

City of Bethlehem, Pennsylvania

Financial Statements and Supplementary
Information

Year Ended December 31, 2020
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, 2020

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Independent Auditor's Report

**The Honorable Robert J. Donchez,
Mayor, and Honorable Members
of City Council
City of Bethlehem, Pennsylvania**

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, 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, 2020, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84, "*Fiduciary Activities*" which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement have been adopted and incorporated into these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the historical pension plan and other post-employment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining non-major governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
December 20, 2021

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, 2020 and 2019. 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 \$14,275,275 during the year ended December 31, 2020 and increased by \$4,145,453 in 2019.

In the City's governmental activities, net position increased by \$10,246,647 in 2020 and increased by \$10,804 in 2019. In 2020, the increase in net position is the result of the significant changes in the net pension liability (asset) and associated deferred inflows and outflows of resources due to positive market conditions recognized in the GASB No. 68 actuarial valuations.

In the City's business-type activities, net position increased by \$4,028,628 in 2020 and increased by \$4,134,649 in 2019. In 2020, the increase in net position is the result of approximately \$6,215,000 reduction in long-term debt, increases in water receivables due to increase in residential and industrial usage, and increases in sewer receivables due to 8% residential rate increase. In 2019, the increase in net position is the result of decrease in deferred inflows of resources for pension as a result of market conditions recognized in GASB No. 68 actuarial valuations.

Overview of the Financial Statements

This discussion and analysis 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 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.

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

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, parks, public works, community development, fire, and police. The business-type activities of the City include the water, sewer, 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.

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

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

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 six 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 The City maintains four 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, sewer, and municipal golf operations. *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.

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.

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

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 19-111 of this report.

Other Information

Required supplementary information can be found on pages 114-129 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 130-131 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. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the end of December 31, 2020 by \$34,592,805 and 2019 by \$48,868,080.

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. The 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	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 42,545,320	\$ 42,832,453	\$ 33,160,748	\$ 31,342,710	\$ 75,706,068	\$ 74,175,163
Capital assets	66,010,264	65,522,334	91,302,928	93,025,491	157,313,192	158,547,825
Other assets	3,235,723	1,979,260	18,896,409	16,814,566	22,132,132	18,793,826
Total assets	\$ 111,791,307	\$ 110,334,047	\$ 143,360,085	\$ 141,182,767	\$ 255,151,392	\$ 251,516,814
Deferred outflows of resources	\$ 21,903,787	\$ 27,856,087	\$ 1,351,546	\$ 2,222,335	\$ 23,255,333	\$ 30,078,422
Current liabilities	\$ 20,200,564	\$ 14,995,290	\$ 11,808,746	\$ 10,949,633	\$ 32,009,310	\$ 25,944,923
Noncurrent liabilities	145,254,537	183,329,957	101,278,701	112,254,396	246,533,238	295,584,353
Total liabilities	\$ 165,455,101	\$ 198,325,247	\$ 113,087,447	\$ 123,204,029	\$ 278,542,548	\$ 321,529,276
Deferred inflows of resources	\$ 26,826,928	\$ 8,698,469	\$ 7,630,054	\$ 235,571	\$ 34,456,982	\$ 8,934,040
Net investment in capital assets	\$ 37,863,492	\$ 38,517,348	\$ 4,233,829	\$ 3,257,493	\$ 42,097,321	\$ 41,774,841
Restricted	1,164,610	1,537,397	-	-	1,164,610	1,537,397
Unrestricted	(97,615,037)	(108,888,327)	19,760,301	16,708,009	(77,854,736)	(92,180,318)
Total net position (deficit)	\$ (58,586,935)	\$ (68,833,582)	\$ 23,994,130	\$ 19,965,502	\$ (34,592,805)	\$ (48,868,080)

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

Other assets in governmental activities increased approximately \$1.3 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 decreased approximately \$6.0 million. This was due to a \$5.4 million decrease 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.

Current liabilities in governmental activities increased approximately \$5.2 million. This was due to increase in accounts payable for Memorial Pool capital project and increase in current portion of long-term debt as result of timing of payments in accordance with maturity schedules.

Noncurrent liabilities in governmental activities decreased approximately \$38.1 million. This was due to decrease in long-term debt (net of current portion) totaling \$7.63 million (see the "Long-Term Debt" section), \$26.5 million decrease in net pension liability mainly a result of investment activity recognized in GASB No. 68 actuarial valuations, and \$2.6 million decrease in other post-employment benefits liability.

Deferred inflows of resources in governmental activities increased approximately \$18.1 million. This was due to market conditions recognized in the GASB No. 68 actuarial valuations and significant changes in actual versus expected experience recognized in the other post-employment benefits actuarial valuation.

Other assets in business-type activities increased approximately \$2.1 million. This was due to net pension asset approximating \$1.7 million as a result of market conditions recognized in the GASB No. 68 actuarial valuations.

Noncurrent liabilities in business-type activities decreased approximately \$11.0 million. This was due to total long-term debt reductions of \$6.2 million complete reduction of \$5.3 million net pension liability due to market conditions recognized in the GASB No. 68 actuarial valuations.

Deferred inflows of resources in business-type activities increased approximately \$7.4 million. This was primarily due to the change in the differences between projected and actual investment earnings in the pension plans, as in accordance with the GASB 68 actual valuations.

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

City's Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 10,401,595	\$ 13,546,999	\$ 42,351,630	\$ 41,542,326	\$ 52,753,225	\$ 55,089,325
Operating grants and contributions	10,034,150	8,778,110	-	-	10,034,150	8,778,110
Capital grants and contributions	3,228,863	1,138,658	19,187	27,556	3,248,050	1,166,214
General revenues:						
Taxes	44,167,698	44,308,727	-	-	44,167,698	44,308,727
Sale of capital assets	-	780,581	-	-	-	780,581
Investment earnings	149,635	672,898	461,991	1,154,961	611,626	1,827,859
Unrestricted grants	14,626,497	15,281,875	-	-	14,626,497	15,281,875
Total revenues	82,608,438	84,507,848	42,832,808	42,724,843	125,441,246	127,232,691
Expenses:						
General government	710,671	947,166	-	-	710,671	947,166
Administrative	1,047,674	1,459,404	-	-	1,047,674	1,459,404
Community development	9,070,555	7,680,697	-	-	9,070,555	7,680,697
Parks and public property	1,587,139	2,625,506	-	-	1,587,139	2,625,506
Public works	12,413,866	14,869,405	-	-	12,413,866	14,869,405
Police	18,814,726	24,683,827	-	-	18,814,726	24,683,827
Fire	13,127,338	16,430,920	-	-	13,127,338	16,430,920
General expenditures	10,178,235	10,379,982	-	-	10,178,235	10,379,982
Civic	118,468	127,890	-	-	118,468	127,890
Library	1,657,495	1,617,086	-	-	1,657,495	1,617,086
Program expenditures	1,582,640	1,540,624	-	-	1,582,640	1,540,624
Interest on long-term debt	5,194,318	5,239,134	-	-	5,194,318	5,239,134
Water fund	-	-	19,226,806	19,909,684	19,226,806	19,909,684
Sewer fund	-	-	15,100,023	14,427,340	15,100,023	14,427,340
Other non-major fund	-	-	1,336,017	1,148,573	1,336,017	1,148,573
Total expenses	75,503,125	87,601,641	35,662,846	35,485,597	111,165,971	123,087,238
Change in net position before transfers	7,105,313	(3,093,793)	7,169,962	7,239,246	14,275,275	4,145,453
Transfers	3,141,334	3,104,597	(3,141,334)	(3,104,597)	-	-
Change in net position	10,246,647	10,804	4,028,628	4,134,649	14,275,275	4,145,453
Net position:						
Beginning	(68,833,582)	(68,844,386)	19,965,502	15,830,853	(48,868,080)	(53,013,533)
Ending	\$ (58,586,935)	\$ (68,833,582)	\$ 23,994,130	\$ 19,965,502	\$ (34,592,805)	\$ (48,868,080)

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

Governmental activities. Governmental activities increased the City's net position by \$10,246,647 for the year ended December 31, 2020. Key elements of this increase are as follows:

- Reduction of pension expense by approximately \$10.8 million due to positive market conditions recognized in the GASB No. 68 actuarial valuation
- Decrease of approximately \$575,000 in recreation charges for services to due swimming pool being closed and other recreational activities limited during 2020 in as a result of the pandemic.
- Ambulance fees decreased by approximately \$821,000 due to the pandemic as less people were not comfortable about potential Covid exposure in hospitals.
- Police operating grants and contributions decreased by \$1.2 million as a result of the 911 operation sale to the County half-way through 2019.
- Increase in grant funding during 2020: \$2.3 million in county CARES funding and \$425,000 for Memorial Pool Improvements

Business-type activities. Business-type activities increased the City's net position by \$4,028,628 for the year ended December 31, 2020. Key elements of this change are as follows:

- Approximately \$6,215,000 reduction in long-term debt.
- Sewer Fund operating revenue increased by approximately \$437,000 as a result of consumption increase as well as industrial rate increase.
- Sewer Fund operating expenses increased by approximately \$617,000 mainly due to increase in salaries and pension MMO payment.
- Sewer Fund tapping fee revenue decreased by approximately \$845,000 due to amount of connections.

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

Financial Analysis of the Major Funds

General Fund

Revenues of the General Fund totaled \$75,460,075 for the year ended December 31, 2020. The following represents a summary of General Fund revenue, for the years ended December 31, 2020 and 2019 by source, along with changes from 2019:

	2020	2019	Change From 2019 to 2020	Percentage Change
Taxes	\$ 43,974,846	\$ 44,002,152	\$ (27,306)	-0.06%
Licenses and permits	2,927,435	3,345,203	(417,768)	-12.49%
Intergovernmental revenues	11,378,972	8,859,899	2,519,073	28.43%
Fines and forfeitures	481,704	445,880	35,824	8.03%
Departmental earnings	5,727,798	7,744,841	(2,017,043)	-26.04%
Other charges	1,182,262	1,248,307	(66,045)	-5.29%
Municipal recreation	194,380	769,006	(574,626)	-74.72%
Investment income	101,659	479,814	(378,155)	-78.81%
Host fee	9,387,171	9,804,501	(417,330)	-4.26%
Other	103,848	367,445	(263,597)	-71.74%
Total	<u>\$ 75,460,075</u>	<u>\$ 77,067,048</u>	<u>\$ (1,606,973)</u>	<u>-2.09%</u>

Intergovernmental revenues increased by \$2,519,073 from 2019 to 2020. The increase was due to several line items including a \$1,451,868 in CARES Act funding related to the COVID-19 pandemic and a \$1,403,412 increase in RACP grants received from the Commonwealth of Pennsylvania.

Departmental earnings decreased by \$2,017,043 from 2019 to 2020. The decrease was due to several line items including an \$821,490 decrease in Ambulance fees, a \$394,085 decrease in the First responder's fee, and a \$327,210 decrease in police, fire, and EMS roster duty fees. All decreases were due to the COVID-19 pandemic.

Municipal recreation decreased by \$574,626 from 2019 to 2020 due to the recording of developer recreation fees used towards the construction of Memorial Pool in 2019. Swimming fees decreased by \$122,819 as all pools were closed in 2020 due to the COVID-19 pandemic.

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

Licenses and permits decreased by \$417,768 from 2019 to 2020. Various licenses and permits decreased due to a reduction in activity caused by the COVID-19 pandemic.

Host fee decreased by \$417,330 from 2019 to 2020 due to the Wind Creek casino being temporarily closed and operating at reduced capacity limits due to the COVID-19 pandemic.

Investment income decreased by \$318,155 from 2019 to 2020. The decrease was due to several decreases to the interest rate throughout 2020 from TD Bank.

General Fund expenditures totaled \$68,620,593 for the year ended December 31, 2020, which represents an increase of \$2,772,517 or 4.21% from 2019. The following represents a summary of General Fund expenditures for the years ended December 31, 2020 and 2019, by function, along with changes from 2019:

	2020	2019	Change From 2019 to 2020	Percentage Change
General government	\$ 862,088	\$ 827,011	\$ 35,077	4.24%
Administrative	1,198,668	1,003,908	194,760	19.40%
Community development	9,481,515	6,801,124	2,680,391	39.41%
Public works	8,734,315	8,743,445	(9,130)	-0.10%
Police	20,706,474	20,696,620	9,854	0.05%
Fire	14,952,826	14,804,346	148,480	1.00%
General expenditures	10,045,047	10,378,735	(333,688)	-3.22%
Civic	118,468	127,890	(9,422)	-7.37%
Library	1,416,274	1,381,731	34,543	2.50%
Debt service - principal	982,830	940,249	42,581	4.53%
Debt service - interest	122,088	143,017	(20,929)	-14.63%
Total	<u>\$ 68,620,593</u>	<u>\$ 65,848,076</u>	<u>\$ 2,772,517</u>	<u>4.21%</u>

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

- Community development increased by \$2,680,391 due to an increase of RACP expenditures of \$1,403,412. These are pass-through funds for the City and the amounts can fluctuate significantly from year to year. Economic Development expenses increased by approximately \$891,000 due to beneficiary payments made to

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

organizations from the receipt of CARES Act grant funding awarded due to the COVID-19 pandemic to be utilized for impacted businesses and entities.

- General expenditures decreased by \$333,688 due to a decrease in Medical insurance of \$346,217 due to a reduction in claims as elective procedures were temporarily suspended during the COVID-19 pandemic. Workmen's compensation decreased by \$222,302 caused by a reduction of overall claims in 2020. City insurance package increased by \$180,842 due to an increase in annual premiums for various liability insurances.
- Administrative expenditures increased by \$194,760 due to several line items including an increase in salaries of \$53,538 and an increase of \$108,184 to Information services department contracts for upgrades to the GIS ESRI licenses as well as a shift in allocation from the Police budget to Information services for the annual maintenance contract for the records management system.

