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 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, 2022, all investments of the Parking Authority were rated AAA.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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*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, 2022, 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, 2022, the Library's book balance was \$558,457 and the bank balance was \$736,162. \$484,486 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, 2022

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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, 2022 was as follows:

Money market funds	\$	246,038
Fixed Income		489,200
Equities:		
Consumer staples		45,400
Energy		37,615
Financials		273,433
Healthcare		292,006
Information technology		288,994
Industrials		202,641
Telecommunications		138,311
Utilities		41,196
Total investments	\$	<u>2,054,834</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, 2022:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 246,038	Unrated

*Concentration of credit risk* – The Library places no limit on the amount the Library may invest in any one issuer. At December 31, 2022, no investments in any one issuer were more than five percent of the Library's total investments.



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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*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 interest rates. The Library's money market funds, in the amount of \$246,038, 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, 2022, the Redevelopment Authority's book balance was \$804,370 and the bank balance was \$818,050. Of the bank balance at June 30, 2022, \$250,000 was covered by federal depository insurance and \$568,050 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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 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, 2022 was \$81,429.

*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, 2022, 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, 2022.

*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, 2022, 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, 2022

### 4. Capital Assets

A summary of changes in capital assets follows:

	January 1, 2022	Additions and Transfers In	Disposals and Transfers Out	December 31, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,752,780	\$ -	\$ -	\$ 6,752,780
Construction in progress	1,229,476	1,019,125	(616,675)	1,631,926
Total capital assets not being depreciated	7,982,256	1,019,125	(616,675)	8,384,706
Capital assets being depreciated:				
Buildings and related improvements	34,515,876	2,816,448	-	37,332,324
Improvements other than buildings	50,766,177	1,297,746	-	52,063,923
Furniture, machinery, and equipment	48,816,521	2,068,969	(485,853)	50,399,637
Infrastructure	62,981,735	3,306,778	-	66,288,513
Total capital assets being depreciated	197,080,309	9,489,941	(485,853)	206,084,397
Less accumulated depreciation for:				
Buildings and related improvements	(30,750,989)	(872,279)	-	(31,623,268)
Improvements other than buildings	(39,213,221)	(1,485,038)	-	(40,698,259)
Furniture, machinery, and equipment	(38,289,556)	(2,451,835)	(487,199)	(40,254,192)
Infrastructure	(35,397,414)	(3,530,757)	-	(38,928,171)
Total accumulated depreciation	(143,651,180)	(8,339,909)	(487,199)	(151,503,890)
Total capital assets being depreciated, net	53,429,129	1,150,032	(973,052)	54,580,507
Governmental activities capital assets, net	\$ 61,411,385	\$ 2,169,157	\$ (1,589,727)	\$ 62,965,213

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

	January 1, 2022	Additions and Transfers In	Disposals and Transfers Out	December 31, 2022
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,144,629	\$ -	\$ -	\$ 2,144,629
Construction in progress	2,127,484	941,408	(1,669,634)	1,399,258
Total capital assets not being depreciated	4,272,113	941,408	(1,669,634)	3,543,887
Capital assets being depreciated:				
Land improvements	3,100,661	-	-	3,100,661
Building and fixtures	14,557,581	209,938	-	14,767,519
Improvements other than buildings	258,738,373	8,907,994	-	267,646,367
Furniture, machinery, and equipment	6,094,633	298,681	(29,179)	6,364,135
Vehicles	6,443,222	421,078	(162,680)	6,701,620
Office equipment	117,497	-	-	117,497
Infrastructure	6,612,100	1,158,533	-	7,770,633
Total capital assets being depreciated	295,664,067	10,996,224	(191,859)	306,468,432
Less accumulated depreciation for:				
Land improvements	(1,339,544)	(156,435)	-	(1,495,979)
Building and fixtures	(13,723,234)	(144,419)	-	(13,867,653)
Improvements other than buildings	(179,979,346)	(9,910,837)	-	(189,890,183)
Furniture, machinery, and equipment	(5,184,901)	(215,256)	29,179	(5,370,978)
Vehicles	(4,549,723)	(396,770)	143,498	(4,802,995)
Office equipment	(104,421)	(5,079)	-	(109,500)
Infrastructure	(4,750,636)	(277,565)	-	(5,028,201)
Total accumulated depreciation	(209,631,805)	(11,106,361)	172,677	(220,565,489)
Total capital assets being depreciated, net	86,032,262	(110,137)	(19,182)	85,902,943
Business-type activities capital assets, net	\$ 90,304,375	\$ 831,271	\$ (1,688,816)	\$ 89,446,830

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Depreciation expense was charged to governmental activities as follows:

Administrative	\$ 42,980
Community development	167,889
Parks and public property	1,371,917
Public works	5,065,148
Police	498,117
Fire	1,014,449
Library	179,409
	<u>\$ 8,339,909</u>

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

Water Fund	\$ 5,992,217
Sewer Fund	4,652,478
Municipal Golf Fund	168,865
Stormwater	292,801
	<u>\$ 11,106,361</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

	January 1, 2022	Additions/ Transfers In	Deletions/ Transfers Out	December 31, 2022
Parking Authority:				
Capital assets, not being depreciated:				
Land	\$ 4,855,985	\$ -	\$ -	\$ 4,855,985
Construction in progress	501,861	9,145,863	-	9,647,724
Total capital assets, not being depreciated	5,357,846	9,145,863	-	14,503,709
Capital assets, being depreciated:				
Parking garages	46,844,861	38,059	-	46,882,920
Furniture and fixtures	2,728,796	284,231	-	3,013,027
Automobiles	595,894	30,002	(272,850)	353,046
Leasehold and parking lot improvements	695,726	-	-	695,726
	50,865,277	352,292	(272,850)	50,944,719
Less: accumulated depreciation	(22,910,727)	(1,725,142)	272,850	(24,363,019)
Total capital assets, being depreciated, net	27,954,550	(1,372,850)	-	26,581,700
Total capital assets, net	\$ 33,312,396	\$ 7,773,013	\$ -	\$ 41,085,409

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

	January 1, 2022	Additions	Disposals	December 31, 2022
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	11,385	-	323,062
Furniture, machinery, and equipment	839,477	-	-	839,477
Total capital assets, being depreciated	1,151,154	11,385	-	1,162,539
Less accumulated depreciation	(1,027,112)	(8,295)	-	(1,035,407)
Total capital assets, being depreciated, net	124,042	3,090	-	127,132
Total capital assets, net	\$ 129,042	\$ 3,090	\$ -	\$ 132,132

	June 30, 2021	Additions	Disposals	June 30, 2022
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	4,345,773	645,125	-	4,990,898
Total accumulated depreciation	4,345,773	645,125	-	4,990,898
Total capital assets, net	\$ 26,921,382	\$ (645,125)	\$ -	\$ 26,276,257

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental funds:		
General Fund	\$ 2,580,162	\$ -
Non-Utility Capital Improvements Fund	178,500	1,765,570
Other Non-Major Governmental Funds	-	155,000
Proprietary funds:		
Sewer Fund	55,000	-
Other Non-Major Enterprise Funds	10,570	903,662
Total	<u>\$ 2,824,232</u>	<u>\$ 2,824,232</u>

Interfund balances are primarily for reimbursement of expenditures paid on behalf of another fund and interfund loans for cash flow purposes. As of December 31, 2022, there is \$1,700,000 due to General Fund recorded in the Non-Utility Capital Improvements Fund, where as only approximately \$500,000 is expected to be repaid within one year, depending upon timing of grant receipts due from governments.



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### 6. Interfund Transfers

Interfund transfers for the year ended December 31, 2022 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 3,033,896	\$ 13,177,367
Non-Utility Capital Improvements Fund	3,048,703	-
Debt Service Fund	11,241,913	-
Proprietary funds:		
Water Fund	-	676,856
Sewer Fund	-	3,171,504
Other Non-Major Enterprise Funds		298,785
Total	<u>\$ 17,324,512</u>	<u>\$ 17,324,512</u>

Transfers are used to (1) fulfill budgetary transfer requirements and (2) move receipts restricted to debt service from the funds collecting the receipts as debt service payments become due.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### 7. Leases

#### **Primary Government**

##### **Governmental Activities and Governmental Funds**

In 1994 (subsequently amended in an agreement dated February 2014), the City began leasing space for the installation, operation, and maintenance of personal communication service (PCS) facility, PCS related equipment and associated antenna. The term per the amendment is for an initial term through 2019 with option to extend for each of four additional five-year renewal terms through February 2034. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least six months prior to the end of any renewal term. Annual payments to be received by the City for five-year incremental terms effective 2014 were as follows: \$11,880, \$13,068, \$14,379, and \$15,812.