General Fund Budgetary Highlights

The General Fund expenditure budget for fiscal year 2020 was approximately \$81.3 million. This was an increase of \$3.9 million over the previous year amended budget. There were no material amendments to the 2020 budget. Actual expenditures were approximately \$5.0 million less than budgeted. General expenditures were lower than budgeted due to a favorable variance in medical and worker's compensation claims. Personnel costs saw savings as there were numerous positions held vacant throughout the year due to the COVID-19 pandemic and events were not held throughout the City that would have resulted in public safety overtime costs.

Non-Utility Capital Improvements Fund

Cash and cash equivalents decreased by approximately \$4.3 million. This was due to having \$4.0 million in cash balances from the General and 9-1-1 Funds transferred over to the Non-Utility Capital Improvements Fund to pay for various capital projects as approved by City Council in 2019 that did not occur in 2020.

Debt service principal decreased by approximately \$4.6 million. This is due to a decrease in bond proceeds of \$5.0 million as new debt was issued for capital projects in 2019 but not in 2020.

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

Debt Service Fund

Debt service principal and interest expenditures are a function of amortization schedules created when debt is issued. Total debt service expenditures decreased approximately \$1.0 million from 2019, which is based upon debt service maturity schedules.

Other Non-Major Governmental Funds

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

Pension Trust Fund

At December 31, 2020, the net position - restricted for employees' retirement pension benefits was \$189,927,112. The average interest rate all inclusive with costs of the pension bond is 5.5%. The Fund returned 15.2%, net of fees, in 2020 based upon market activity. The Fund returned an average of 8.59% annually since its inception in 1987.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounted to \$66,010,264 and \$91,302,928 (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 \$3,260,311 towards reconstruction of the Memorial Pool complex.
- The City spent \$783,000 towards the replacement of an engine for the Fire Department.
- The City spent \$357,180 towards the replacement of two ambulances for the EMS Bureau.

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

- The City spent \$2,635,949 on design and construction services to replace bar screens, washer/compactor, screw conveyors, detritors, ventilation system, and electrical components.

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

- The City spent \$527,070 on various Sewer Department vehicles including three dump trucks.
- The City spent \$392,841 on design and construction service to renovate the main control building offices, labs, locker rooms, and other work spaces.
- The City spent \$283,473 on the replacement, relocation, or rehabilitation of the water distribution system.

Additional information on the City's capital assets can be found at Note 4 on pages 53-57.

Long-Term Debt

In July of 2020, the City issued \$6,530,000 in debt to refund the City's PennVest Loan, Series of 2012.

As of September 1, 2021, the City's net nonelectoral debt of \$83,213,019 is well below the net nonelectoral debt limit of \$220,447,210. Additional information on the City's long-term debt can be found at Note 7 on pages 60-71 of this report.

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

Economic Outlook

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

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

Bethlehem continues to transition vacant brownfield land into new development, businesses, and job creators in Lehigh Valley Industrial Park VII and Majestic Realty Center in South Bethlehem. In 2020 construction started on Cigars International, LNG Welding Shop, and a Flex Manufacturing space at LVIP VII. The value of industrial projects currently under construction is approximately \$42 million, with an additional project valued at \$39 million planned in the Majestic site.

Lehigh University continues to implement its \$1 billion Path to Prominence campaign. Currently under construction are an addition to the Rauch Building, Bridge West, and the Health Sciences Building. The value of those three projects is \$195 million. With Lehigh's focus

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

on innovation and the city's commitment to supporting small businesses, Bethlehem has morphed into a city where small businesses want to locate.

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

2020 brought with it many challenges due to COVID and the closure of businesses for several months. Despite those closures, the city reported a healthy \$305 million in new construction investment.

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

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

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

The following is a list of other major development projects:

Residential		<u>Status as of November 2021</u>
Beth Armory Apts. 345 2nd Ave.	18,000,000	Under Construction
565 Lehigh St. Apts	6,500,000	Under Construction
Overlook at Saucon Creek	3,000,000	Under Construction / Portions Complete
Park View Commons - William Street	3,000,000	Under Construction / Portions Complete
Saucon Square Condominiums - Fire Lane	3,500,000	Under Construction / Portions Complete
Silk Mill Apartments (Phase 2)	8,000,000	Plans Approved
2321 Linford St. Apts.	1,600,000	Under Construction
1535 Butztown Rd. Townhouses	600,000	Under Construction
Selfridge & Jackson Sts. Townhouses	3,056,000	Plans Submitted
Church Apartments - 938 E. 4th Street	2,500,000	Under Construction
10-16 W. Goepp Street Apartments	1,500,000	Under Renovation
Wilbur Apts., 267 Cherokee St.	6,800,000	Under Construction
Riverview Heights	5,000,000	Plans Approved
Residential Subtotal	<u>63,056,000</u>	
Residential/Senior		
Cottages @ Monocacy Manor	4,500,000	Under Construction / Portions Complete
Turnberry Mews	10,000,000	Under Construction / Portions Complete
Residential / Senior Subtotal	<u>14,500,000</u>	
Institutional		
Lehigh University - Rauch Addition, 461 Webster St.	28,000,000	Under Construction
Lehigh University - Bridge West North	55,000,000	Under Construction
Lehigh HST (124 E. Morton Street)	112,000,000	Under Construction
Terrace Homes at Northwood Gardens/2365 Madison Ave.	14,200,000	Under Construction / Portions Complete
Institutional Subtotal	<u>209,200,000</u>	

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

Mixed-Use		Status as of November 2021
Greenway Commons, 610 Flats, 600-630 E. Third St	20,000,000	Plans Approved
Polk Street Parking Garage	16,000,000	Plans Approved
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	Master Plan Approved
Pektor Mixed Use - 404 E. 3rd	6,200,000	Plans Submitted
Skyline West - 143 W. Broad St	15,000,000	Plans Submitted
South New Street Apartments	250,000,000	Plans Submitted
Third and Taylor	13,000,000	Plans Submitted
4th and Vine Benner	19,000,000	Plans Submitted
Boyd	30,000,000	Plans Submitted
250 E. Broad St	12,000,000	Plans Submitted
2950-70 Linden Street, Lofts at Linden	10,000,000	Plans Approved
14-36 W. 3rd Street	22,000,000	Plans Submitted
Mixed-Use Subtotal	555,000,000	
Industrial		
Majestic Lots 6 & 7, 3905 Commerce Center Blvd	39,650,000	Plans Approved
1405 Easton Rd Expansion	8,000,000	Under Construction
Cigars International - 1911 Spillman	7,500,000	Under Construction
LNG Welding Shop	975,000	Under Construction
LVIP VII Lot #12 - Flex Manufacturing, 1920 Spillman Dr	4,000,000	Under Construction
LVIP VII Lot 81 - 1025 Feather Way	12,000,000	Under Construction
Industrial Subtotal	72,125,000	
Commercial		
Casino Expansion - 77 Wind Creek Blvd.	90,000,000	Under Construction
Royal Farms Market/Gas Station - 2355 Avenue A	8,000,000	Plans Submitted
Wawa Gas Station/Conv. Store, 774-784 Hellertown Rd	6,000,000	Plans Approved
Autozone, 505 Wyandotte Street	1,800,000	Plans Approved
Wilbur Mansion Hotel & Event Center 202 Wyandotte St	1,800,000	Under Construction
Westgate Mall Public Improvements	1,000,000	Plans Approved
2011 City Line Road Hotel	9,000,000	Plans Approved
Commercial Subtotal	117,600,000	
Grand Total	\$ 1,031,481,000	

CITY OF BETHLEHEM, PENNSYLVANIA

Management's Discussion and Analysis (Unaudited)

Requests For Information

Questions concerning any of the information provided in this report or requests for additional financial information and complete financial statements for the discretely presented component units should be addressed to the Administration Department, City of Bethlehem, 10 East Church Street, Bethlehem, Pennsylvania 18018.

CITY OF BETHLEHEM, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units	Total Reporting Entity
Assets					
Current assets:					
Cash and cash equivalents	\$ 28,529,237	\$ 23,874,191	\$ 52,403,428	\$ 4,793,480	\$ 57,196,908
Investments	145	-	145	1,295	1,440
Receivables (net of allowance for uncollectibles):					
Taxes	4,251,606	-	4,251,606	-	4,251,606
Accounts	905,637	9,680,378	10,586,015	84,776	10,670,791
Other	1,009,935	-	1,009,935	79,252	1,089,187
Accrued interest	-	77,694	77,694	-	77,694
Due from other governments	5,598,282	-	5,598,282	-	5,598,282
Due from component unit	425,000	-	425,000	-	425,000
Internal balances	838,092	(838,092)	-	-	-
Inventories	839,929	366,577	1,206,506	-	1,206,506
Prepaid expenses	147,457	-	147,457	36,979	184,436
Total current assets	42,545,320	33,160,748	75,706,068	4,995,782	80,701,850
Noncurrent assets:					
Loans receivable	1,211,579	-	1,211,579	-	1,211,579
Restricted cash and cash equivalents	-	7,385,507	7,385,507	235	7,385,742
Restricted investments	-	9,666,361	9,666,361	5,542,286	15,208,647
Capital assets, not being depreciated	7,417,474	8,729,635	16,147,109	6,907,551	23,054,660
Capital assets, net	58,592,790	82,573,293	141,166,083	54,999,372	196,165,455
Other assets	41,343	122,758	164,101	-	164,101
Net pension asset	1,982,801	1,721,783	3,704,584	11,303	3,715,887
Total noncurrent assets	69,245,987	110,199,337	179,445,324	67,460,747	246,906,071
Total Assets	111,791,307	143,360,085	255,151,392	72,456,529	327,607,921
Deferred Outflows of Resources					
Deferred outflows of resources - pensions	11,242,129	983,032	12,225,161	231,630	12,456,791
Deferred outflows of resources - other post-employment benefits	1,137,833	176,792	1,314,625	-	1,314,625
Deferred charge on refunding	9,523,825	191,722	9,715,547	369,686	10,085,233
Total Deferred Outflows of Resources	21,903,787	1,351,546	23,255,333	601,316	23,856,649

(Continued)

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units	Total Reporting Entity
Liabilities					
Current liabilities:					
Accounts payable and other accrued expenses	2,865,444	2,164,807	5,030,251	822,912	5,853,163
Accrued payroll	1,635,483	316,083	1,951,566	55,130	2,006,696
Accrued vacation and other compensated absences	1,043,810	634,274	1,678,084	14,390	1,692,474
Interest payable	644,605	304,935	949,540	183,714	1,133,254
Due to primary government	-	-	-	425,000	425,000
Current portion of long-term debt	7,466,000	8,096,874	15,562,874	1,530,961	17,093,835
Current portion of capital lease obligations	833,754	174,041	1,007,795	-	1,007,795
Current portion of total other post-employment benefits liability	503,690	117,732	621,422	-	621,422
Unearned revenue	4,545,681	-	4,545,681	732,279	5,277,960
Escrow liabilities	662,097	-	662,097	-	662,097
Total current liabilities	20,200,564	11,808,746	32,009,310	3,764,386	35,773,696
Noncurrent liabilities:					
Accrued vacation and other compensated absences, net of current portion	3,336,939	-	3,336,939	-	3,336,939
Accrued sick pay	-	128,076	128,076	-	128,076
Long-term debt, net of current portion	103,128,946	94,822,553	197,951,499	25,452,083	223,403,582
Capital lease obligation, net of current portion	2,252,104	299,638	2,551,742	-	2,551,742
Net pension liability	25,682,396	-	25,682,396	206,386	25,888,782
Total other post-employment benefits liability	10,854,152	1,766,406	12,620,558	-	12,620,558
Unearned revenue	-	4,262,028	4,262,028	33,332	4,295,360
Total noncurrent liabilities	145,254,537	101,278,701	246,533,238	25,691,801	272,225,039
Total Liabilities	165,455,101	113,087,447	278,542,548	29,456,187	307,998,735
Deferred Inflows of Resources					
Deferred inflows of resources - pensions	23,647,856	6,894,108	30,541,964	465,993	31,007,957
Deferred inflows of resources - other post-employment benefits	3,179,072	581,795	3,760,867	-	3,760,867
Deferred gain on refunding	-	154,151	154,151	-	154,151
Total Deferred Inflows of Resources	26,826,928	7,630,054	34,456,982	465,993	34,922,975
Net Position					
Net investment in capital assets	37,863,492	4,233,829	42,097,321	36,764,049	78,861,370
Restricted	1,164,610	-	1,164,610	2,583,101	3,747,711
Unrestricted	(97,615,037)	19,760,301	(77,854,736)	3,788,515	(74,066,221)
Total Net Position	\$ (58,586,935)	\$ 23,994,130	\$ (34,592,805)	\$ 43,135,665	\$ 8,542,860

(Concluded)

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

CITY OF BETHLEHEM, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

Function/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 710,671	\$ -	\$ -	\$ -
Administrative	1,047,674	230,754	-	-
Community development	9,070,555	4,308,517	5,551,464	163,588
Parks and public property	1,587,139	231,813	176,279	1,841,923
Public works	12,413,866	1,230,567	2,171,505	83,172
Police	18,814,726	1,809,155	357,025	-
Fire	13,127,338	2,590,789	210,818	1,140,180
General expenditures	10,178,235	-	-	-
Civic	118,468	-	-	-
Library	1,657,495	-	-	-
Program expenditures	1,582,640	-	1,567,059	-
Interest on long-term debt	5,194,318	-	-	-
Total governmental activities	75,503,125	10,401,595	10,034,150	3,228,863
Business-type activities:				
Water Fund	19,226,806	22,065,530	-	-
Sewer Fund	15,100,023	18,701,496	-	19,187
Other non-major fund	1,336,017	1,584,604	-	-
Total business-type activities	35,662,846	42,351,630	-	19,187
Total primary government	\$ 111,165,971	\$ 52,753,225	\$ 10,034,150	\$ 3,248,050
Component units:				
Bethlehem Parking Authority	\$ 6,536,723	\$ 5,849,164	\$ 20,000	\$ -
Bethlehem Public Library	2,987,735	69,882	2,781,302	132,786
Bethlehem Redevelopment Authority	8,711,727	-	105,269	13,451,294
Total component units	\$ 18,236,185	\$ 5,919,046	\$ 2,906,571	\$ 13,584,080