In October 2007 (subsequently amended in an agreement dated September 2014), the City began leasing space for the installation, operation, and maintenance of PCS facility, PCS related equipment and associated antenna. The term per the original agreement was for an initial term through 2012, with four additional five-year renewal periods. The September 2014 amendment updated to allow for a total of six, five-year automatic renewals through September 2042. The lessor has the right to renew the lease each successive renewal term unless terminated in writing at least 180 day written notice prior to renewal date. Initial monthly rent was \$1,250, increasing 12% each five-year renewal period.

In July 2009 (subsequently amended in an agreement dated September 2014), the City began leasing space for the installation, operation, and maintenance of PCS facility, PCS related equipment and associated antenna. The term per amendment is for an initial term through 2014 with option to extend for each of six additional five-year renewal terms through June 2044. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least 60 days prior to the end of any renewal term. Initial monthly rent was \$1,250, increasing 12% each five-year renewal period.

In October 2000, the City began leasing space for the installation, operation, and maintenance of PCS facility, PCS related equipment and associated antenna. The term is for an initial 10 years, with three five-year renewal periods unless lessee terminates by providing written notices within 90 days prior to expirations of a renewal term. Initial

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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monthly rent was \$1,300, increasing 12% each five-year renewal period.

In July 2010, the City began leasing space for the installation, operation, and maintenance of PCS facility, PCS related equipment and associated antenna. The initial lease term is for five years, with the option to renew for up to four additional five year through 2035. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least 60 days prior to the end of any renewal term. Initial monthly rent was \$1,300, increasing 12% each five-year renewal period.

In June 2007 (subsequently amended in an agreement dated December 2020), the City began leasing space for the installation, operation, and maintenance of PCS facility, PCS related equipment and associated antenna. The term per the original agreement was for an initial term through 2012, with four additional five-year renewal periods. The December 2020 amendment updated to allow for a total of six additional five-year automatic renewals through September 2062. The lessee has the right to renew the lease each successive renewal term unless terminated in writing at least 60 days written notice prior to renewal date. Initial monthly rent was \$1,800, increasing 15% each five-year renewal period.

In October 2007 (subsequently amended twice, with latest agreement dated October 2014), the City began leasing space for the installation, operation, and maintenance of PCS facility, PCS related equipment and associated antenna. The term per the original agreement was for an initial term through 2015 and the October 2014 amendment updated to allow for five additional five-year automatic renewals through April 2040. The lessee has the right to renew the lease each successive renewal term unless terminated in writing at least 30 day written notice prior to renewal date. Initial monthly rent was \$2,379, increasing 22% each five-year renewal period.

December 31, 2022, the City recognized \$155,369 in lease revenue and \$68,369 of interest revenue related to these leases.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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The following represents the total Governmental Activities and Governmental Funds receivable for lease payments and associated deferred inflows of resources that will be recognized as revenue over the terms of the lease at December 31, 2022.

<u>Lease Term</u>	<u>Lease Receivable</u>	<u>Deferred Inflow of Resources</u>
2/2014 - 2/2034	\$ 140,343	\$ 113,850
10/2007 - 9/2042	471,093	270,495
10/2014 - 6/2044	682,265	582,879
10/2000 - 9/2025	81,694	29,311
7/2010 - 6/2035	429,003	311,119
10/2007 - 9/2062	1,545,386	1,474,771
5/2015 - 4/2040	609,675	548,438
	<u>\$ 3,959,459</u>	<u>\$ 3,330,863</u>

### Business-type Activities and Proprietary Funds

In January 2019, the City began leasing space at the golf course to a business to operate a restaurant at the City's golf course. The term of the lease is seven years commencing January 1, 2019. The City initially received monthly rent of \$5,500, with incremental increases of 2% annually through 2025. The City recognized \$63,711 in lease revenue and \$6,342 of interest revenue during 2022 related to this lease.

In June 2021, the City began leasing space at the golf course to a business to operate an indoor golf instruction, technology, and fitness facility at the City's golf course. The term of the lease is seven years commencing June 1, 2021. The City initially received monthly rent of \$2,500, with incremental increases of 3% annually through 2028. The City recognized \$32,791 in lease revenue during 2022 related to this lease.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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The following represents the total Business-type Activities and Proprietary Fund receivable for lease payments and associated deferred inflows of resources that will be recognized as revenue over the terms of the lease at December 31, 2022.

<u>Lease Term</u>	<u>Lease Receivable</u>	<u>Deferred Inflow of Resources</u>
1/1/2019-12/31/2025	\$ 210,028	\$ 191,132
6/1/2021-5/31/2028	181,642	177,617
	<u>\$ 391,670</u>	<u>\$ 368,749</u>

### Component Units

#### *Parking Authority*

On January 24, 2019, the Parking Authority entered into an agreement with Matador Holding Co., LLC, to provide 23 parking spaces at an Authority-owned parking garage for a period of five years. The lease will automatically renew for two successive five-year terms unless either party notifies the other that it is terminating the lease at least 90 days prior to the end of the extended term. Matador Holding Co., LLC shall pay the Authority \$45 per parking space, per month, during the first five years of the initial lease term. The rent during the second five-year term may not be more than the rent charged all the other users of the garage. In April 2020, the lease was amended to decrease the number of parking spaces to 10.

On March 1, 2018, the Parking Authority entered into an agreement with Lehigh University to provide 36 parking spaces at an Authority-owned parking garage for a period of ten years. The lease will automatically renew for successive five-year terms unless either party notifies the other that it is terminating the lease at least 90 days prior to the end of the extended term. Lehigh University shall pay the Authority \$65 per parking space, per month, during the first five years of the initial lease term. The rent during the second five-year term may not be more than the rent charged all other users of the garage.

On August 12, 2016, the Parking Authority entered into an agreement with Greenway I, Inc. to lease 180 parking permits at the New and Third Street Garage to be invoiced at a monthly rate per permit of \$38.95, which is allocated as follows: \$57.00 per permit for 123 parking permits and no charge for the remaining 57 parking permits. Rent due for these parking spaces shall not be increased for a period of five years from the commencement date. Rent for the 180 parking spaces shall increase to \$47.98 for the sixth year. The initial

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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lease term shall be ten years, commencing on the date the parking garage is open to the public, which was 2018. The lease will automatically be renewed for two additional terms of five years each unless either party notifies the other that it is terminating the lease at least 180 days prior to the end of the extended term.

On November 2, 2009, the Parking Authority, in connection with the construction of the South Main Street Garage, entered into a Parking Space Lease Agreement for 57 interior parking spaces and 19 road spaces, outside the garage structure. The initial lease term is 20 years, commencing November 3, 2009; provided, however, that unless written notice of intention not to renew this lease agreement is given to the Parking Authority no later than 90 days prior to the end of the initial lease term or the then-current renewal term, this Lease Agreement will automatically be renewed for an additional term, of 30 years, upon the same terms and conditions as the original lease, except that the monthly rent will be reset so as to reflect the monthly rate which is then in effect. The initial rent for the interior parking spaces will be \$50 per parking space per month and \$40 per parking space per month for the road spaces. After a period of three years, the rent will be increased by \$5 per month per space. The number of rented spaces can be reduced during the term of the lease, with 30 days' prior written notice to the Parking Authority; however, the total number of spaces to be leased will never be less than 30 total parking spaces. In February 2022, the lease was amended to only include 57 interior spaces and 19 exterior spaces. The lease term is five years commencing on February 2022 and will automatically renew for two successive five year terms unless either party notifies the other that it is termination the lease at least 90 days prior to the end of the renewal period.

On January 25, 2006, the Parking Authority entered into an agreement with Posh North Street Tower, L.P., to provide 262 parking spaces at an Authority-owned parking lot for \$70 per parking space, per month. On July 10, 2008, the Parking Authority entered into an addendum to this lease agreement, changing the number of parking spaces from 262 parking spaces to 120 parking spaces. An automatic 20-year lease renewal was added to the original 20-year term. On November 3, 2014, the Parking Authority entered into a second addendum to this lease agreement, changing the number of parking spaces from 120 parking spaces to 70 parking spaces and changing the amount of rent to \$55 per space, per month, for a period of two years. Thereafter, the rent shall be the same rent charged to all other users of the garage.