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

Change in Net Position

Net Position:
Beginning of year
End of year

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government				Total
Governmental Activities	Business-Type Activities	Total	Component Units	Reporting Entity
\$ (710,671)	\$ -	\$ (710,671)	\$ -	\$ (710,671)
(816,920)	-	(816,920)	-	(816,920)
953,014	-	953,014	-	953,014
662,876	-	662,876	-	662,876
(8,928,622)	-	(8,928,622)	-	(8,928,622)
(16,648,546)	-	(16,648,546)	-	(16,648,546)
(9,185,551)	-	(9,185,551)	-	(9,185,551)
(10,178,235)	-	(10,178,235)	-	(10,178,235)
(118,468)	-	(118,468)	-	(118,468)
(1,657,495)	-	(1,657,495)	-	(1,657,495)
(15,581)	-	(15,581)	-	(15,581)
(5,194,318)	-	(5,194,318)	-	(5,194,318)
<u>(51,838,517)</u>	<u>-</u>	<u>(51,838,517)</u>	<u>-</u>	<u>(51,838,517)</u>
-	2,838,724	2,838,724	-	2,838,724
-	3,620,660	3,620,660	-	3,620,660
-	248,587	248,587	-	248,587
<u>-</u>	<u>6,707,971</u>	<u>6,707,971</u>	<u>-</u>	<u>6,707,971</u>
<u>(51,838,517)</u>	<u>6,707,971</u>	<u>(45,130,546)</u>	<u>-</u>	<u>(45,130,546)</u>
-	-	-	(667,559)	(667,559)
-	-	-	(3,765)	(3,765)
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,844,836</u>	<u>4,844,836</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,173,512</u>	<u>4,173,512</u>
44,167,698	-	44,167,698	-	44,167,698
14,626,497	-	14,626,497	-	14,626,497
149,635	461,991	611,626	489,490	1,101,116
3,141,334	(3,141,334)	-	-	-
<u>62,085,164</u>	<u>(2,679,343)</u>	<u>59,405,821</u>	<u>489,490</u>	<u>59,895,311</u>
10,246,647	4,028,628	14,275,275	4,663,002	18,938,277
<u>(68,833,582)</u>	<u>19,965,502</u>	<u>(48,868,080)</u>	<u>38,472,663</u>	<u>(10,395,417)</u>
<u>\$ (58,586,935)</u>	<u>\$ 23,994,130</u>	<u>\$ (34,592,805)</u>	<u>\$ 43,135,665</u>	<u>\$ 8,542,860</u>

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

CITY OF BETHLEHEM, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2020

	General Fund	Non-Utility Capital Improvements Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 17,487,221	\$ 7,401,903	\$ -	\$ 3,600,550	\$ 28,489,674
Investments	-	145	-	-	145
Receivables:					
Taxes	4,251,606	-	-	-	4,251,606
Accounts	905,637	-	-	-	905,637
Loans	-	-	-	1,211,579	1,211,579
Other	1,006,406	3,529	-	-	1,009,935
Due from other funds	880,162	178,500	-	-	1,058,662
Due from other governments	4,113,511	1,153,402	-	331,369	5,598,282
Due from component unit	425,000	-	-	-	425,000
Prepaid expenditures	147,457	-	-	-	147,457
Total Assets	\$ 29,217,000	\$ 8,737,479	\$ -	\$ 5,143,498	\$ 43,097,977
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable and other accrued expenses	\$ 743,143	\$ 1,581,756	\$ -	\$ 354,100	\$ 2,678,999
Accrued payroll	1,635,483	-	-	-	1,635,483
Accrued vacation and other compensated absences	1,043,810	-	-	-	1,043,810
Due to other funds	-	65,570	-	155,000	220,570
Escrow liabilities	662,097	-	-	-	662,097
Unearned revenues	263,136	581,762	-	3,700,783	4,545,681
Total Liabilities	4,347,669	2,229,088	-	4,209,883	10,786,640
Deferred Inflows of Resources:					
Unavailable revenue - sale proceeds	683,500	-	-	-	683,500
Unavailable revenue - taxes	2,243,298	-	-	-	2,243,298
Total Deferred Inflows of Resources	2,926,798	-	-	-	2,926,798
Fund Balance:					
Nonspendable - prepaid expenditures	147,457	-	-	-	147,457
Restricted for:					
Community development	230,995	-	-	-	230,995
Capital projects	-	6,508,391	-	-	6,508,391
Public works	-	-	-	933,615	933,615
Assigned for capital projects	5,000,000	-	-	-	5,000,000
Assigned for 2021 budget (COVID)	1,000,000	-	-	-	1,000,000
Assigned for excess medical claims	643,459	-	-	-	643,459
Assigned for excess workmen's compensation claims	245,283	-	-	-	245,283
Unassigned	14,675,339	-	-	-	14,675,339
Total Fund Balance	21,942,533	6,508,391	-	933,615	29,384,539
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 29,217,000	\$ 8,737,479	\$ -	\$ 5,143,498	\$ 43,097,977

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, 2020

Total Fund Balance - Governmental Funds	\$ 29,384,539
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.	66,010,264
Deferred outflows related to pensions and net pension asset	13,224,930
Deferred outflows related to other post-employment benefits	1,137,833
Real estate taxes and earned income taxes not collected until subsequent to year-end are recognized as revenue in the statement of net position.	2,243,298
Sale proceeds not collected until subsequent to year-end are recognized as revenue in the statement of net position.	683,500
Inventory is recorded on the statement of net position.	839,929
Accrued vacation and other compensated absences not due within the next twelve months are recorded on the statement of net position.	(3,336,939)
Net pension liability and deferred inflows related to pensions	(49,330,252)
Total other post-employment benefits liability and deferred inflows related to other post-employment benefits	(14,536,914)
Prepaid bond insurance and deferred charge on refunding are amortized on the statement of net position.	9,565,168
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	(110,594,946)
Capital leases	(3,085,858)
Accrued interest payable is included on the statement of net position.	(644,605)
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.	(146,882)
Net Position - Governmental Activities	<u><u>\$ (58,586,935)</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, 2020

	General Fund	Non-Utility Capital Improvements Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 43,974,846	\$ -	\$ -	\$ -	\$ 43,974,846
Licenses and permits	2,927,435	-	-	-	2,927,435
Intergovernmental revenues	11,378,972	2,669,057	-	3,417,855	17,465,884
Fines and forfeitures	481,704	-	-	-	481,704
Departmental earnings	5,727,798	-	-	-	5,727,798
Other charges	1,182,262	-	-	-	1,182,262
Municipal recreation	194,380	-	-	-	194,380
Investment income	101,659	37,477	-	10,499	149,635
Host fee	9,387,171	-	-	-	9,387,171
Other	103,848	627,227	-	278,625	1,009,700
Total revenues	<u>75,460,075</u>	<u>3,333,761</u>	<u>-</u>	<u>3,706,979</u>	<u>82,500,815</u>
Expenditures:					
Current:					
General government	862,088	-	-	-	862,088
Administrative	1,198,668	-	-	-	1,198,668
Community development	9,481,515	-	-	-	9,481,515
Public works	8,734,315	-	-	2,197,167	10,931,482
Police	20,706,474	-	-	-	20,706,474
Fire	14,952,826	-	-	-	14,952,826
General expenditures	10,045,047	-	-	-	10,045,047
Civic	118,468	-	-	-	118,468
Library	1,416,274	-	-	-	1,416,274
Program expenditures	-	-	-	1,582,640	1,582,640
Capital outlays	-	7,538,032	-	-	7,538,032
Debt service - principal	982,830	548,367	4,477,000	-	6,008,197
Debt service - interest	122,088	44,632	4,503,381	-	4,670,101
Total expenditures	<u>68,620,593</u>	<u>8,131,031</u>	<u>8,980,381</u>	<u>3,779,807</u>	<u>89,511,812</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,839,482</u>	<u>(4,797,270)</u>	<u>(8,980,381)</u>	<u>(72,828)</u>	<u>(7,010,997)</u>
Other Financing Sources (Uses):					
Capital lease	311,799	-	-	-	311,799
Sale of capital assets	341,750	-	-	-	341,750
Transfers in	2,150,143	183,602	8,980,381	10,000	11,324,126
Transfers out	(8,169,715)	(13,077)	-	-	(8,182,792)
Total other financing sources (uses)	<u>(5,366,023)</u>	<u>170,525</u>	<u>8,980,381</u>	<u>10,000</u>	<u>3,794,883</u>
Net Change in Fund Balance	<u>1,473,459</u>	<u>(4,626,745)</u>	<u>-</u>	<u>(62,828)</u>	<u>(3,216,114)</u>
Fund Balance:					
Beginning of the year	20,469,074	11,135,136	-	996,443	32,600,653
End of the year	<u>\$ 21,942,533</u>	<u>\$ 6,508,391</u>	<u>\$ -</u>	<u>\$ 933,615</u>	<u>\$ 29,384,539</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, 2020

Net Change in Fund Balance - Governmental Funds	\$ (3,216,114)
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 (\$9,506,668) were more than depreciation (\$9,004,546) and loss on disposals (\$14,197) in the current period.	487,930
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.	107,623
Revenue received under the current financial resources related to prior year sale of capital assets. As the full sale proceeds was recognized in the prior year statement of activities, the amount received and recorded in the fund statements should be removed from economic financial resources.	(341,750)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of those differences in the treatment of long-term debt.	
Issuance of capital lease	(311,799)
Repayment of principal	6,008,198
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.	(189,397)
Change in deferred outflows of resources related to pensions in the statement of activities.	(5,375,034)
Change in deferred outflows of resources related to other post-employment benefits in the statement of activities.	(91,736)
Change in inventory in the statement of activities.	353,462
Change in accrued vacation and other compensated absences not due within the next twelve months in the statement of activities.	109,925
Change in net pension liability (asset) and deferred inflows of resources related to pensions in the statement of activities.	13,163,428
Change in other post-employment benefits liability and deferred inflows of resources related to other post-employment benefits in the statement of activities.	9,920
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.	(133,188)
Change in Net Position - Governmental Activities	\$ 10,246,647

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

CITY OF BETHLEHEM, PENNSYLVANIA

BALANCE SHEET - PROPRIETARY FUNDS

DECEMBER 31, 2020

Assets and Deferred Outflows of Resources	Enterprise Funds				
	Water Fund	Sewer Fund	Other Enterprise Fund		Internal Service
			Municipal Golf Fund	Total	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 5,726,829	\$ 17,292,975	\$ 854,387	\$ 23,874,191	\$ 39,563
Accounts receivable, net	4,579,674	5,089,260	11,444	9,680,378	-
Accrued interest	77,694	-	-	77,694	-
Due from other funds	-	55,000	10,570	65,570	-
Inventories	261,763	91,951	12,863	366,577	-
Total current assets	10,645,960	22,529,186	889,264	34,064,410	39,563
Restricted assets:					
Cash and cash equivalents	7,385,507	-	-	7,385,507	-
Investments	9,666,361	-	-	9,666,361	-
Capital assets, not being depreciated	2,504,051	6,050,584	175,000	8,729,635	-
Capital assets, net	61,060,204	20,050,246	1,462,843	82,573,293	-
Other assets	122,758	-	-	122,758	-
Net pension asset	751,653	872,828	97,302	1,721,783	-
Total Assets	92,136,494	49,502,844	2,624,409	144,263,747	39,563
Deferred Outflows of Resources:					
Deferred outflows of resources - pensions	429,147	498,331	55,554	983,032	-
Deferred outflows of resources - other post-employment benefits	109,290	61,074	6,428	176,792	-
Deferred charge on refunding	-	191,722	-	191,722	-
Total Deferred Outflows of Resources	538,437	751,127	61,982	1,351,546	-
Total Assets and Deferred Outflows of Resources	\$ 92,674,931	\$ 50,253,971	\$ 2,686,391	\$ 145,615,293	\$ 39,563

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Enterprise Funds				
	Water Fund	Sewer Fund	Other Enterprise Fund		Internal Service
			Municipal Golf Fund	Total	
Liabilities:					
Current liabilities:					
Accounts payable and other accrued expenses	\$ 182,412	\$ 657,873	\$ 279,803	\$ 1,120,088	\$ 186,445
Accrued payroll	154,196	150,042	11,845	316,083	-
Accrued vacation and other compensated absences	312,021	297,985	24,268	634,274	-
Construction accounts payable	1,044,719	-	-	1,044,719	-
Interest payable	197,071	98,210	9,654	304,935	-
Current portion of long-term debt	6,950,859	1,076,015	70,000	8,096,874	-
Current portion of capital lease obligation	60,023	114,018	-	174,041	-
Current portion of total other post-employment benefits liability	72,780	40,671	4,281	117,732	-
Due to other funds	-	-	903,662	903,662	-
Total current liabilities	8,974,081	2,434,814	1,303,513	12,712,408	186,445
Accrued sick pay	86,636	37,561	3,879	128,076	-
Long-term debt, net	69,490,008	23,747,545	1,585,000	94,822,553	-
Capital lease obligation, net	77,547	222,091	-	299,638	-
Total other post-employment benefits liability	1,091,960	610,213	64,233	1,766,406	-
Unearned revenue	369,600	3,892,428	-	4,262,028	-
Total Liabilities	80,089,832	30,944,652	2,956,625	113,991,109	186,445
Deferred Inflows of Resources:					
Deferred inflows of resources - pensions	3,009,657	3,494,848	389,603	6,894,108	-
Deferred inflows of resources - other post-employment benefits	359,655	200,984	21,156	581,795	-
Deferred gain on refunding	154,151	-	-	154,151	-
Total Deferred Inflows of Resources	3,523,463	3,695,832	410,759	7,630,054	-
Net Position:					
Net investment in capital assets	2,961,574	1,289,412	(17,157)	4,233,829	-
Unrestricted	6,100,062	14,324,075	(663,836)	19,760,301	(146,882)
Total Net Position	9,061,636	15,613,487	(680,993)	23,994,130	(146,882)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 92,674,931	\$ 50,253,971	\$ 2,686,391	\$ 145,615,293	\$ 39,563