On June 7, 2005, the Parking Authority entered into an agreement with Polk Street Development Associates to provide 138 parking spaces at a Parking Authority-owned parking lot. The spaces are invoiced at an agreed amount per leased space. After one year,

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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the leased amount may be increased by the Parking Authority every twelve months, but in no event more than a 3% increase for each twelve-month period. The lease term is for 15 years beginning in 2005 and will automatically terminate at the end of the lease term. Polk Street Development Associates has the right to renew the lease for an additional 15-year period at the standard rate in effect at that time. On January 13, 2016, the Parking Authority entered into an addendum to this lease agreement, changing the lease term to five years, effective January 1, 2016, and ending December 31, 2020. In May 2018, the Parking Authority entered into an addendum to this lease agreement, changing the number of parking spaces to only include Lot C (66 parking spaces) and also revising the lease term to termination on December 31, 2019, with the option to extend the lease term for another 15 years. The lease spaces during the extended lease term are at a rent equal to \$40.00 per space from January 1, 2020 until December 31, 2025. Commencing on January 1, 2026 and terminating on December 31, 2035, the rent shall at all times be equal to the standard rate for parking permits in other surface parking lots or parking garages.

On August 25, 2004, the Parking Authority entered into an agreement with Lehigh Riverport Realty Limited Partnership to provide 262 parking permits at the Lehigh Riverport Garage to be invoiced at the market rate per permit. The lease term is for 20 years commencing on the date the parking garage was opened to the public. Unless written notice of intention not to renew this lease agreement is given by Lehigh Riverport Realty Limited Partnership, this lease agreement shall automatically be renewed for an additional term of 20 years upon the same terms and conditions.

On December 16, 2021, the Parking Authority entered into an agreement with D'Huy Engineering to provide 5 reserved parking spaces in the Broad Street Parking Lot for an initial term of 5 years at the market rate for a reserved space at \$120 per month. The agreement shall automatically be renewed for up to 5 terms at one year each. Both parties must provide written notice no more than 90 days with intent not to renew the Initial Lease Term.

December 31, 2022, the Parking Authority recognized \$364,350 in lease revenue and \$107,202 of interest revenue related to these leases.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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The following represents the Parking Authority's receivable for lease payments and deferred inflows of resources associated that will be recognized as revenue over the term of the lease at December 31, 2022.

<u>Lease Term</u>	<u>Lease Receivable</u>	<u>Deferred Inflow of Resources</u>
1/1/18-11/1/37	\$ 975,244	\$ 975,244
11/3/14-7/9/28	298,689	298,689
8/25/04-8/31/24	331,352	331,352
3/1/18-2/28/33	240,622	240,622
2/24/22-2/24/37	688,832	688,832
5/1/18-12/31/34	310,962	310,962
12/16/21-12/16/33	55,679	55,679
4/1/20-12/31/34	58,894	58,894
Total:	<u>\$ 2,960,274</u>	<u>\$ 2,960,274</u>



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

### 8. Long-Term Obligations

#### Bonds and Notes Payable

A summary of long-term bonds and notes payable of the City at December 31, 2022 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	\$ 102,006,000	\$ 68,925,564	\$ 23,275,258	\$ 1,585,000	\$ 93,785,822
Accretion of capital appreciation bonds	-	2,143,746	-	-	2,143,746
Debt issuance	-	27,100,000	-	-	27,100,000
Repayment of debt	(8,216,000)	(35,444,000)	(1,467,297)	(70,000)	(36,981,297)
	93,790,000	62,725,310	21,807,961	1,515,000	86,048,271
Plus unamortized bond premium	931,283	3,747,960	404,091	-	4,152,051
Less unamortized bond discount	(124,325)	-	-	-	-
Outstanding at end of year	<u>\$ 94,596,958</u>	<u>\$ 66,473,270</u>	<u>\$ 22,212,052</u>	<u>\$ 1,515,000</u>	<u>\$ 90,200,322</u>

	Discretely Presented Component Unit Parking Authority
Outstanding at beginning of year	\$ 25,503,307
Issuance of debt	3,509,214
Repayment of debt	(1,264,000)
	27,748,521
Less unamortized bond discounts	(164,824)
Outstanding at end of year	<u>\$ 27,583,697</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Year	Governmental Activities			Water Fund		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 8,110,000	\$ 2,773,212	\$ 10,883,212	\$ 6,881,377	\$ 1,674,573	\$ 8,555,950
2024	8,380,000	2,505,318	10,885,318	6,539,141	2,036,809	8,575,950
2025	8,655,000	2,234,684	10,889,684	6,224,228	2,376,722	8,600,950
2026	8,950,000	1,934,227	10,884,227	5,924,323	2,701,627	8,625,950
2027	9,200,000	1,697,520	10,897,520	5,634,781	3,011,169	8,645,950
2028-2032	40,775,000	4,989,146	45,764,146	24,741,460	6,666,540	31,408,000
2033-2034	9,720,000	440,388	10,160,388	6,780,000	917,750	7,697,750
Totals	\$ 93,790,000	\$ 16,574,495	\$ 110,364,495	\$ 62,725,310	\$ 19,385,190	\$ 82,110,500

  

Year	Sewer Fund			Golf Fund		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,515,859	\$ 522,316	\$ 2,038,175	\$ 70,000	\$ 53,025	\$ 123,025
2024	1,574,571	24,385	1,598,956	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	1,706,637	333,038	2,039,675	85,000	42,350	127,350
2028-2032	9,086,623	1,110,789	10,197,412	460,000	165,900	625,900
2033-2037	4,623,378	266,116	4,889,494	545,000	79,625	624,625
2038	-	-	-	120,000	4,200	124,200
Totals	\$ 21,807,961	\$ 3,041,049	\$ 24,849,010	\$ 1,515,000	\$ 488,775	\$ 2,003,775

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Parking Authority					
Years Ending December 31,	Parking Revenue Bonds Series A and B of 2015 and Series A and B of 2016		Direct Borrowings and Placements - Bonds and Notes		Total
	Principal	Interest	Principal	Interest	
	2023	\$ 425,000	\$ 405,755	\$ 857,000	
2024	440,000	394,475	1,053,663	371,034	2,259,172
2025	450,000	381,825	1,077,663	340,376	2,249,864
2026	460,000	371,031	1,103,663	312,893	2,247,587
2027	470,000	361,256	1,131,663	283,023	2,245,942
2028-2032	2,535,000	1,628,568	3,450,315	1,028,750	8,642,633
2033-2037	2,920,000	1,240,050	1,263,172	1,007,123	6,430,345
2038-2042	3,385,000	774,900	1,513,075	680,883	6,353,858
2043-2047	3,095,000	235,650	1,513,075	340,442	5,184,167
2048-2052	-	-	605,232	40,853	646,085
	\$ 14,180,000	\$ 5,793,510	\$ 13,568,521	\$ 4,799,687	\$ 38,341,718

Total principal and interest for the primary government due through maturity is \$219,327,780.

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, 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 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 \$16,280,000, and \$19,040,000, respectively.

The City has guaranteed the Bethlehem Authority Guaranteed Water Revenue Bonds, Series of 2022 for the Bethlehem Authority, a blended component unit of the City. The full amount

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022 of \$52,868,521. The City was not required to make any payments in accordance with the guarantee agreements during the year ended December 31, 2022.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Long-term obligations payable at December 31, 2022 are as follows:

Governmental Activities:	Current Portion	Balance at December 31, 2022
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%.	740,000	3,155,000
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%.	630,000	735,000
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	5,015,000
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%.	360,000	725,000
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%.	205,000	9,700,000
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%.	320,000	4,665,000
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 .80% to 5.00%.	2,090,000	13,130,000

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Governmental Activities:	<u>Current Portion</u>	<u>Balance at December 31, 2022</u>
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%.	325,000	4,455,000
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%.	3,105,000	48,460,000
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>300,000</u>	<u>3,750,000</u>
Total Governmental Activities	<u>\$ 8,110,000</u>	<u>\$ 93,790,000</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, 2022

	<u>Current Portion</u>	<u>Balance at December 31, 2022</u>
Business-Type Activities:		
Water Fund:		
Bethlehem Authority Guaranteed Water Revenue Bonds, Series of 2022, due in annual installments of \$1,230,000 to \$5,285,000 through November 15, 2037; interest rates vary from 4.00% to 5.00%.	\$ -	\$ 27,100,000
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%.	6,881,377	35,625,310
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%. These bonds were currently refunded through the issuance of the Guaranteed Water Revenue Bonds, Series of 2022.	-	-
Total Water Fund	<u>6,881,377</u>	<u>62,725,310</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.	495,859	7,532,960
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%.	225,000	4,300,000
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%.	345,000	3,930,000

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Business-Type Activities:	Current	Balance at
Sewer Fund:	Portion	December 31, 2022
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%.	<u>450,000</u>	<u>6,045,000</u>
Total Sewer Fund	<u>1,515,859</u>	<u>21,807,960</u>
Golf Fund:		
General Obligation Bonds, Series C of 2018, due in annual installments through November 2038; including interest at 3.5%.	<u>70,000</u>	<u>1,515,000</u>
Total Business-Type Activities	<u>\$ 8,467,236</u>	<u>\$ 86,048,271</u>

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Component Units:	Balance at
Parking Authority:	<u>December 31, 2022</u>
<p>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.</p>	\$ -
<p>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.</p>	1,040,000
<p>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.</p>	13,140,000
<p>\$5,175,000 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. Amount drew down on the Bonds at December 31, 2022 is \$1,954,294.</p>	1,954,294
<p>\$16,135,000 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. Amount drew down on the Bonds at December 31, 2022 is \$4,539,227.</p>	4,359,227
<p>\$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. Amount drew down on the bonds at December 31, 2022 is \$5,095,000.</p>	5,095,000
<p>\$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.</p>	<u>1,980,000</u>
Total Parking Authority	<u>\$ 27,568,521</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022	Additions	Reductions	Balance December 31, 2022
Governmental activities:				
Accrued vacation and other compensated absences	\$ 4,628,607	\$ -	\$ (169,105)	\$ 4,459,502
Leases	2,530,510	182,516	(998,495)	1,714,531
	<u>\$ 7,159,117</u>	<u>\$ 182,516</u>	<u>\$ (1,167,600)</u>	<u>\$ 6,174,033</u>
Business-type activities:				
Accrued vacation and other compensated absences	\$ 812,563	\$ -	\$ (194,041)	\$ 618,522
Leases	664,123	279,202	(434,405)	508,920
	<u>\$ 1,476,686</u>	<u>\$ 279,202</u>	<u>\$ (628,446)</u>	<u>\$ 1,127,442</u>

### Lease Obligations Payable

The City has agreements for the lease of lighting equipment, other equipment, and vehicles. As of December 31, 2022, the net book value of the equipment and vehicles held under leases and included in capital assets was \$596,677 for governmental activities and \$1,147,260 for business-type activities.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

As of December 31, 2022, future minimum payments were as follows:

Year	Governmental Activities	Business-Type Activities
2023	\$ 994,058	\$ 435,859
2024	330,955	96,045
2025	276,488	-
2026	212,036	-
Total commitment under leases	1,813,537	531,904
Less amount representing interest	99,006	22,984
Present value of future minimum lease payments	1,714,531	508,920
Less current portion	940,436	417,009
Long-term portion	\$ 774,095	\$ 91,911

## 9. 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, 2022

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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, 2022

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

	Police Pension Fund	Firemen Pension Fund	Employee Benefit Trust Fund Total
<b>Assets</b>			
Interest and dividends receivable	\$ 130,998	\$ -	\$ 130,998
Investments	109,217,700	83,427,324	192,645,024
<b>Total Assets</b>	<b>\$ 109,348,698</b>	<b>\$ 83,427,324</b>	<b>\$ 192,776,022</b>
<b>Net Position</b>			
Restricted for employees' retirement benefits	\$ 109,348,698	\$ 83,427,324	\$ 192,776,022
<b>Total Net Position</b>	<b>\$ 109,348,698</b>	<b>\$ 83,427,324</b>	<b>\$ 192,776,022</b>
<b>Additions:</b>			
Employee contributions	\$ 793,905	\$ 694,001	\$ 1,487,906
Employer contributions	6,325,420	3,668,775	9,994,195
Investment income	1,434,866	995,221	2,430,087
Realized and unrealized gains (losses), net	(12,505,725)	(9,473,223)	(21,978,948)
Investment expense	(548,581)	(419,066)	(967,647)
<b>Total additions</b>	<b>(4,500,115)</b>	<b>(4,534,292)</b>	<b>(9,034,407)</b>
<b>Deductions:</b>			
Benefits paid	9,273,965	4,702,527	13,976,492
<b>Total deductions</b>	<b>9,273,965</b>	<b>4,702,527</b>	<b>13,976,492</b>
<b>Change in Net Position</b>	<b>(13,774,080)</b>	<b>(9,236,819)</b>	<b>(23,010,899)</b>
<b>Net Position:</b>			
Beginning of year	123,122,778	92,664,143	215,786,921
End of year	<b>\$ 109,348,698</b>	<b>\$ 83,427,324</b>	<b>\$ 192,776,022</b>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

### Plan Memberships

Membership related to the Police and Firemen Plans at December 31, 2022 and membership related to the PMRS Plan at December 31, 2021 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	197	119	370
Inactive plan members entitled to but not yet receiving benefits	-	-	12
Active plan members	150	98	297
Total	347	217	679

### 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, 2022

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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, 2022

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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, 2022

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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, 2022, there were six participants in the DROP. As of December 31, 2022 the balance held by the Firemen Plan for the DROP totaled \$573,233.

### 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 years of benefit service, but less than 21 years of benefit service, is disabled outside of the

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2021. The MMO includes the normal cost, estimated administrative expenses and an amortization of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022, the City made its annual required contribution of \$6,325,420 and \$3,668,775 for the City's Police and Firemen Plans, respectively. During the year ended December 31, 2021, the City contributed its annual required contribution of \$1,870,888 for the City's PMRS plan. During the year ended December 31, 2022, the City contributed its annual required contribution of \$1,889,526 for the City's PMRS plan. The 2022 contribution is reported as deferred outflows of resources at December 31, 2022.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

### Changes in Net Pension Liability - Police

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2021	\$ 142,033,054	\$ 123,122,778	\$ 18,910,276
Changes for the year:			
Service cost	2,297,674	-	2,297,674
Interest	9,778,562	-	9,778,562
Difference between actual and expected experience	-	-	-
Changes in assumption	-	-	-
Contributions - employer	-	6,325,420	(6,325,420)
Contributions - employees	-	793,905	(793,905)
Net investment income (loss)	-	(11,549,319)	11,549,319
Benefit payments, including refunds	(9,273,965)	(9,273,965)	-
Administrative expense	-	(70,121)	70,121
Net changes	2,802,271	(13,774,080)	16,576,351
Balances at December 31, 2022	\$ 144,835,325	\$ 109,348,698	\$ 35,486,627
Plan fiduciary net position as a percentage of the total pension liability			75.50%

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2021	\$ 91,625,994	\$ 92,664,143	\$ (1,038,149)
Changes for the year:			
Service cost	1,515,127	-	1,515,127
Interest	6,339,655	-	6,339,655
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	3,668,775	(3,668,775)
Contributions - employees	-	694,001	(694,001)
Net investment income (loss)	-	(8,850,617)	8,850,617
Benefit payments, including refunds	(4,702,527)	(4,702,527)	-
Administrative expense	-	(46,451)	46,451
Net changes	3,152,255	(9,236,819)	12,389,074
Balances at December 31, 2022	\$ 94,778,249	\$ 83,427,324	\$ 11,350,925
Plan fiduciary net position as a percentage of the total pension liability			88.02%

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at December 31, 2021 (based on the measurement date of December 31, 2020)	\$ 160,506,967	\$ 171,708,322	\$ (11,201,355)
Changes for the year:			
Service cost	2,886,521	-	2,886,521
Interest	8,351,766	-	8,351,766
Difference between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	1,871,687	(1,871,687)
Contributions - employees	-	1,685,231	(1,685,231)
Net investment gain	-	23,511,521	(23,511,521)
Benefit payments, including refunds	(8,736,206)	(8,736,206)	-
Administrative expense	-	(465,385)	465,385
Net changes	2,502,081	17,866,848	(15,364,767)
Balances at December 31, 2022 (based on the measurement date of December 31, 2021)	\$ 163,009,048	\$ 189,575,170	\$ (26,566,122)
Plan fiduciary net position as a percentage of the total pension liability			116.30%

The net pension asset of the PMRS plan is allocated between governmental activities and business-type activities in the amounts of \$18,423,606 and \$8,142,516, respectively, at December 31, 2022.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### *Actuarial Assumptions – Police and Firemen*

The net pension liability (asset) was measured as of December 31, 2022 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.