(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, 2020

	Enterprise Funds				
	Water Fund	Sewer Fund	Other Enterprise Fund		Internal Service
			Municipal Golf Fund	Total	
Operating Revenues:					
Charges for services	\$ 21,366,336	\$ 17,435,868	\$ 1,531,814	\$ 40,334,018	\$ 10,702,035
Operating Expenses:					
Salaries, wages, and fringe benefits	4,492,359	4,954,353	565,997	10,012,709	-
Professional fees	953,483	349,496	2,600	1,305,579	-
Utilities	198,535	617,785	23,346	839,666	-
Maintenance and repairs	156,270	378,612	53,386	588,268	-
Department contracts	438,309	643,058	18,050	1,099,417	-
Supplies	336,602	703,069	169,779	1,209,450	-
Service charges	3,020,059	2,597,934	275,053	5,893,046	-
Depreciation and amortization	5,623,941	4,007,751	104,767	9,736,459	-
Insurance claims	-	-	-	-	11,086,163
Administration	-	-	-	-	6,662
Other	381,593	143,360	63,218	588,171	-
Total operating expenses	15,601,151	14,395,418	1,276,196	31,272,765	11,092,825
Operating Income (Loss)	5,765,185	3,040,450	255,618	9,061,253	(390,790)
Non-Operating Revenues (Expenses):					
Investment income	390,787	68,233	2,971	461,991	178
Interest expense	(3,625,655)	(704,605)	(59,821)	(4,390,081)	-
Tapping fees	-	407,614	-	407,614	-
Other revenues	699,194	877,201	52,790	1,629,185	257,424
Total non-operating revenues (expenses)	(2,535,674)	648,443	(4,060)	(1,891,291)	257,602
Change in net position before transfers	3,229,511	3,688,893	251,558	7,169,962	(133,188)
Transfers in	-	2,600	-	2,600	-
Transfers out	(518,433)	(2,591,944)	(33,557)	(3,143,934)	-
Change in Net Position	2,711,078	1,099,549	218,001	4,028,628	(133,188)
Net Position:					
Beginning of year	6,350,558	14,513,938	(898,994)	19,965,502	(13,694)
End of year	<u>\$ 9,061,636</u>	<u>\$ 15,613,487</u>	<u>\$ (680,993)</u>	<u>\$ 23,994,130</u>	<u>\$ (146,882)</u>

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

CITY OF BETHLEHEM, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds				
	Water Fund	Sewer Fund	Other Enterprise Fund		Internal Service
			Municipal Golf Fund	Total	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 20,521,072	\$ 17,052,102	\$ 1,533,110	\$ 39,106,284	\$ 10,705,063
Payments to suppliers for services	(5,459,659)	(5,473,278)	(568,174)	(11,501,111)	(10,978,909)
Payment to employees	(4,209,693)	(4,497,678)	(555,199)	(9,262,570)	-
Net cash provided by (used in) operating activities	10,851,720	7,081,146	409,737	18,342,603	(273,846)
Cash Flows From Noncapital Financing Activities:					
Transfers out	(559,484)	(2,550,893)	(33,557)	(3,143,934)	-
Other revenues received	682,394	936,999	52,790	1,672,183	257,424
Net cash provided by (used in) noncapital financing activities	122,910	(1,613,894)	19,233	(1,471,751)	257,424
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(1,846,011)	(4,512,784)	(359,260)	(6,718,055)	-
Principal payments on debt	(6,761,000)	(7,994,050)	(65,000)	(14,820,050)	-
Interest payments on debt	(1,939,188)	(671,474)	(60,200)	(2,670,862)	-
Principal payments on capital lease obligations	(123,216)	(130,823)	-	(254,039)	-
Tapping fees	-	1,102,199	-	1,102,199	-
Proceeds from issuance of debt	-	6,915,073	-	6,915,073	-
Net cash provided by (used in) capital and related financing activities	(10,669,415)	(5,291,859)	(484,460)	(16,445,734)	-
Cash Flows From Investing Activities:					
Net purchase of investments	(2,200,518)	-	-	(2,200,518)	-
Interest and dividends on investments	321,135	68,233	2,971	392,339	178
Net cash provided by (used in) investing activities	(1,879,383)	68,233	2,971	(1,808,179)	178
Net Increase (Decrease) in Cash and Cash Equivalents	(1,574,168)	243,626	(52,519)	(1,383,061)	(16,244)
Cash and Cash Equivalents:					
Beginning of year	14,686,504	17,049,349	906,906	32,642,759	55,807
End of year	<u>\$ 13,112,336</u>	<u>\$ 17,292,975</u>	<u>\$ 854,387</u>	<u>\$ 31,259,698</u>	<u>\$ 39,563</u>

(Continued)

	Enterprise Funds				
	Water Fund	Sewer Fund	Other	Total	Internal Service
			Enterprise Fund Municipal Golf Fund		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 5,765,185	\$ 3,040,450	\$ 255,618	\$ 9,061,253	\$ (390,790)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	5,623,941	4,007,751	104,767	9,736,459	-
Changes in balance sheet accounts:					
Accounts receivable	(824,694)	(404,336)	-	(1,229,030)	-
Inventories	(36,416)	(42,989)	(779)	(80,184)	-
Due from other funds	-	20,570	-	20,570	3,028
Other assets	-	-	1,296	1,296	-
Deferred outflows of resources - pensions	367,361	416,692	54,778	838,831	-
Deferred outflows of resources - other post-employment benefits liability	15,217	4,638	489	20,344	-
Accrued vacation and other compensated absences	(9,314)	16,290	(10,444)	(3,468)	-
Accrued payroll	38,904	27,609	2,572	69,085	-
Accounts payable and other accrued expenses	61,608	3,025	38,037	102,670	114,582
Due to other funds	(20,570)	-	-	(20,570)	(666)
Net pension liability	(3,056,767)	(3,507,244)	(426,604)	(6,990,615)	-
Total OPEB liability	(404,050)	(177,088)	(18,641)	(599,779)	-
Deferred inflows of resources - pensions	3,009,657	3,494,848	389,603	6,894,108	-
Deferred inflows of resources - other post-employment benefits liability	321,658	180,930	19,045	521,633	-
Net cash provided by (used in) operating activities	<u>\$ 10,851,720</u>	<u>\$ 7,081,146</u>	<u>\$ 409,737</u>	<u>\$ 18,342,603</u>	<u>\$ (273,846)</u>
Non-cash Capital and Related Financing Activities:					
Accretion of capital appreciation bonds	<u>\$ 2,085,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,085,973</u>	<u>\$ -</u>
Transfer in (out) of capital assets	<u>\$ 41,051</u>	<u>\$ (41,051)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Issuance of capital lease	<u>\$ 157,024</u>	<u>\$ 466,932</u>	<u>\$ -</u>	<u>\$ 623,956</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, 2020

	Employee Benefit Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	\$ -	\$ 636,865
Interest and dividends receivable	201,510	-
Investments	189,725,602	-
Total Assets	189,927,112	636,865
Net Position		
Restricted for employees' retirement benefits and other purposes	189,927,112	636,865
Total Net Position	\$ 189,927,112	\$ 636,865

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, 2020

	Employee Benefit Trust Fund	Custodial Fund
Additions:		
Contributions:		
Employee contributions	\$ 1,359,106	\$ -
Employer contributions	8,795,357	-
Total contributions	10,154,463	-
Funds received on behalf of others	-	102,502
Investment earnings (losses):		
Investment income	1,964,574	6,704
Realized and unrealized gains, net	23,108,917	-
Total investment earnings	25,073,491	6,704
Less investment expense	(871,729)	-
Net investment earnings (losses)	24,201,762	6,704
Total additions	34,356,225	109,206
Deductions:		
Benefits paid	12,871,791	-
Administrative costs	26,600	-
Disbursements made on behalf of others	-	122,792
Total deductions	12,898,391	122,792
Change in Net Position	21,457,834	(13,586)
Net Position:		
Beginning of year, restated	168,469,278	650,451
End of year	\$ 189,927,112	\$ 636,865

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

CITY OF BETHLEHEM, PENNSYLVANIA

BALANCE SHEET - COMPONENT UNITS

DECEMBER 31, 2020

	Bethlehem Parking Authority	Bethlehem Public Library	Bethlehem Redevelopment Authority *	Total
Assets and Deferred Outflows of Resources				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 4,104,967	\$ 373,164	\$ 315,349	\$ 4,793,480
Investments	1,293	2	-	1,295
Accounts receivable, net	84,776	-	-	84,776
Other receivables	-	-	79,252	79,252
Prepaid expenses	36,979	-	-	36,979
Total current assets	4,228,015	373,166	394,601	4,995,782
Restricted cash and cash equivalents	-	-	235	235
Restricted investments	1,339,701	2,371,728	1,830,857	5,542,286
Capital assets, not being depreciated	6,902,551	5,000	-	6,907,551
Capital assets, net	27,295,787	137,078	27,566,507	54,999,372
Net pension asset	-	-	11,303	11,303
Total Assets	39,766,054	2,886,972	29,803,503	72,456,529
Deferred Outflows of Resources:				
Deferred outflows of resources - pension	201,722	-	29,908	231,630
Deferred charge on refunding	369,686	-	-	369,686
Total Deferred Outflows of Resources	571,408	-	29,908	601,316
Total Assets and Deferred Outflows of Resources	\$ 40,337,462	\$ 2,886,972	\$ 29,833,411	\$ 73,057,845

(Continued)

* - As of June 30, 2020

	Bethlehem Parking Authority	Bethlehem Public Library	Bethlehem Redevelopment Authority	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
<u>Liabilities:</u>				
Accounts payable and other accrued expenses	\$ 667,526	\$ 60,809	\$ 519,577	\$ 1,247,912
Accrued payroll	-	55,130	-	55,130
Accrued vacation and other compensated absences	-	14,390	-	14,390
Interest payable	183,714	-	-	183,714
Current portion of long-term debt	1,530,961	-	-	1,530,961
Unearned revenue	732,279	-	-	732,279
Total current liabilities	3,114,480	130,329	519,577	3,764,386
Long-term debt, net of current portion	25,452,083	-	-	25,452,083
Unearned revenue	33,332	-	-	33,332
Net pension liability	206,386	-	-	206,386
Total Liabilities	28,806,281	130,329	519,577	29,456,187
<u>Deferred Inflows of Resources:</u>				
Deferred inflows of resources - pension	330,780	-	135,213	465,993
Total Deferred Inflows of Resources	330,780	-	135,213	465,993
<u>Net Position:</u>				
Net investment in capital assets	9,192,542	5,000	27,566,507	36,764,049
Restricted	-	2,583,101	-	2,583,101
Unrestricted	2,007,859	168,542	1,612,114	3,788,515
Total Net Position	11,200,401	2,756,643	29,178,621	43,135,665
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 40,337,462	\$ 2,886,972	\$ 29,833,411	\$ 73,057,845

(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, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bethlehem Parking Authority	Bethlehem Public Library	Bethlehem Redevelopment Authority	
Bethlehem Parking Authority	\$ 6,536,723	\$ 5,849,164	\$ 20,000	\$ -	\$ (667,559)	\$ -	\$ -	\$ (667,559)
Bethlehem Public Library	2,987,735	69,882	2,781,302	132,786	-	(3,765)	-	(3,765)
Bethlehem Redevelopment Authority *	8,711,727	-	105,269	13,451,294	-	-	4,844,836	4,844,836
Total Component Units	\$ 18,236,185	\$ 5,919,046	\$ 2,906,571	\$ 13,584,080	(667,559)	(3,765)	4,844,836	4,173,512
General Revenues:								
				Investment income (loss)	2,375	421,739	65,376	489,490
				Total general revenues	2,375	421,739	65,376	489,490
				Change in Net Position	(665,184)	417,974	4,910,212	4,663,002
				Net Position:				
				Beginning of year	11,865,585	2,338,669	24,268,409	38,472,663
				End of year	<u>\$ 11,200,401</u>	<u>\$ 2,756,643</u>	<u>\$ 29,178,621</u>	<u>\$ 43,135,665</u>

* - Year ended June 30, 2020

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

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020

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

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

Property taxes, earned income taxes, host fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

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

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

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 is the City's nonmajor proprietary fund.

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis. The Internal Service Fund accounts for the City's externally administered health insurance.

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

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

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

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

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 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, 2020

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, and Sewer 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 and 2020. The remaining \$683,500 (included in due from other governments in the governmental funds balance sheet and governmental activities statement of net position) will be received in equal installments of \$341,750 in 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, 2020, the Parking Authority's allowance for uncollectible accounts is \$0.

Property Taxes

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

The schedule for property taxes levied for 2020 is as follows (as amended due to pandemic):

January 1, 2020	original levy date
January 1, 2020 - May 11, 2020	2% discount period
May 12, 2020 – August 10, 2020	face payment period
August 11, 2020 - December 31, 2020	10% penalty period

In addition, City taxes may be paid in four installments due approximately February 5, April 9, June 11, and August 13 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 2020 millage was

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

8.61 for general purposes, 5.26 for public safety, 0.05 for recreation, 2.97 for debt service, 0.50 for landfill debt, and 0.83 for library, for properties in Northampton County; and 2.72 for general purposes, 1.66 for public safety, 0.02 for recreation, 0.94 for debt service, 0.16 for landfill debt, and 0.26 for library, for properties in Lehigh County.