### *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, 2021, using the following actuarial assumptions, applied to all periods in the measurement:

#### Actuarial assumptions:

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

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

#### Preretirement mortality:

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

#### Postretirement mortality:

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### *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.
- 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, 2022

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 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, 2022

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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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	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 7.42%. 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, 2022, the annual money-weighted rate of return on Police and Firemen Plan investments, net of investment expense, was -9.91%.

*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, 2022, 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, 2022

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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, 2022 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, 2021 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, 2022

*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	\$ 54,339,521	\$ 35,486,627	\$ 19,922,933
Firemen	\$ 22,878,600	\$ 11,350,925	\$ 1,755,077
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
PMRS	\$ (7,677,367)	\$ (26,566,122)	\$ (42,507,275)

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

For the year ended December 31, 2022, the City recognized pension expense of \$5,295,476 in the governmental activities and (\$2,010,211) in the business-type activities.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 3,945,680	\$ 158,041
Changes in assumptions	13,180,410	986,963
Net difference between projected and actual earnings on pension plan investments	11,966,041	-
City contributions subsequent to the measurement date	<u>1,310,233</u>	<u>579,293</u>
Total deferred outflows of resources	<u>\$ 30,402,364</u>	<u>\$ 1,724,297</u>
<u>Deferred Inflows of Resources:</u>		
Net difference between projected and actual earnings on pension plan investments	\$ 18,441,439	\$ 8,150,398
Differences between expected and actual experience	<u>2,552,863</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 20,994,302</u>	<u>\$ 8,150,398</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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, 2023. 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>
2023	\$ (1,375,480)	\$ (1,975,532)
2024	(1,452,646)	(2,818,726)
2025	1,092,460	(1,573,854)
2026	6,425,346	(637,282)
2027	1,451,388	-
Thereafter	1,956,761	-
	<u>\$ 8,097,829</u>	<u>\$ (7,005,394)</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, 2022, the Library paid \$165,444 to PMRS on behalf of the City for the ninth 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, 2022

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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, 2022, the Parking Authority paid \$188,592 to PMRS on behalf of the City for the final tenth payment.

### *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, 2022

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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, 2022

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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, 2022, the Parking Authority made a contribution to the plan in the amount of \$89,444. The MMO for the year ended December 31, 2022 was \$89,444. The 2022 contributions are reported as deferred outflows of resources at December 31, 2022.

#### *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 are required to contribute five and a half percent of their annual covered salary. 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. The MMO for the year ended December 31, 2022 was \$14,805.

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

During the year ended June 30, 2022, the Redevelopment Authority made a contribution to the Redevelopment Authority pension plan in the amount of \$22,521.

### 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, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2021 (based on the measurement date of December 31, 2020)	\$ 3,621,610	\$ 3,871,159	\$ (249,549)
Changes for the year:			
Service cost	78,438	-	78,438
Interest	186,681	-	186,681
Contributions - employer	-	98,712	(98,712)
Contributions - employees	-	39,275	(39,275)
PMRS investment income	-	178,425	(178,425)
Market value investment income	-	345,401	(345,401)
Benefit payments	(292,164)	(292,164)	-
Administrative expense	-	(10,706)	10,706
Net changes	(27,045)	358,943	(385,988)
Balances at December 31, 2022 (based on the measurement date of December 31, 2021)	\$ 3,594,565	\$ 4,230,102	\$ (635,537)
Plan fiduciary net position as a percentage of the total pension liability			117.7%

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation performed on January 1, 2021, with liabilities rolled forward to December 31, 2021, using the actuarial assumptions consistent with that presented for the City’s PMRS pension plan, applied to all periods in the measurement.

*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.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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*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>\$ (201,098)</u>	<u>\$ (635,537)</u>	<u>\$ (999,750)</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

### *Redevelopment Authority*

The changes in the net pension liability (asset) of the Redevelopment Authority for the year ended June 30, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balances at June 30, 2021 (based on the measurement date of December 31, 2020)	\$ 1,143,167	\$ 1,245,693	\$ (102,526)
Changes for the year:			
Service cost	15,275	-	15,275
Interest	58,507	-	58,507
Contributions - employer	-	30,863	(30,863)
Contributions - employees	-	5,481	(5,481)
Net investment income	-	161,963	(161,963)
Benefit payments, including refunds	(89,185)	(89,185)	-
Administrative expense	-	(3,375)	3,375
Net changes	(15,403)	105,747	(121,150)
Balances at June 30, 2022 (based on the measurement date of December 31, 2021)	\$ 1,127,764	\$ 1,351,440	\$ (223,676)
Plan fiduciary net position as a percentage of the total pension liability			119.8%

*Actuarial Assumptions* – The total pension liability was based on the actuarial valuation performed on January 1, 2021, with liabilities rolled to December 31, 2021, 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, 2022

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*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:

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
<u>\$ (107,613)</u>	<u>\$ (223,676)</u>	<u>\$ (324,297)</u>

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

#### *Parking Authority*

For the year ended December 31, 2022, the Parking Authority recognized pension expense of \$(163,983).

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

At December 31, 2022, 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	\$ 50,394	\$ 130,692
Parking Authority's contributions subsequent to the measurement date	89,444	-
Changes in assumptions	65,458	-
Net difference between projected and actual earnings on pension plan investments	-	601,612
Total	<u>\$ 205,296</u>	<u>\$ 732,304</u>

The effect of 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, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2023	\$ (162,850)
2024	(216,504)
2025	(151,707)
2026	(85,391)
	<u>\$ (616,452)</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

### *Redevelopment Authority*

For the year ended June 30, 2022, the Redevelopment Authority recognized pension expense of (\$49,145).

At June 30, 2022, 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	\$ 7,732	\$ -
Changes in assumptions	23,437	-
Authority contributions subsequent to the measurement date	14,805	-
Net difference between projected and actual earnings on pension plan investments	-	235,361
Total	\$ 45,974	\$ 235,361

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 will be recorded as a reduction to the pension liability during the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	
2023	\$ (42,882)
2024	(85,386)
2025	(55,099)
2026	(20,825)
	\$ (204,192)

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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.

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

### Plan Descriptions

In addition to pension benefits described in Note 9, 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.



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022

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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, 2022

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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, 2022, 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	65	69	108	67	309
Inactive plan members entitled to, but not yet receiving benefits	-	-	-	-	-
Inactive plan members or beneficiaries currently receiving benefits	104	75	109	99	387
Total	169	144	217	166	696

### Contributions

The City's contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2022, the City contributed \$672,065 to the OPEB plan.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### Changes in Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Service cost	\$ 697,641
Interest	294,443
Changes of benefit terms	613,618
Differences between expected and actual experience	(1,365,296)
Changes in assumptions	(14,470)
Benefit payments	<u>(672,065)</u>
Net changes	(446,129)
OPEB Liability at December 31, 2021 (based on the measurement date of December 31, 2020)	<u>14,922,523</u>
OPEB Liability at December 31, 2022 (based on the measurement date of December 31, 2021)	<u>\$ 14,476,394</u>

The total OPEB liability is allocated between the governmental activities and business-type activities in the amounts of \$12,212,678 and \$2,263,716, respectively, at December 31, 2022.

### 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, 2022

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The total OPEB liability was determined by an actuarial valuation performed on January 1, 2022 and measured at December 31, 2022, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate of return	2.25%
Projected salary increases	4.00%
Healthcare cost trend rates	6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% 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 was changed from 1.93% as of December 31, 2021 to 2.25% as of December 31, 2022 and the projected salary increases changed from 4.5% as of December 31, 2021 to 4.0% as of December 31, 2022. The healthcare cost trend rates were also updated.