Tax Abatements

The City's tax abatements are authorized by City Council ordinance. Under the Local Economic Revitalization Tax Assistance (LERTA) program, recipients are eligible for property tax abatement on certain improvements to deteriorated industrial, commercial, and other business property and/or deteriorated residential property. The City's tax abatement agreements do not contain recapture provisions for non-compliance. 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, 2020, the City's LERTA property tax abatements totaled approximately \$784,000.

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, 2020, appropriate interfund receivables or payables have been established.

Capital Assets

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

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

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.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 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.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

As of December 31, 2020, the Parking Authority included \$500,000 in current unearned revenue as a result of contribution received from the Redevelopment Authority for future parking garage improvements.

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 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.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Net position of governmental activities is restricted for the following:

Community development	\$	230,995
Public works		<u>933,615</u>
Restricted net position	\$	<u><u>1,164,610</u></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.

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.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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. 84, *"Fiduciary Activities,"* improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. As a result, the City reclassified escrow accounts that had previously been recorded in the agency fund to the appropriate governmental or proprietary funds. Net position for custodial funds was also restated for implementation of this standard.

Pending Changes in Accounting Principles

In June of 2017, the GASB issued Statement No. 87, *"Leases."* This Statement requires reporting of certain lease liabilities that currently are not reported. The provisions of GASB Statement No. 87 are effective for the City's December 31, 2022 financial statements.

In May of 2019, the GASB issued Statement No. 91, *"Conduit Debt Obligations."* This Statement improves financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The provisions of GASB Statement No. 91 are effective for the City's December 31, 2022 financial statements.

In May of 2020, the GASB issued Statement No. 96, *"Subscription-Based Information Technology Arrangements."* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The provisions of this Statement are effective for the City's December 31, 2023 financial statements.

In June of 2020, the GASB issued Statement No. 97, *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred*

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Compensation Plans.” The primary objectives of this Statement are to: (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for the City’s December 31, 2022 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, 2020

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, 2019, the Parking Authority made contributions to the City's General Fund of \$470,000, of which \$425,000 was included in accounts payable as of December 31, 2020. 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 2020 appropriation to the Library was \$1,416,274, which represented 37% 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, 2020, the Library paid the City \$165,000 for utility and insurance costs. Separate financial statements were issued by the Library and can be obtained by contacting the Library.

Bethlehem Redevelopment Authority

The Bethlehem Redevelopment Authority (Redevelopment Authority) was incorporated under the provisions of the Pennsylvania Urban Redevelopment Act Number 385 of May 24, 1945, as amended. The Redevelopment Authority accounts for several cooperation agreements with the City's Community Development Block Grant program and other funding sources wherein administration and other costs are provided by the Redevelopment Authority for general administrative, rehabilitation activities, and property acquisition and demolition. The Redevelopment Authority also accounts for the

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

collection of financing district revenues from the various taxing bodies and pays for construction and construction-related costs associated with various projects within the designated Bethlehem Works Tax Increment Financing (TIF) District. 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 \$437,000 in public safety reimbursements and \$86,000 in lieu of taxes to the City during the year ended December 31, 2020.

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, 2020, BEDCO owes the City \$794,875. There were no payments made on this loan during the year ended December 31, 2020. 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, 2020

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

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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.

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, 2020, the City's book balance was \$60,425,800 and the bank balance was \$62,028,776. Of the bank balance, \$4,497,243 was covered by federal depository insurance and \$57,531,533 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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:	
<u>Governmental activities:</u>	
Unrestricted	\$ 28,529,237
Business-type activities:	
Unrestricted	23,874,191
Restricted	7,385,507
Fiduciary funds:	
Custodial fund	<u>636,865</u>
Total cash and cash equivalents	<u>\$ 60,425,800</u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

B. Investments

The fair value of the investments of the City at December 31, 2020 was as follows:

Investments:	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Money market funds	\$ 13,537,945	\$ 13,537,945	\$ -	\$ -
U.S. Government obligations	26,568,115	26,568,115	-	-
U.S. Government agency obligations	3,393,464	-	3,393,464	-
Corporate bonds and notes	14,086,665	-	14,086,665	-
Equity mutual funds:				
Domestic	22,276,372	22,276,372	-	-
International	27,947,937	27,947,937	-	-
Equities:				
Consumer discretionary	5,024,722	5,024,722	-	-
Consumer staples	2,055,438	2,055,438	-	-
Energy	839,990	839,990	-	-
Financials	5,455,947	5,455,947	-	-
Health care	7,510,258	7,510,258	-	-
Industrials	7,348,861	7,348,861	-	-
Information technology	8,912,477	8,912,477	-	-
Materials	897,976	897,976	-	-
Other	1,013,058	1,013,058	-	-
Telecommunications	2,430,318	2,430,318	-	-
Utilities	496,425	496,425	-	-
Limited partnerships	33,771,221	-	-	33,771,221
Real estate equity fund	8,568,872	-	-	8,568,872
Total investments by fair value level	192,136,061	\$ 132,315,839	\$ 17,480,129	\$ 42,340,093
Investments measured at net asset value:				
External investment pool	5,694,232			
Real estate investment trusts	1,561,815			
Total investments measured at fair value	\$ 199,392,108			

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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<u>Reconciliation to total investments</u>	
Governmental activities:	
Unrestricted	\$ 145
Business-type activities:	
Restricted	9,666,361
Fiduciary funds:	
Employee Benefit Trust Fund	<u>189,725,602</u>
Total investments	<u>\$ 199,392,108</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, 2020, the City's Employee Benefit Trust Fund was invested in Hamilton Lane Co-Investment Fund III, LP, a limited partnership, in the amount of \$4,834,263. 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

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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, 2020, the Holdings has unfunded commitments to portfolio investments of \$62,251,881. 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, 2020, the City's Employee Benefit Trust Fund was invested in Hamilton Lane Co-Investment Fund IV, LP, a limited partnership, in the amount of \$4,748,868. 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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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, 2020, the Fund IV Holdings has unfunded commitments to portfolio investments of \$3,266,097. 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, 2020, 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 \$10,812,542. The partnership was formed for the purpose of acquiring, holding, selling, and exchanging, either directly or indirectly, interest in limited partnerships or other pooled investment vehicles that are organized to make investments in large-cap buyout, mid-cap buyout, special situations, and venture/growth capital investment funds, as well as securities, including co-investments. The partnership is one of the constituent funds of NB Crossroads Fund XX and invests substantially all of its assets in NBFOF XX – Holdings LP; which in turn invests substantially all of its assets in the NB Master Holding Funds (MHF), a group of closed-ended investment partnerships that are formed as series limited partnerships. The Fund will continue until December 31, 2022 unless earlier dissolved or extended pursuant to the Fund's limited partnership agreement. The MHF's invest in a diversified portfolio of investment partnerships. The Fund's interest in the MHF's has a defined term and no right of withdraw prior to termination of the partnership. The Fund receives its share of the distributions as the MHF's underlying investments are liquidated. The exact timing of liquidation is unknown. The Fund records its investment in the MHF by recording its proportionate share of the net assets of the MHF's. The cost basis of the investment in the MHF's is determined utilizing the Fund's allocable share of the MHF's cost basis in investee partnerships and their portfolio companies, as well as net other assets and liabilities. Realized gains and losses on the investments in the MHF's reflect the aggregate of the Fund's allocable share of gains and losses realized by the MHFs. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The General Partner has assessed these positions and concluded that all investments not valued using the practical expedient, with the exception of marketable securities, are classified as Level 3 due to significant unobservable inputs. The Fund generally uses the net asset value (NAV) reported by the investments as a primary input in its valuation; however, adjustments to the reported NAV may be based on various factors, including, but not limited to, the attributes of the interest held, including

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rights and obligations, any restrictions or illiquidity on such interest, any potential clawbacks by the investments and the fair value of the investments' investment portfolio or other assets and liabilities. The valuation process for investments categorized in Level 3 of the fair value hierarchy is completed on a quarterly basis and is designed to subject the valuation of Level 3 investments to an appropriate level of consistency, oversight, and review. The General Partner has the ultimate responsibility for the valuation process and the fair value of investments reported its financial statements. The General Partner performs initial and ongoing investment monitoring and valuation assessments. In determining the fair value of investments, the General Partner reviews periodic investor reports and interim and annual audited financial statements received from the investments, reviews material quarter over quarter changes in valuation, and assesses the impact of macro market factors on the performance of the investments. Realized and unrealized profits and losses of the partnership are allocated pro rata to the limited partners in proportion to their respective partnership interest.

At December 31, 2020, the City's Employee Benefit Trust Fund was invested in Adams Street Co-Investment Fund IV, LP, a limited partnership, in the amount of \$3,995,395. 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 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, 2020, the Fund had unfunded commitments of \$2,593,397. Because of the inherent uncertainty in predicting the timing of these commitments, management is unable to estimate the fair value of these commitments. The Fund believes that it will be able to satisfy such commitments from commitments due from its limited partners, if any, and/or proceeds received from investments. The Fund will continue until January 19, 2029, subject to extension for up to

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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, 2020, the City's Employee Benefit Trust Fund was invested in Boyd Watterson GSA Fund, L.P., a limited partnership, in the amount of \$9,380,153. 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, 2020. 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. A total of 617,510 controlling units are issued and outstanding as of December 31, 2020. The net asset value per unit calculation is based on the provisions of the Private Placement Memorandum and Operating Agreement. At December 31, 2020, the Fund had outstanding unfunded commitments of \$411,377.

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Real estate equity fund

At December 31, 2020, 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 \$8,568,872. The fund is a collective investment in real estate properties and loans by funds of retirement, pension, profit sharing, and other organizations that are exempt from federal taxes. The fund's real estate investments are stated at fair value as determined by the Trustees quarterly, utilizing independent third-party appraisals. Real estate investments are affected by, among other things, availability of capital, capitalization rates, discount rates, occupancy levels, rental rates, and interest and inflation rates. As a result, determining real estate investment values involves many assumptions. The fund's investments in joint ventures are presented on a net basis and stated at estimated fair value, which is derived from the fund's equity in the net assets of the joint venture. Mortgages and other loans receivable are carried at fair value as estimated by the trustee quarterly utilizing independent pricing services, appraisals, available market data, or a discounted cash flow methodology. Redemption requests received in writing from participants are honored at the Trust's next valuation date. Shares are redeemed on a quarterly basis at net asset value per share. There are no unfunded commitments at December 31, 2020.

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. 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, 2020, the City held PLGIT/Reserve-Class shares in the amount of \$33. PLGIT/I-Class shares require a minimum investment of \$50,000 and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period and dividends are paid monthly.

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At December 31, 2020, the City held PLGIT/PRIME shares in the amount of \$5,694,199. 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, 2020, 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.

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
Agree Realty Corporation	\$ 228,236
American Tower Corporation	49,381
Apple Hospitality REIT, Inc.	250,235
First Industrial Realty Trust	196,242
Healthpeak Properties, Inc.	27,207
Mid-America Apartment Communities	24,071
National Storage Affiliates	237,149
Netstreet Corporation	83,144
Prologis, Inc.	51,823
QTS Realty Trust	215,837
Terreno Realty Corporation	166,636
Weyerhaesuer CP	31,854
Total real estate investment trusts	<u>\$ 1,561,815</u>

Agree Realty Corporation's focus is on retail properties net leased to industry leading tenants.

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

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

First Industrial Realty Trust is a self-administered and fully integrated real estate company which owns, manages, acquires, sells, develops, and redevelops industrial real estate.

Healthpeak Properties, Inc.'s focus is on the healthcare industry including senior housing, life science, and medical offices in the United States.

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

National Storage Affiliates' focus is on ownership, operations, and acquisition of high quality regional self-storage facilities located within high growth markets.

Netstreet Corporation's focus is on acquiring single-tenant net lease retail commercial real estate leased to high credit quality tenants across the United States.

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

QTS Realty Trust, Inc.'s focus is on providing data center solutions to technology companies, enterprises, and government agencies.

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

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.

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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, \$95,599,385 are held by the counterparty's trust department or agent in the City's name, \$3,972,274 are held by the counterparty's trust department or agent not in the name of the City, and the remaining balance of \$99,820,449 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.

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Credit risk. The City does have a formal policy that limits the City's investment in fixed income assets to a rating of investment grade or better (Baa or BBB) for the Employee Benefit Trust Fund, but not for the City's general investments. The City's money market and fixed income investments had the following level of exposure to credit risk as of December 31, 2020:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 1,430,215	AAA
Money market funds	12,107,730	Unrated
U.S. Government agency obligations	2,542,059	AAA
U.S. Government agency obligations	848,372	AA+
U.S. Government agency obligations	3,033	Not rated
Corporate bonds and notes	110,894	AA+
Corporate bonds and notes	1,101,150	AA
Corporate bonds and notes	574,352	AA-
Corporate bonds and notes	645,424	A+
Corporate bonds and notes	2,236,275	A
Corporate bonds and notes	2,769,774	A-
Corporate bonds and notes	3,198,323	BBB+
Corporate bonds and notes	3,030,640	BBB
Corporate bonds and notes	419,833	BBB-
External investment pool	5,694,232	AAA

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, 2020, the City does not hold more than five percent of the City's investments in any one issuer.

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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			2032 and beyond
		2021	2022-2026	2027-2031	
Money market funds	\$ 13,537,945	\$ 13,537,945	\$ -	\$ -	\$ -
U.S. Government obligations	26,568,115	6,502,403	19,760,355	305,357	-
U.S. Government agency obligations	3,383,464	2,542,059	-	841,405	-
Corporate bonds and notes	14,086,665	725,610	9,028,667	4,332,388	-
External investment pool	5,694,232	5,694,232	-	-	-
	<u>\$ 63,270,421</u>	<u>\$ 29,002,249</u>	<u>\$ 28,789,022</u>	<u>\$ 5,479,150</u>	<u>\$ -</u>

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.

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, 2020, the Parking Authority's book balance was \$4,104,967 and the bank balance was \$5,061,571. Of the bank balance at December 31, 2020, \$381,300 was covered by federal depository insurance and \$4,680,271

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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, 2020 was \$1,339,701.

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

At December 31, 2020, 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. The fair value of the Parking Authority's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool.

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

Custodial credit risk – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Parking Authority does 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, 2020, all investments of the Parking Authority were rated AAA.

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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, 2020, 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, 2020, the Library's book balance was \$373,164 and the bank balance was \$562,575. \$250,000 of the bank balance was covered by federal depository insurance and the remaining balance is covered by Act 72.

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, 2020 was as follows:

Money market funds	\$	146,354
Equities:		
Consumer discretionary		215,968
Consumer staples		43,152
Financials		180,717
Healthcare		530,877
Information technology		738,575
Industrials		195,632
Telecommunications		320,455
Total investments	\$	<u>2,371,730</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 corporate bonds and equities are held by the financial institution, not in the Library's name. The Library's

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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, 2020:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 146,354	Unrated

Concentration of credit risk – The Library places no limit on the amount the Library may invest in any one issuer. At December 31, 2020, no investments in any one issuer were more than five percent of the Library's total investments.

Interest rate risk – The Library does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Library's money market funds, in the amount of \$146,354, 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

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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, 2020, the Redevelopment Authority's book balance was \$315,584 and the bank balance was \$316,441. Of the bank balance at June 30, 2020, \$250,000 was covered by federal depository insurance and \$66,441 was collateralized under the Act.

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, 2020 was \$1,830,857.

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, 2020, 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, 2020.

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

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

increasing interest rates. At June 30, 2020 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

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YEAR ENDED DECEMBER 31, 2020

4. Capital Assets

A summary of changes in capital assets follows:

	January 1, 2020	Additions and Transfers In	Disposals and Transfers Out	December 31, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,752,780	\$ -	\$ -	\$ 6,752,780
Construction in progress	2,477,278	293,260	(2,105,844)	664,694
Total capital assets not being depreciated	<u>9,230,058</u>	<u>293,260</u>	<u>(2,105,844)</u>	<u>7,417,474</u>
Capital assets being depreciated:				
Buildings and related improvements	33,135,318	1,273,305	(400,535)	34,008,088
Improvements other than buildings	49,925,266	5,935,222	(660,712)	55,199,776
Furniture, machinery, and equipment	49,007,220	2,135,100	(1,252,799)	49,889,521
Infrastructure	61,011,533	1,975,625	-	62,987,158
Total capital assets being depreciated	<u>193,079,337</u>	<u>11,319,252</u>	<u>(2,314,046)</u>	<u>202,084,543</u>
Less accumulated depreciation for:				
Buildings and related improvements	(29,205,617)	(973,320)	393,486	(29,785,451)
Improvements other than buildings	(40,642,685)	(1,592,352)	660,712	(41,574,325)
Furniture, machinery, and equipment	(38,430,988)	(2,671,698)	1,245,656	(39,857,030)
Infrastructure	(28,507,771)	(3,767,176)	-	(32,274,947)
Total accumulated depreciation	<u>(136,787,061)</u>	<u>(9,004,546)</u>	<u>2,299,854</u>	<u>(143,491,753)</u>
Total capital assets being depreciated, net	<u>56,292,276</u>	<u>2,314,706</u>	<u>(14,192)</u>	<u>58,592,790</u>
Governmental activities capital assets, net	<u>\$ 65,522,334</u>	<u>\$ 2,607,966</u>	<u>\$ (2,120,036)</u>	<u>\$ 66,010,264</u>

CITY OF BETHLEHEM, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2020

	January 1, 2020	Additions and Transfers In	Disposals and Transfers Out	December 31, 2020
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,144,630	\$ -	\$ -	\$ 2,144,630
Construction in progress	2,144,044	4,549,721	(108,760)	6,585,005
Total capital assets not being depreciated	4,288,674	4,549,721	(108,760)	8,729,635
Capital assets being depreciated:				
Land improvements	2,176,483	547,972	-	2,724,455
Building and fixtures	14,162,432	205,111	-	14,367,543
Improvements other than buildings	246,798,762	1,800,339	-	248,599,101
Furniture, machinery, and equipment	5,693,190	28,019	-	5,721,209
Vehicles	5,514,969	1,194,120	(576,649)	6,132,440
Office equipment	148,556	-	-	148,556
Total capital assets being depreciated	274,494,392	3,775,561	(576,649)	277,693,304
Less accumulated depreciation for:				
Land improvements	(1,129,663)	(91,895)	-	(1,221,558)
Building and fixtures	(13,488,512)	(107,454)	-	(13,595,966)
Improvements other than buildings	(161,520,310)	(9,077,878)	-	(170,598,188)
Furniture, machinery, and equipment	(4,782,053)	(185,641)	-	(4,967,694)
Vehicles	(4,717,478)	(288,132)	396,525	(4,609,085)
Office equipment	(119,559)	(7,961)	-	(127,520)
Total accumulated depreciation	(185,757,575)	(9,758,961)	396,525	(195,120,011)
Total capital assets being depreciated, net	88,736,817	(5,983,400)	(180,124)	82,573,293
Business-type activities capital assets, net	\$ 93,025,491	\$ (1,433,679)	\$ (288,884)	\$ 91,302,928

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Depreciation expense was charged to governmental activities as follows:

Administrative	\$	78,808
Community development		96,931
Parks and public property		1,677,917
Public works		5,230,953
Police		802,406
Fire		876,308
Library		241,223
	\$	<u>9,004,546</u>

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

Water Fund	\$	5,623,941
Sewer Fund		4,030,253
Municipal Golf Fund		104,767
	\$	<u>9,758,961</u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

	January 1, 2020	Additions	Disposals	December 31, 2020
Parking Authority:				
Capital assets, not being depreciated:				
Land	\$ 4,855,985	\$ -	\$ -	\$ 4,855,985
Construction in progress	1,026,648	1,654,175	(634,257)	2,046,566
Total capital assets, not being depreciated	5,882,633	1,654,175	(634,257)	6,902,551
Capital assets, being depreciated:				
Parking garages	45,009,023	8,663	-	45,017,686
Furniture and fixtures	2,239,202	15,663	-	2,254,865
Automobiles	615,382	-	(1,850)	613,532
Leasehold and parking lot improvements	103,880	591,846	-	695,726
Total capital assets, being depreciated	47,967,487	616,172	(1,850)	48,581,809
Less accumulated depreciation	(19,657,321)	(1,630,551)	1,850	(21,286,022)
Total capital assets, being depreciated, net	28,310,166	(1,014,379)	-	27,295,787
Total capital assets, net	\$ 34,192,799	\$ 639,796	\$ (634,257)	\$ 34,198,338

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YEAR ENDED DECEMBER 31, 2020

	January 1, 2020	Additions	Disposals	December 31, 2020
Library:				
Capital assets, not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets, not being depreciated	5,000	-	-	5,000
Capital assets, being depreciated:				
Buildings and related improvements	311,677	-	-	311,677
Furniture, machinery, and equipment	864,558	-	-	864,558
Total capital assets, being depreciated	1,176,235	-	-	1,176,235
Less accumulated depreciation	(994,899)	(44,258)	-	(1,039,157)
Total capital assets, being depreciated, net	181,336	(44,258)	-	137,078
Total capital assets, net	\$ 186,336	\$ (44,258)	\$ -	\$ 142,078

	July 1, 2019	Additions	Disposals	June 30, 2020
Redevelopment Authority:				
Capital assets, being depreciated:				
Buildings	\$ 31,267,155	-	-	\$ 31,267,155
Total capital assets being depreciated	31,267,155	-	-	31,267,155
Less accumulated depreciation for:				
Buildings	(3,055,523)	(645,125)	-	(3,700,648)
Total accumulated depreciation	(3,055,523)	(645,125)	-	(3,700,648)
Total capital assets, net	\$ 28,211,632	\$ (645,125)	\$ -	\$ 27,566,507

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

5. Interfund Receivable and Payables Balances

A summary of the total amounts due from and due to other funds, by fund, at December 31, 2020 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental funds:		
General Fund	\$ 880,162	\$ -
Non-Utility Capital Improvements Fund	178,500	65,570
Other Non-Major Governmental Funds	-	155,000
Proprietary funds:		
Sewer Fund	55,000	-
Other Non-Major Enterprise Fund	10,570	903,662
Total	<u>\$ 1,124,232</u>	<u>\$ 1,124,232</u>

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

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

6. Interfund Transfers

Interfund transfers for the year ended December 31, 2020 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 2,150,143	\$ 8,169,715
Non-Utility Capital Improvements Fund	183,602	13,077
Debt Service Fund	8,980,381	-
Other Non-Major Governmental Funds	10,000	-
Proprietary funds:		
Water Fund	-	518,433
Sewer Fund	2,600	2,591,944
Other Non-Major Enterprise Fund	-	33,557
Total	<u>\$ 11,326,726</u>	<u>\$ 11,326,726</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, 2020

7. Long-Term Obligations

Bonds and Notes Payable

A summary of long-term bonds and notes payable of the City at December 31, 2020 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	\$ 113,949,000	\$ 78,494,429	\$ 25,815,289	\$ 1,720,000	\$ 106,029,718
Issuance of debt	-	-	6,530,000	-	6,530,000
Accretion of capital appreciation bonds	-	2,085,973	-	-	2,085,973
Repayment of debt	(4,477,000)	(6,761,000)	(7,994,052)	(65,000)	(14,820,052)
	109,472,000	73,819,402	24,351,237	1,655,000	99,825,639
Plus unamortized bond premium	1,283,373	2,621,465	472,323	-	3,093,788
Less unamortized bond discount	(160,427)	-	-	-	-
Outstanding at end of year	<u>\$ 110,594,946</u>	<u>\$ 76,440,867</u>	<u>\$ 24,823,560</u>	<u>\$ 1,655,000</u>	<u>\$ 102,919,427</u>

	Discretely Presented Component Units	
	Parking Authority	Redevelopment Authority
Outstanding at beginning of year	\$ 26,354,585	\$ 15,045,000
Issuance of debt	2,111,449	-
Repayment of debt	(1,280,000)	(15,045,000)
	27,186,034	-
Plus unamortized bond premium	(230,658)	-
Less unamortized bond discount	27,668	-
Outstanding at end of year	<u>\$ 26,983,044</u>	<u>\$ -</u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Year	Governmental Activities			Water Fund		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 7,466,000	\$ 3,280,811	\$ 10,746,811	\$ 6,950,859	\$ 1,567,904	\$ 8,518,763
2022	8,216,000	3,035,469	11,251,469	6,619,448	1,901,986	8,521,434
2023	8,110,000	2,773,212	10,883,212	6,283,148	2,236,352	8,519,500
2024	8,380,000	2,505,318	10,885,318	5,959,650	2,562,450	8,522,100
2025	8,655,000	2,234,684	10,889,684	5,650,769	2,869,381	8,520,150
2026-2030	42,950,000	7,328,921	50,278,921	30,675,528	11,929,498	42,605,026
2031-2035	25,695,000	1,732,360	27,427,360	11,680,000	727,000	12,407,000
Totals	<u>\$ 109,472,000</u>	<u>\$ 22,890,775</u>	<u>\$ 132,362,775</u>	<u>\$ 73,819,402</u>	<u>\$ 23,794,571</u>	<u>\$ 97,613,973</u>

Year	Sewer Fund			Golf Fund		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,076,015	\$ 580,152	\$ 1,656,167	\$ 70,000	\$ 57,925	\$ 127,925
2022	1,467,298	574,877	2,042,175	70,000	55,475	125,475
2023	1,515,860	522,315	2,038,175	70,000	53,025	123,025
2024	1,574,572	467,678	2,042,250	75,000	50,575	125,575
2025	1,628,437	417,838	2,046,275	80,000	47,950	127,950
2026-2030	8,715,713	1,482,604	10,198,317	430,000	196,525	626,525
2031-2035	7,306,909	553,188	7,860,097	510,000	116,025	626,025
2036-2040	1,066,433	40,709	1,107,142	350,000	24,675	374,675
Totals	<u>\$ 24,351,237</u>	<u>\$ 4,639,361</u>	<u>\$ 28,990,598</u>	<u>\$ 1,655,000</u>	<u>\$ 602,175</u>	<u>\$ 2,257,175</u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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	
	2021	\$ 970,000	\$ 600,167	\$ 560,961	
2022	990,000	578,331	290,594	207,975	2,066,900
2023	1,015,000	553,717	300,636	197,467	2,066,820
2024	1,045,000	527,688	311,778	186,587	2,071,053
2025	1,070,000	499,156	323,025	175,296	2,067,477
2026-2030	5,675,000	2,051,531	1,459,889	707,760	9,894,180
2031-2035	2,755,000	1,407,750	353,126	515,788	5,031,664
2036-2040	3,190,000	969,150	556,048	418,743	5,133,941
2041-2045	3,700,000	461,100	771,408	286,162	5,218,670
2046-2050	810,000	24,300	934,825	122,745	1,891,870
2051-2055	-	-	103,744	2,013	105,757
	\$ 21,220,000	\$ 7,672,890	\$ 5,966,034	\$ 3,038,176	\$ 37,897,100

Total principal and interest for the primary government due through maturity is \$261,224,521.