### Discount Rate

The discount rate used to measure the total OPEB liability was 2.25% at December 31, 2022. The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds at January 1, 2022 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, 2022

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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 (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB Liability	<u>\$ 15,527,416</u>	<u>\$ 14,476,394</u>	<u>\$ 13,493,366</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>\$ 13,480,770</u>	<u>\$ 14,476,394</u>	<u>\$ 15,630,805</u>

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

For the year ended December 31, 2022 the City recognized OPEB expense of \$71,513 and \$110,188 in business-type activities.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

At December 31, 2022, 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	\$ 831,526	\$ 114,801
Payments subsequent to the measurement date	516,202	135,623
Total	\$ 1,347,728	\$ 250,424
	Governmental Activities	Business-Type Activities
<b>Deferred Inflows of Resources:</b>		
Changes in assumptions	\$ 117,286	\$ 12,197
Difference between expected and actual experience	2,395,186	331,272
Total	\$ 2,512,472	\$ 343,469

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, 2023. 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
2023	\$ (846,395)	\$ (129,099)
2024	(742,905)	(113,955)
2025	(91,646)	14,386
	\$ (1,680,946)	\$ (228,668)

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### **11. 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 \$332,284 to the plan during 2022. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

### **12. 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 2022. 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 \$7.3 million at December 31, 2022.



# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### **Tax Incremental Financing (TIF) Project**

As of June 30, 2022, the Redevelopment Authority's TIF program still had a restricted cash and cash equivalents and investment balances of \$235 and \$81,429, 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, unless terminated earlier. The initial term can be extended for one additional 10-year term upon written agreement by both parties. If the initial term is extended for an additional 10-year renewal period, the lease is then 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 in the amount of \$12,000 for the year ended June 30, 2023. The agreement was amended again through December 31, 2023 for an additional \$12,000.

### **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 Redevelopment Authority's former Administrative Coordinator

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# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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position and thus eliminates all employees at the Redevelopment Authority. The Grant Program Manager's salary will be paid by the City, with a portion of the salary being reimbursed by the Redevelopment Authority to the City. The Redevelopment Authority has no plans at this time of hiring additional employees. Thus, creating no salaries expense for the Redevelopment Authority, beyond this point.

### **13. 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 91% of the total taxes collected by the City in 2022. 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.

### **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. During the year ended June 30, 2022, the Redevelopment Authority entered into a single bond issue with Moravian University for which it has limited liability. Although the Redevelopment Authority is a party to the trust indentures with the associated Trustees, the agreements are structured such that there is no recourse against the Redevelopment Authority in the case of default. As such, the corresponding debt is not reported in the Redevelopment Authority's balance sheet or statement of net position. At June 30, 2022, the total conduit debt balance outstanding is \$21,103,037.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### 15. Subsequent Event

#### *Parking Authority*

In March 2023, the Parking Authority entered into bank loan agreement for a Guaranteed Revenue Note, Series of 2023 (Series 2023 Note) in the aggregate amount of \$3,000,000, available on a draw down basis. Proceeds will be used to finance and/or reimburse the costs of the demolition of the Parking Authority's Walnut Street parking garage and other capital projects. The Series 2023 Note shall be paid in full at the earlier of maturity of the Series 2023 Note or the financing of the new parking deck to be located at Walnut Street.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

# CITY OF BETHLEHEM, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 48,174,297	\$ 48,294,297	\$ 50,068,731	\$ 1,774,434
Licenses and permits	3,387,800	3,387,800	3,154,150	(233,650)
Intergovernmental	18,633,596	19,318,738	11,282,472	(8,036,266)
Departmental earnings	6,962,000	6,989,500	7,422,164	432,664
Fines and forfeitures	415,000	415,000	332,907	(82,093)
Investment income	75,000	75,000	252,120	177,120
Municipal recreation	675,000	675,000	763,200	88,200
Host fees	9,800,000	9,800,000	9,840,056	40,056
Other operating revenues	1,043,720	1,043,720	1,060,753	17,033
Miscellaneous	1,701,000	2,676,656	1,595,476	(1,081,180)
Total revenues	<u>90,867,413</u>	<u>92,675,711</u>	<u>85,772,029</u>	<u>(6,903,682)</u>
<b>Expenditures:</b>				
Current:				
General government	1,132,111	1,093,886	1,076,884	17,002
Administration	2,081,368	2,124,755	2,094,687	30,068
Community development	13,117,490	13,598,595	8,181,835	5,416,760
Public works	10,687,649	10,733,325	10,421,718	311,607
Police	17,091,810	17,154,817	16,809,272	345,545
Fire	12,305,338	12,683,254	12,532,695	150,559
General	25,103,655	25,059,087	24,383,270	675,817
Civic	3,211,300	3,341,300	362,458	2,978,842
Library	1,431,504	1,431,504	1,431,503	1
Debt service:				
Principal	5,496,000	5,496,000	5,496,000	-
Interest	2,209,543	2,209,543	2,199,927	9,616
Total expenditures	<u>93,867,768</u>	<u>94,926,066</u>	<u>84,990,249</u>	<u>9,935,817</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(3,000,355)</u>	<u>(2,250,355)</u>	<u>781,780</u>	<u>3,032,135</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of assets	341,750	341,750	341,750	-
Transfers in	3,540,837	3,540,837	3,515,837	(25,000)
Transfers out	(882,232)	(1,632,232)	(1,632,232)	-
Total other financing sources (uses)	<u>3,000,355</u>	<u>2,250,355</u>	<u>2,225,355</u>	<u>(25,000)</u>
<b>Net Change in Fund Balance</b>	-	-	3,007,135	3,007,135
<b>Fund Balance:</b>				
Beginning of the year, budgetary basis	-	-	17,616,415	17,616,415
End of the year, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,623,550</u>	<u>\$ 20,623,550</u>

See accompanying notes to budgetary comparison schedule.

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2022

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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	\$ 89,629,616	\$ 86,622,481
Accrual adjustments:		
Receivables:		
Beginning of year	(10,975,592)	197,212
End of year	10,488,965	(381,377)
Accrued liabilities:		
Beginning of year	-	(4,479,805)
End of year	-	4,530,510
Unearned and unavailable revenues:		
Beginning of year	5,407,934	-
End of year	(5,831,506)	-
Custodial transactions	14,008,603	564,700
Reclassifications	(819,075)	819,075
GAAP basis	<u>\$ 101,908,945</u>	<u>\$ 87,872,796</u>

# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

	2022*	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>									
Service cost	\$ 2,297,674	\$ 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	9,778,562	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	(9,273,965)	(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>2,802,271</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>142,033,054</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>\$ 144,835,325</b>	<b>\$ 142,033,054</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>Plan Fiduciary Net Position:</b>									
Contributions - employer	\$ 6,325,420	\$ 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	793,905	775,927	746,772	849,972	775,370	812,201	846,396	823,385	817,800
Net investment income (loss)	(11,549,319)	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	(9,273,965)	(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	(70,121)	-	(14,300)	-	(21,952)	(18,241)	(32,879)	(18,920)	(7,400)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(13,774,080)</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>123,122,778</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>\$ 109,348,698</b>	<b>\$ 123,122,778</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>Net Pension Liability - Ending (a-b)</b>	<b>\$ 35,486,627</b>	<b>\$ 18,910,276</b>	<b>\$ 21,312,557</b>	<b>\$ 29,826,924</b>	<b>\$ 36,551,996</b>	<b>\$ 26,654,667</b>	<b>\$ 27,448,635</b>	<b>\$ 29,060,378</b>	<b>\$ 21,022,886</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>75.50%</b>	<b>86.69%</b>	<b>83.65%</b>	<b>76.55%</b>	<b>69.78%</b>	<b>77.27%</b>	<b>74.61%</b>	<b>72.21%</b>	<b>78.32%</b>
<b>Covered Payroll</b>	<b>\$ 13,207,491</b>	<b>\$ 13,060,571</b>	<b>\$ 12,741,001</b>	<b>\$ 12,894,055</b>	<b>\$ 11,814,880</b>	<b>\$ 11,580,766</b>	<b>\$ 12,453,621</b>	<b>\$ 11,756,420</b>	<b>\$ 11,524,100</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>268.69%</b>	<b>144.79%</b>	<b>167.28%</b>	<b>231.32%</b>	<b>309.37%</b>	<b>230.16%</b>	<b>220.41%</b>	<b>247.19%</b>	<b>182.43%</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

	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Schedule of City Contributions</b>										
Actuarially determined contribution	\$ 6,325,420	\$ 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
Contributions in relation to the actuarially determined contributions	6,325,420	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
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,207,491	\$ 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	47.89%	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	-9.91%	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, 2022:

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

\* 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 FIREMEN PENSION PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	2022*	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>									
Service cost	\$ 1,515,127	\$ 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	6,339,655	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	(4,702,527)	(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>3,152,255</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>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>65,989,971</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 94,778,249</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	\$ 3,668,775	\$ 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	694,001	694,045	613,288	727,233	620,702	617,367	644,461	570,801	572,480
Net investment income (loss)	(8,850,617)	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	(4,702,527)	(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	(46,451)	-	(12,300)	-	(21,965)	(13,894)	(22,991)	(14,450)	(6,900)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(9,236,819)</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>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>55,899,480</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 83,427,324</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>\$ 11,350,925</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>88.02%</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>\$ 8,423,817</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>134.75%</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>

\* 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 - FIREMEN PENSION PLAN

	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013	
<b>Schedule of City Contributions</b>											
Actuarially determined contribution	\$ 3,668,775	\$ 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	
Contributions in relation to the actuarially determined contributions	<u>3,668,775</u>	<u>3,652,422</u>	<u>3,422,628</u>	<u>3,384,368</u>	<u>2,668,509</u>	<u>2,595,844</u>	<u>2,550,742</u>	<u>2,683,110</u>	<u>2,223,040</u>	<u>2,245,105</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	<u>\$ 8,423,817</u>	<u>\$ 8,639,120</u>	<u>\$ 8,425,386</u>	<u>\$ 8,398,361</u>	<u>\$ 7,711,777</u>	<u>\$ 7,639,322</u>	<u>\$ 8,021,606</u>	<u>\$ 6,860,596</u>	<u>\$ 7,065,479</u>		
Contributions as a percentage of covered payroll	<u>43.55%</u>	<u>42.28%</u>	<u>40.62%</u>	<u>40.30%</u>	<u>34.60%</u>	<u>33.98%</u>	<u>31.80%</u>	<u>39.11%</u>	<u>31.46%</u>		
<b>Investment Returns</b>											
Annual money-weighted rate of return, net of investment expense	<u>-9.91%</u>	<u>15.10%</u>	<u>15.24%</u>	<u>17.90%</u>	<u>-4.35%</u>	<u>14.27%</u>	<u>8.75%</u>	<u>0.84%</u>	<u>5.73%</u>		

Methods and assumptions used to determine contribution rate for the year ended December 31, 2022:

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

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# 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

	2022*	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>	-	-	-	-	-	(4,812,241)	(453,343)	(611,580)	(533,831)
<b>Total Pension Liability - Beginning</b>	-	-	-	-	-	4,812,241	5,265,584	5,877,164	6,410,995
<b>Total Pension Liability - Ending (a)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,812,241</u>	<u>\$ 5,265,584</u>	<u>\$ 5,877,164</u>
<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>	-	-	-	-	(1,113,424)	(5,931,210)	(241,525)	(138,450)	396,205
<b>Plan Fiduciary Net Position - Beginning</b>	-	-	-	-	1,113,424	7,044,634	7,286,159	7,424,609	7,028,404
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,424</u>	<u>\$ 7,044,634</u>	<u>\$ 7,286,159</u>	<u>\$ 7,424,609</u>
<b>Net Pension Asset - Ending (a-b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,113,424)</u>	<u>\$ (2,232,393)</u>	<u>\$ (2,020,575)</u>	<u>\$ (1,547,445)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>146.39%</u>	<u>138.37%</u>	<u>126.33%</u>
<b>Covered Payroll</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Pension Asset as a Percentage of Covered Payroll</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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# CITY OF BETHLEHEM, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - OFFICERS' AND EMPLOYEES' PENSION PLAN

	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Schedule of City Contributions</b>										
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,515	\$ 1,040,430	\$ 1,051,497
Contributions in relation to the actuarially determined contributions	-	-	-	-	-	-	-	698,515	1,040,430	1,051,497
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	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

	2022*	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>								
Service cost	\$ 2,886,521	\$ 2,601,815	\$ 2,563,348	\$ 2,654,019	\$ 2,563,555	\$ 2,561,288	\$ 2,610,686	\$ 2,788,823
Interest	8,351,766	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	(8,736,206)	(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>2,502,081</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>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>127,512,815</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$163,009,048</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	\$ 1,871,687	\$ 1,826,749	\$ 1,838,373	\$ 2,311,003	\$ 1,181,609	\$ 1,177,999	\$ 1,118,126	\$ 28,582,658
Contributions - employee	1,685,231	1,646,874	1,632,541	1,648,602	1,621,913	1,657,679	1,539,086	1,625,488
Net investment income	23,511,521	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	(8,736,206)	(9,227,804)	(8,586,430)	(7,878,883)	(8,316,599)	(7,233,675)	(7,502,216)	(7,143,060)
Administrative expense	(465,385)	(348,491)	(265,737)	(323,867)	(327,935)	(365,238)	(301,278)	(229,161)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>17,866,848</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>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>99,264,574</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$189,575,170</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>\$ (26,566,122)</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>116.30%</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>\$ 22,469,709</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>-118.23%</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

	<u>2022*</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,889,526	\$ 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
Contributions in relation to the actuarially determined contributions	(a) <u>1,871,687</u>	<u>1,826,749</u>	<u>1,838,373</u>	<u>2,311,003</u>	<u>1,181,609</u>	<u>1,177,999</u>	<u>1,118,126</u>	<u>1,172,109</u>	<u>4,033,848</u>	<u>2,939,785</u>
Contribution deficiency (excess)	<u>\$ 17,839</u>	<u>\$ 44,139</u>	<u>\$ (501)</u>	<u>\$ (1,115,420)</u>	<u>\$ (560)</u>	<u>\$ (400)</u>	<u>\$ (540)</u>	<u>\$ (350,500)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$22,469,709</u>	<u>\$22,131,759</u>	<u>\$21,785,668</u>	<u>\$22,100,890</u>	<u>\$21,347,566</u>	<u>\$22,036,333</u>	<u>\$20,428,871</u>	<u>\$20,610,195</u>		
Contributions as a percentage of covered payroll	<u>8.33%</u>	<u>8.25%</u>	<u>8.44%</u>	<u>10.46%</u>	<u>5.54%</u>	<u>5.35%</u>	<u>5.47%</u>	<u>5.69%</u>		

(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.

\* 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.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date:	January 1, 2019
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	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

	2022*	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>	<hr/>							
Service cost	\$ 78,438	\$ 90,397	\$ 122,656	\$ 148,920	\$ 140,452	\$ 135,799	\$ 142,903	\$ 158,054
Interest	186,681	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	(292,164)	(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>	(27,045)	(57,693)	39,783	300,775	182,342	635,377	50,881	368,284
<b>Total Pension Liability - Beginning</b>	3,621,610	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>	\$ 3,594,565	\$ 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>	<hr/>							
Contributions - employer	\$ 98,712	\$ 104,859	\$ 114,185	\$ 68,231	\$ 67,090	\$ 64,855	\$ 59,568	\$ 64,369
Contributions - employee	39,275	47,737	64,776	76,989	72,673	71,208	74,413	68,403
PMRS Net investment income (loss)	178,425	163,738	155,900	156,148	441,283	209,374	181,173	(98,056)
Market value investment income	345,401	331,603	449,947	(268,254)	296,295	-	-	-
Benefit payments, including refunds	(292,164)	(241,881)	(273,305)	(177,825)	(127,881)	(88,057)	(300,495)	(84,529)
Administrative expense	(10,706)	(7,814)	(6,069)	(7,628)	(7,268)	(7,550)	(5,984)	(5,978)
<b>Net Change in Plan Fiduciary Net Position</b>	358,943	398,242	505,434	(152,339)	742,192	249,830	8,675	(55,791)
<b>Plan Fiduciary Net Position - Beginning</b>	3,871,159	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>	\$ 4,230,102	\$ 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>	\$ (635,537)	\$ (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>	117.68%	106.89%	94.39%	81.54%	102.32%	84.71%	96.16%	97.78%
<b>Covered Payroll</b>	\$ 523,670	\$ 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>	-121.36%	-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**