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

During the year ended December 31, 2017, the City funded the outstanding balance of the City's Series A of 2011 Bonds and the outstanding balance of the Bethlehem Authority's Series A of 2011 Bonds by irrevocably placing in trust, direct obligations of the United States of America sufficient to satisfy the semi-annual interest payments and bond redemption requirements. These bonds are considered to be extinguished for financial reporting purposes and are excluded from the City's financial statements. The balance outstanding on the advance refunded portions of the City's Series A of 2011 Bonds and Bethlehem Authority's Series A of 2011 Bonds at December 31, 2020 was \$7,860,000 and \$15,925,000, respectively.

CITY OF BETHLEHEM, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2020

During the year ended December 31, 2019, 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 balance outstanding on the advance refunded portions of the City's Series B of 2011 Notes, Series B of 2014 Bonds, and Series C of 2014 Bonds at December 31, 2020 was \$6,760,000, \$18,905,000, and \$21,380,000, respectively.

In August 2020, the City issued General Obligation Bonds, Series of 2020 (Series of 2020 Bonds) in the amount of \$6,530,000. The proceeds of the Series of 2020 Bonds will be used for 1) currently refund the City's 2012 PennVest loan, and 2) pay the costs and expenses related to the issuance of the bonds. Payments are due through 2034 and interest rates range from 2.00% to 5.00%. The current refunding decreased the City's total debt service by \$582,893 through the year 2034 and resulted in an economic gain (difference between present values of the old and new debt service payments) in the amount of \$561,320.

The City has guaranteed the Bethlehem Authority Guaranteed Water Revenue Bonds, Series of 2014 for the Bethlehem Authority, a blended component unit of the City. The full amount of the Guaranteed Parking System Revenue Bonds, Series A of 2015, Series B of 2015, Series A of 2016, Series B of 2016, Series A of 2019, and Series B of 2019 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, 2020 of \$58,136,134. The City was not required to make any payments in accordance with the guarantee agreements during the year ended December 31, 2020.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Long-term obligations payable at December 31, 2020 are as follows:

Governmental Activities:	<u>Current Portion</u>	<u>Balance at December 31, 2020</u>
General Obligation Notes, Series of 2007, due in annual installments of \$273,000 to \$356,000 through August 2022; interest rates fixed at 3.65% through August 2017 and variable through maturity. The interest rate at December 31, 2020 is 0.71%.	\$ 346,000	\$ 702,000
Federally Taxable General Obligation Refunding Notes, Series B of 2013, due in annual installments of \$20,000 to \$840,000 through October 2026; interest rates vary from 1.688% to 4.643%.	680,000	4,545,000
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%.	15,000	1,075,000
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	5,085,000
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%.	345,000	1,420,000
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%.	195,000	10,095,000

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YEAR ENDED DECEMBER 31, 2020

Governmental Activities:	Current Portion	Balance at December 31, 2020
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%.	295,000	5,270,000
General Obligation Bonds, Series E of 2017, due in annual installments of \$5,000 to \$3,230,000 through December 2028; interest rates vary from 0.80% to 5.00%.	2,135,000	17,265,000
General Obligation Bonds, Series of 2019, due in annual installments of \$80,000 to \$430,000 through December 2034; interest rates vary from 2.00% to 3.00%.	305,000	5,075,000
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%.	2,835,000	54,625,000
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%.	280,000	4,315,000
Total Governmental Activities	<u>\$ 7,466,000</u>	<u>\$ 109,472,000</u>

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

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Business-Type Activities: Water Fund:	<u>Current Portion</u>	<u>Balance at December 31, 2020</u>
Bethlehem Authority Capital Appreciation Bonds, Series of 1998, due in annual installments of \$425,000 to \$7,320,000 from 2018 to 2028. The interest rates vary from 5.25% to 5.35%.	\$ 1,333,859	\$ 39,963,402
General Obligation Note, Series of 2007, due in annual installments of \$41,000 to \$69,000 through August 2022; interest rates fixed at 3.65% through August 2017 and variable through maturity. The interest rate at December 31, 2020 is 0.71%.	67,000	136,000
Bethlehem Authority Guaranteed Water Revenue Bonds, Series of 2014, due in annual installments of \$15,000 to \$7,625,000 through November 15, 2032; interest rates vary from 2.00% to 5.00%.	<u>5,550,000</u>	<u>33,720,000</u>
Total Water Fund	<u>6,950,859</u>	<u>73,819,402</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.	496,015	8,516,237
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%.	205,000	4,720,000

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Business-Type Activities:	Current	Balance at
Sewer Fund:	<u>Portion</u>	<u>December 31, 2020</u>
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%.	320,000	4,585,000
General Obligation Bonds, Series of 2020, due in annual installments of \$55,000 to \$595,000 through April 2034; interest rates vary from 2.00% to 5.00%.	<u>55,000</u>	<u>6,530,000</u>
Total Sewer Fund	<u>1,076,015</u>	<u>24,351,237</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>1,655,000</u>
Total Business-Type Activities	<u>\$ 8,096,874</u>	<u>\$ 99,825,639</u>

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YEAR ENDED DECEMBER 31, 2020

Component Units:	Balance at
Parking Authority:	<u>December 31, 2020</u>
Guaranteed Parking System Revenue Bonds, Series A of 2015, due in annual installments of \$60,000 to \$100,000, maturing in October 2022. Interest rates range from 1.091% to 3.319%. Secured by future revenues of the Parking Authority.	\$ 160,000
Guaranteed Parking System Revenue Bonds, Series B of 2015, due in annual installments of \$90,000 to \$715,000, maturing in October 2030. Interest rates range from 0.75% to 3.25%. Secured by future revenues of the Parking Authority.	6,055,000
Guaranteed Parking System Revenue Bonds, Series A of 2016, due in annual installments of \$5,000 to \$440,000, maturing in October 2025. Interest rates range from 1.442% to 3.025%. Secured by future revenues of the Parking Authority.	1,865,000
Guaranteed Parking System Revenue Bonds, Series B of 2016, due in annual installments of \$275,000 to \$810,000, maturing in October 2046. Interest rates range from 2.00% to 3.00%. Secured by future revenues of the Parking Authority.	13,140,000
\$4,380,000 Guaranteed Parking System Taxable Revenue Bonds, Series A of 2019, authorized and \$1,052,602 issued. Due in semiannual installments, maturing in October 2038 with interest rate of 4.850%. Secured by future revenues of the Parking Authority.	1,052,602
\$14,120,000 Guaranteed Parking System Revenue Bonds, Series B of 2019, authorized and \$2,143,532 issued. Due in semiannual installments, maturing in April 2051 with interest rate of 3.880%. Secured by future revenues of the Parking Authority.	2,143,532
The 2020 Paycheck Protection Program Loan (PPP Loan) through the Small Business Administration (SBA), \$299,900 was received in May 2020. The interest rate is 1% per year, beginning on the date of this Note. To the extent the loan amount is not forgiven under the Paycheck Protection Program, Parking Authority must make equal monthly payments of principal and interest, beginning on the date that is seven (7) months from date of the Loan, until the maturity date, which is two (2) years from the date of the Loan. The Authority applied for and received loan forgiveness in 2021.	299,900

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\$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% o 4.00%. Note is secured by revenue, receipts, and money derived from or in connection with the parking system of the Parking Authority.

Total Parking Authority

2,470,000

\$ 27,186,034

CITY OF BETHLEHEM, PENNSYLVANIA

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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, 2020	Additions	Reductions	Balance December 31, 2020
Governmental activities:				
Accrued vacation and other compensated absences	\$ 4,363,521	\$ 17,228	\$ -	\$ 4,380,749
Capital leases	4,305,257	311,799	(1,531,198)	3,085,858
	<u>\$ 8,668,778</u>	<u>\$ 329,027</u>	<u>\$ (1,531,198)</u>	<u>\$ 7,466,607</u>
Business-type activities:				
Accrued vacation and other compensated absences	\$ 678,479	\$ -	\$ (44,205)	\$ 634,274
Capital leases	103,762	623,956	(254,039)	473,679
	<u>\$ 782,241</u>	<u>\$ 623,956</u>	<u>\$ (298,244)</u>	<u>\$ 1,107,953</u>

Capitalized Lease Obligations Payable

The City has agreements for the lease of lighting equipment, other equipment, and vehicles, which are classified as capital leases. As of December 31, 2020, the net book value of the equipment and vehicles held under capital leases and included in capital assets was \$3,307,937 for governmental activities and \$784,339 for business-type activities.

CITY OF BETHLEHEM, PENNSYLVANIA

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As of December 31, 2020, future minimum payments were as follows:

Year	Governmental Activities	Business-Type Activities
2021	\$ 930,802	\$ 189,632
2022	865,410	165,727
2023	785,044	148,422
2024	268,237	-
2025	276,488	-
2026	212,036	-
Total commitment under capital leases	3,338,017	503,781
Less amount representing interest	252,159	30,102
Present value of future minimum lease payments	3,085,858	473,679
Less current portion	833,754	174,041
Long-term portion	\$ 2,252,104	\$ 299,638

CITY OF BETHLEHEM, PENNSYLVANIA

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8. Pension Plans

Plan Descriptions and Administration

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

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

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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

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The combining information as of the year ended December 31, 2020 for the plans is as follows:

	Police Pension Fund	Firemen Pension Fund	Employee Benefit Trust Fund Total
Assets			
Interest and dividends receivable	\$ 115,687	\$ 85,823	\$ 201,510
Investments	108,925,203	80,800,399	189,725,602
Total Assets	\$ 109,040,890	\$ 80,886,222	\$ 189,927,112
Net Position			
Restricted for employees' retirement benefits	\$ 109,040,890	\$ 80,886,222	\$ 189,927,112
Total Net Position	\$ 109,040,890	\$ 80,886,222	\$ 189,927,112
Additions:			
Employee contributions	\$ 746,772	\$ 612,334	\$ 1,359,106
Employer contributions	5,372,729	3,422,628	8,795,357
Investment income	1,127,868	836,706	1,964,574
Realized and unrealized gains (losses), net	13,229,623	9,879,294	23,108,917
Investment expense	(500,891)	(370,838)	(871,729)
Total additions	19,976,101	14,380,124	34,356,225
Deductions:			
Benefits paid	8,287,075	4,584,716	12,871,791
Administrative expenses	14,300	12,300	26,600
Total deductions	8,301,375	4,597,016	12,898,391
Change in Net Position	11,674,726	9,783,108	21,457,834
Net Position:			
Beginning of year	97,366,164	71,103,114	168,469,278
End of year	\$ 109,040,890	\$ 80,886,222	\$ 189,927,112

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Plan Memberships

Membership related to the Police and Firemen Plans at December 31, 2020 and membership related to the PMRS Plan at December 31, 2019 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	191	117	343
Inactive plan members entitled to but not yet receiving benefits	-	-	7
Active plan members	154	107	320
Total	345	224	670

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 1/40th 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 1/12th of the average annual compensation over the highest five

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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 1/40th 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 1/12th 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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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 1/40th 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 1/12th 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

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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, 2020, there was one participant in the DROP. As of December 31, 2020, the balance held by the Firemen Plan for the DROP totaled \$62,177.

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 1/40th 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 1/12th 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

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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, 2019. 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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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, 2020, the City made its annual required contribution of \$5,372,729 and \$3,422,628 for the City's Police and Firemen Plans, respectively. During the year ended December 31, 2019, the City contributed its annual required contribution of \$1,838,373 for the City's PMRS plan. During the year ended December 31, 2020, the City contributed its annual required contribution of \$1,826,169 for the City's PMRS plan. The 2020 contribution is reported as deferred outflows of resources at December 31, 2020.

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YEAR ENDED DECEMBER 31, 2020

Changes in Net Pension Liability - Police

The changes in the net pension liability for the City for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 127,193,088	\$ 97,366,164	\$ 29,826,924
Changes for the year:			
Service cost	2,063,923	-	2,063,923
Interest	9,383,511	-	9,383,511
Contributions - employer	-	5,372,729	(5,372,729)
Contributions - employees	-	746,772	(746,772)
Net investment income	-	13,856,600	(13,856,600)
Benefit payments, including refunds	(8,287,075)	(8,287,075)	-
Administrative expenses	-	(14,300)	14,300
Net changes	3,160,359	11,674,726	(8,514,367)
Balances at December 31, 2020	\$ 130,353,447	\$ 109,040,890	\$ 21,312,557
Plan fiduciary net position as a percentage of the total pension liability			83.7%

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Changes in Net Pension Liability - Firemen

The changes in the net pension liability for the City for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 82,306,697	\$ 71,103,114	\$ 11,203,583
Changes for the year:			
Service cost	1,427,400	-	1,427,400
Interest	6,106,680	-	6,106,680
Contributions - employer	-	3,422,628	(3,422,628)
Contributions - employees	-	613,288	(613,288)
Net investment income	-	10,344,208	(10,344,208)
Benefit payments, including refunds	(4,584,716)	(4,584,716)	-
Administrative expenses	-	(12,300)	12,300
Net changes	2,949,364	9,783,108	(6,833,744)
Balances at December 31, 2020	\$ 85,256,061	\$ 80,886,222	\$ 4,369,839
Plan fiduciary net position as a percentage of the total pension liability			94.9%

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YEAR ENDED DECEMBER 31, 2020

Changes in Net Pension Liability (Asset) - PMRS

The changes in the net pension liability (asset) for the City for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	\$ 149,884,989	\$ 133,419,892	\$ 16,465,097
Changes for the year:			
Service cost	2,563,348	-	2,563,348
Interest	7,784,805	-	7,784,805
Contributions - employer	-	1,838,373	(1,838,373)
Contributions - employees	-	1,632,541	(1,632,541)
Net investment gain	-	27,312,657	(27,312,657)
Transfers	148,075	148,075	-
Benefit payments, including refunds	(8,586,430)	(8,586,430)	-
Administrative expense	-	(265,737)	265,737
Net changes	1,909,798	22,079,479	(20,169,681)
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	\$ 151,794,787	\$ 155,499,371	\$ (3,704,584)
Plan fiduciary net position as a percentage of the total pension liability			102.4%

The net pension asset of the PMRS plan is allocated between governmental activities and business-type activities in the amounts of \$1,982,801 and \$1,721,783, respectively, at December 31, 2020.