	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013 **
Actuarially determined contribution	\$ 98,712	\$ 104,859	\$ 114,185	\$ 68,231	\$ 66,979	\$ 64,835	\$ 59,488	\$ 64,309	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	98,712	104,859	114,185	68,231	67,090	64,855	59,568	64,369	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (111)	\$ (20)	\$ (80)	\$ (60)	\$ -	\$ -
Covered payroll	\$ 523,670	\$ 636,520	\$ 863,672	\$ 1,027,379	\$ 968,961	\$ 949,433	\$ 992,174	\$ 1,125,402		
Contributions as a percentage of covered payroll	18.85%	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, 2019
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:	2.20%
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

	2022*	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>								
Service cost	\$ 15,275	\$ 26,019	\$ 25,264	\$ 24,297	\$ 23,589	\$ 23,110	\$ 22,509	\$ 21,777
Interest	58,507	54,214	53,876	52,994	52,803	51,724	50,385	49,383
Benefit payments, including refunds	(89,185)	(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>	<b>(15,403)</b>	<b>100,282</b>	<b>5,682</b>	<b>15,835</b>	<b>2,934</b>	<b>64,862</b>	<b>23,744</b>	<b>17,498</b>
<b>Total Pension Liability - Beginning</b>	<b>1,143,167</b>	<b>1,042,885</b>	<b>1,037,203</b>	<b>1,021,368</b>	<b>1,018,434</b>	<b>953,572</b>	<b>929,828</b>	<b>912,330</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,127,764</b>	<b>\$ 1,143,167</b>	<b>\$ 1,042,885</b>	<b>\$ 1,037,203</b>	<b>\$ 1,021,368</b>	<b>\$ 1,018,434</b>	<b>\$ 953,572</b>	<b>\$ 929,828</b>
<b>Plan Fiduciary Net Position:</b>								
Contributions - employer	\$ 30,863	\$ 34,544	\$ 34,097	\$ 30,415	\$ 30,522	\$ 27,449	\$ 27,007	\$ 18,097
Contributions - employee	5,481	9,969	9,679	9,398	9,125	9,191	8,592	8,304
Net investment income (loss)	161,963	222,791	200,448	(11,385)	145,234	84,414	19,218	50,638
Benefit payments, including refunds	(89,185)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)
Administrative expense	(3,375)	(2,341)	(1,794)	(2,121)	(2,155)	(2,311)	(1,918)	(1,746)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>105,747</b>	<b>191,505</b>	<b>168,972</b>	<b>(47,151)</b>	<b>109,268</b>	<b>45,285</b>	<b>(20,559)</b>	<b>1,835</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,245,693</b>	<b>1,054,188</b>	<b>885,216</b>	<b>932,367</b>	<b>823,099</b>	<b>777,814</b>	<b>798,373</b>	<b>796,538</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,351,440</b>	<b>\$ 1,245,693</b>	<b>\$ 1,054,188</b>	<b>\$ 885,216</b>	<b>\$ 932,367</b>	<b>\$ 823,099</b>	<b>\$ 777,814</b>	<b>\$ 798,373</b>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<b>\$ (223,676)</b>	<b>\$ (102,526)</b>	<b>\$ (11,303)</b>	<b>\$ 151,987</b>	<b>\$ 89,001</b>	<b>\$ 195,335</b>	<b>\$ 175,758</b>	<b>\$ 131,455</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>119.83%</b>	<b>108.97%</b>	<b>101.08%</b>	<b>85.35%</b>	<b>91.29%</b>	<b>80.82%</b>	<b>81.57%</b>	<b>85.86%</b>
<b>Covered Payroll</b>	<b>\$ 99,655</b>	<b>\$ 181,248</b>	<b>\$ 175,989</b>	<b>\$ 170,882</b>	<b>\$ 165,905</b>	<b>\$ 167,105</b>	<b>\$ 156,218</b>	<b>\$ 156,502</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>-224.45%</b>	<b>-56.57%</b>	<b>-6.42%</b>	<b>88.94%</b>	<b>53.65%</b>	<b>116.89%</b>	<b>112.51%</b>	<b>84.00%</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 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

	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 30,863	\$ 34,544	\$ 34,097	\$ 30,415	\$ 30,522	\$ 27,449	\$ 27,007	\$ 18,097	\$ 17,598	\$ -
Contributions in relation to the actuarially determined contributions	<u>30,863</u>	<u>34,544</u>	<u>34,097</u>	<u>30,415</u>	<u>30,522</u>	<u>27,449</u>	<u>27,007</u>	<u>18,097</u>	<u>17,598</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 99,655</u>	<u>\$ 181,248</u>	<u>\$ 175,989</u>	<u>\$ 170,882</u>	<u>\$ 165,905</u>	<u>\$ 167,105</u>	<u>\$ 156,218</u>	<u>\$ 156,502</u>		
Contributions as a percentage of covered payroll	<u>30.97%</u>	<u>19.06%</u>	<u>19.37%</u>	<u>17.80%</u>	<u>18.40%</u>	<u>16.43%</u>	<u>17.29%</u>	<u>11.56%</u>		

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Methods and assumptions used to determine contribution rates:

Actuarial valuation date:	January 1, 2019
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	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:	2.20%
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, 2022

	2022*	2021	2020	2019	2018
<b>Total OPEB Liability:</b>					
Service cost	\$ 697,641	\$ 525,709	\$ 725,223	\$ 754,179	\$ 678,935
Interest	294,443	437,852	615,130	538,439	576,183
Changes of benefit terms	613,618	-	-	-	-
Differences between expected and actual experience	(1,365,296)	-	(4,256,218)	-	292,245
Changes in assumptions	(14,470)	1,338,404	358,211	(593,155)	724,337
Benefit payments, including refur	(672,065)	(621,422)	(816,755)	(803,197)	(879,720)
<b>Net Changes in Total OPEB Liability</b>	(446,129)	1,680,543	(3,374,409)	(103,734)	1,391,980
<b>Total OPEB Liability - Beginning</b>	14,922,523	13,241,980	16,616,389	16,720,123	15,328,143
<b>Total OPEB Liability - Ending</b>	<u>\$ 14,476,394</u>	<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, 2022

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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	1/1/2022
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate	2.25%
Projected salary increases	4.00%
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-2020 to reflect mortality improvement).
Health insurance premiums	Based on 2022 health and dental insurance premiums.
Health care cost trend rates	6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Actuarial value of assets	Not applicable

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

#### Changes in Actuarial Assumptions

The interest rate was changed from 1.93% as of December 31, 2021 to 2.25% as of December 31, 2022. The projected salary increases were changed from 4.50% as of December 31, 2021 to 4.00% as of December 31, 2022. The healthcare cost trend rates were also updated.

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

# CITY OF BETHLEHEM, PENNSYLVANIA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

YEAR ENDED DECEMBER 31, 2022

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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, 2022

	Community Development Block Grant Fund	Liquid Fuels Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,455,704	\$ 632,854	\$ 3,088,558
Receivables:			
Loans	1,187,469	-	1,187,469
Due from other governments	746,080	-	746,080
<b>Total Assets</b>	<b>\$ 4,389,253</b>	<b>\$ 632,854</b>	<b>\$ 5,022,107</b>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable and other accrued expenses	\$ 613,423	\$ 42,811	\$ 656,234
Due to other funds	155,000	-	155,000
Unearned revenues	3,620,830	-	3,620,830
Total Liabilities	4,389,253	42,811	4,432,064
Fund Balance:			
Restricted for:			
Public works	-	590,043	590,043
Total Fund Balance	-	590,043	590,043
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,389,253</b>	<b>\$ 632,854</b>	<b>\$ 5,022,107</b>

# CITY OF BETHLEHEM, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2022

	Community Development Block Grant Fund	Liquid Fuels Fund	Total
<b>Revenues:</b>			
Intergovernmental revenues	\$ 1,924,026	\$ 1,974,087	\$ 3,898,113
Investment income	4,375	14,787	19,162
Other	-	-	-
Total revenues	1,928,401	1,988,874	3,917,275
<b>Expenditures:</b>			
Current:			
Public works	-	2,088,967	2,088,967
Program expenditures	1,928,401	-	1,928,401
Total expenditures	1,928,401	2,088,967	4,017,368
<b>Deficiency of Revenues Under Expenditures</b>	-	(100,093)	(100,093)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Total other financing sources (uses)	-	-	-
<b>Net Change in Fund Balance</b>	-	(100,093)	(100,093)
<b>Fund Balance:</b>			
Beginning of year	-	690,136	690,136
End of year	\$ -	\$ 590,043	\$ 590,043