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Actuarial Assumptions – Police and Firemen

The net pension liability was measured as of December 31, 2020 and was determined by rolling forward liabilities from the January 1, 2019 actuarial valuation. The January 1, 2019 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 7.5%, (b) projected salary increases of 4.5% per year, (c) inflation component of 3.0%, and (d) PubS-2010 mortality table. No significant events or changes occurred between the valuation date and the fiscal year-ends.

Actuarial Assumptions – PMRS

The total pension liability was determined by an actuarial valuation performed on January 1, 2019 with liabilities rolled forward to December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	5.25%
Projected salary increases	2.8% - 7.05%*
* includes inflation rate of 2.8%	
Cost-of-living adjustments	2.8%, subject to plan limitations

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2009 to December 31, 2013

Preretirement mortality:

Males: RP 2000 Male Non-Annuitant table projected 15 years with Scale AA
Females: RP 2000 Female Non-Annuitant table projected 15 years with Scale AA and then set back 5 years

Postretirement mortality:

Males: RP 2000 Male Annuitant table projected 5 years with Scale AA
Females: RP 2000 Female Annuitant table projected 10 years with Scale AA

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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.

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

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

Long-Term Expected Rate of Return – Police and Firemen

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

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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, 2020 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%	5.5% - 7.5%
Alternative investments	12.0%	5.5% - 7.5%
	<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, for the portfolio as a whole, and at different levels of probability or confidence. There are three steps to the method used by the System and an in-depth description of the process, including the anticipated rate of return by asset class, can be found at www.pMrs.state.pa.us. Based on the three-part analysis, the PMRS Board established the System's long-term expected rate of return at 6.7%. 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.

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, 2020, the annual money-weighted rate of return on Police and Firemen Plan investments, net of investment expense, was 15.24%.

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, 2020, 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, 2020

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, 2020 was 7.5%. 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, 2019 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

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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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Police	\$ 37,891,035	\$ 21,312,557	\$ 7,583,487
Firemen	\$ 14,689,173	\$ 4,369,839	\$ (4,235,382)
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
PMRS	\$ 13,592,245	\$ (3,704,584)	\$ (18,391,532)

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

For the year ended December 31, 2020, the City recognized pension expense of \$1,984,382 in the governmental activities and \$1,591,074 in the business-type activities.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

At December 31, 2020, 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	\$ 5,031,751	\$ 134,282
Changes in assumptions	5,232,959	-
City contributions subsequent to the measurement date	977,419	848,750
Total deferred outflows of resources	<u>\$ 11,242,129</u>	<u>\$ 983,032</u>
<u>Deferred Inflows of Resources:</u>		
Net difference between projected and actual earnings on pension plan investments	\$ 20,221,164	\$ 6,894,108
Differences between expected and actual experience	3,426,692	-
Total deferred inflows of resources	<u>\$ 23,647,856</u>	<u>\$ 6,894,108</u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	Governmental Activities	Business-Type Activities
2021	\$ (4,103,490)	\$ (2,177,054)
2022	(1,772,630)	(1,943,876)
2023	(3,877,415)	(897,852)
2024	(3,954,583)	(1,741,044)
2025	(37,776)	-
Thereafter	362,748	-
	\$ (13,383,146)	\$ (6,759,826)

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, 2020, the Library paid \$165,444 to PMRS on behalf of the City for the seventh of the ten payments. Alternatively, the Library offers a 457(b) plan to all remaining and new employees.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

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, 2020, the Parking Authority paid \$188,592 to PMRS on behalf of the City for the eighth of the ten payments.

Redevelopment Authority

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

Benefit Provisions

Parking Authority

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

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

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

Early Retirement Benefit – Early retirement may be taken any time after eight years of service, if the member is involuntarily terminated, or after 20 years of service, if the member

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 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, 2019:

Active employees	19
Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	<u>1</u>
Total	<u><u>34</u></u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Redevelopment Authority

Membership of the Redevelopment Authority's pension plan consisted of the following at the most recent actuarial valuation date of January 1, 2019:

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, 2019, the Parking Authority made a contribution of \$114,185. The MMO for the year ended December 31, 2019 was \$114,185. During the year ended December 31, 2020, the Parking Authority did not make the required 2020 MMO contribution and as a result, the required 2020 MMO contribution of \$104,859 was included in accounts payable and other accrued expenses in the Parking Authority's financial statements as of December 31, 2020. The 2019 contribution is reported as a deferred outflow of resources at December 31, 2019. Due to the 2020 contribution not being paid as of December 31, 2020, the accrued amount is included in pension expense.

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, 2019 was \$34,097. During the year ended June 30, 2019, the

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Redevelopment Authority made a contribution to the Redevelopment Authority pension plan in the amount of \$24,652. The MMO for the year ended December 31, 2020 was \$34,544. During the year ended June 30, 2020, the Redevelopment Authority made a contribution to the Redevelopment Authority pension plan in the amount of \$42,956.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	\$ 3,639,520	\$ 2,967,483	\$ 672,037
Changes for the year:			
Service cost	122,656	-	122,656
Interest	190,432	-	190,432
Contributions - employer	-	114,185	(114,185)
Contributions - employees	-	64,776	(64,776)
PMRS investment income	-	155,900	(155,900)
Market value investment income	-	449,947	(449,947)
Benefit payments	(273,305)	(273,305)	-
Administrative expense	-	(6,069)	6,069
Net changes	39,783	505,434	(465,651)
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	\$ 3,679,303	\$ 3,472,917	\$ 206,386
Plan fiduciary net position as a percentage of the total pension liability			94.4%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation performed on January 1, 2019, with liabilities rolled forward to December 31, 2019, 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, 2020

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

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

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

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
<u>\$ 669,644</u>	<u>\$ 206,386</u>	<u>\$ (180,554)</u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Redevelopment Authority

The changes in the net pension liability (asset) of the Redevelopment Authority for the year ended June 30, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balances at June 30, 2019 (based on the measurement date of December 31, 2018)	\$ 1,037,203	\$ 885,216	\$ 151,987
Changes for the year:			
Service cost	25,264	-	25,264
Interest	53,876	-	53,876
Contributions - employer	-	34,097	(34,097)
Contributions - employees	-	9,679	(9,679)
Net investment income	-	200,448	(200,448)
Benefit payments, including refunds	(73,458)	(73,458)	-
Administrative expense	-	(1,794)	1,794
Net changes	5,682	168,972	(163,290)
Balances at June 30, 2020 (based on the measurement date of December 31, 2019)	\$ 1,042,885	\$ 1,054,188	\$ (11,303)
Plan fiduciary net position as a percentage of the total pension liability			101.1%

Actuarial Assumptions – The total pension liability was based on the actuarial valuation performed on January 1, 2019, measured at December 31, 2019, 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 Redevelopment 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, 2020

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%)
\$ 95,820	\$ (11,303)	\$ (104,167)

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

Parking Authority

For the year ended December 31, 2019, the Parking Authority recognized pension expense of \$237,263.

At December 31, 2020, 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	\$ 171,874	\$ -
Changes in assumptions	29,848	-
Net difference between projected and actual earnings on pension plan investments	-	330,780
Total	\$ 201,722	\$ 330,780

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2021. 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>	
2021	\$ 17,277
2022	(70,399)
2023	(11,141)
2024	<u>(64,795)</u>
	<u>\$ (129,058)</u>

Redevelopment Authority

For the year ended June 30, 2020, the Redevelopment Authority recognized pension expense of \$74.

At June 30, 2020, the Redevelopment Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,000	\$ -
Authority contributions subsequent to the measurement date	25,908	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>135,213</u>
Total	<u>\$ 29,908</u>	<u>\$ 135,213</u>

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2021. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2021	\$ (42,916)
2022	(39,060)
2023	(18,951)
2024	<u>(30,286)</u>
	<u>\$ (131,213)</u>

Defined Contribution Pension Plan

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

9. Post-Employment Benefits Other Than Pensions

Plan Descriptions

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

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

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.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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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 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.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 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.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Plan Membership

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

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

Contributions

The City's contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2020, the City contributed \$816,755 to the OPEB plan.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Changes in Total OPEB Liability

The changes in total OPEB liability of the City for the year ended December 31, 2020 were as follows:

Service cost	\$ 725,223
Interest	615,130
Difference between expected and actual experience	(4,256,218)
Changes in assumptions	358,211
Benefit payments	<u>(816,755)</u>
Net changes	(3,374,409)
OPEB Liability at December 31, 2019 (based on the measurement date of December 31, 2018)	<u>16,616,389</u>
OPEB Liability at December 31, 2020 (based on the measurement date of December 31, 2020)	<u>\$ 13,241,980</u>

The total OPEB liability is allocated between the governmental activities and business-type activities in the amounts of \$11,357,842 and \$1,884,138, respectively, at December 31, 2020.

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.

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YEAR ENDED DECEMBER 31, 2020

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

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate of return	3.26%
Projected salary increases	4.50%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later
Mortality - Police and Firefighter	PubS-2010
Mortality - Nonuniform	PubG-2010
Actuarial value of assets	Not applicable

Changes in Actuarial Assumptions

The interest rate changed from 3.64% in the January 1, 2018, measured as of December 31, 2019 actuarial valuation to 3.26% in the January 1, 2020 measured as of December 31, 2020 actuarial valuation. Mortality tables were also updated from IRS 2017 Static Combined Table for Small Plans to PubS-2010 and PubG-2010 for the in the January 1, 2020 measured as of December 31, 2020 actuarial valuation as well as healthcare cost trend rates.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26%. The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds 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.

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YEAR ENDED DECEMBER 31, 2020

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:

	<u>1% Decrease (2.26%)</u>	<u>Current Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total OPEB Liability	<u>\$ 14,244,804</u>	<u>\$ 13,241,980</u>	<u>\$ 12,312,028</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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 12,309,353</u>	<u>\$ 13,241,980</u>	<u>\$ 14,328,542</u>

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of \$81,816 in the governmental activities and (\$57,802) in business-type activities.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

At December 31, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Governmental Activities	Business-Type Activities
Deferred Outflows of Resources:		
Changes in assumptions	\$ 508,408	\$ 67,897
Differences between expected and actual experience	125,735	(8,837)
Payments subsequent to the measurement date	503,690	117,732
Total	\$ 1,137,833	\$ 176,792
	Governmental Activities	Business-Type Activities
Deferred Inflows of Resources:		
Changes in assumptions	\$ 311,134	\$ 44,759
Difference between expected and actual experience	2,867,938	537,036
Total	\$ 3,179,072	\$ 581,795

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, 2021. 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
2021	\$ (567,451)	\$ (127,466)
2022	(567,450)	(127,465)
2023	(756,872)	(141,361)
2024	(653,156)	(126,443)
	\$ (2,544,929)	\$ (522,735)

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

10. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The City provides a 1% matching contribution to the plan up to 4% contributed by the participants. The City contributed \$288,169 to the plan during 2020. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

11. Risk, Commitment and Contingencies

Federal and State Grants

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

Litigation

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

Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages in 2020. 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 \$1.64 million at December 31, 2020. Subsequent to year-end, the City entered into construction contracts for approximately \$4.4 million.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Tax Incremental Financing Project

The City, along with the Redevelopment Authority, agreed to participate in a TIF Project to finance a portion of costs associated with various redevelopment of the Bethlehem Steel site. Some of the larger projects include the Steelstacks Plaza, Levitt Pavilion, Festival Center Plaza, Hoover-Mason Trestle, and various parking lots. The City has agreed to pay to the Redevelopment Authority specified portions of the incremental real estate tax revenues created by the Project for payment of the debt service on the TIF Bonds and loans. The TIF Bonds and loans were paid in full during the year ended June 30, 2020. During the year ended December 31, 2020, City tax revenues collected and remitted directly to the TIF were approximately \$1.43 million.

In June 2020, the Redevelopment Authority approved \$500,000 in TIF funding for a Bethlehem Parking Authority parking garage.

ArtsQuest Lease

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

12. Compliance

Under the debt agreements, the Redevelopment Authority has covenanted to submit its audited financial statements to the trustee within 180 days of the end of its fiscal year. The financial statements were not completed by the required date.

Additionally, the 2010 debt agreement requires the Redevelopment Authority to submit an annual budget to the trustee within 30 days of final approval. The budget was not remitted to

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

the trustee by the required date. However, the debt was paid in full during the year ended June 30, 2020.

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 2020. 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. Negative Net Position

Municipal Golf Fund

The Municipal Golf Fund had a deficit net position of \$680,993 at December 31, 2020. This represents a reduction of \$218,001 from the December 31, 2019 deficit net position. The City has made several changes the last few years including a reduction in full-time positions, renegotiated the lease with the restaurant at the golf course, and made significant capital investment that should continue to reduce the deficit net position. The pandemic has also increased usage and revenue at the golf course as people has been looking more to outdoor activities.

15. Conduit Debt

Redevelopment Authority

In January 2017, the Redevelopment Authority entered into a single bond issue for which it has limited liability. The Redevelopment Authority serves as a financing conduit. In June 2019, the Authority entered into a single bond issue with Moravian College for which it has limited liability. Although the Authority is a party to the trust indentures with the associated Trustees, the agreements are structured such that there is no recourse against the Authority in the case

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

of default. As such, the corresponding debt is not reported in the Authority's balance sheet or statement of net position. At June 30, 2020, the total conduit debt balance outstanding is \$8,575,757.

16. Subsequent Events

Redevelopment Authority

From July 2020 through November 2020, the Redevelopment Authority approved contracts and commitments for projects within the TIF district in the approximate amount of \$703,000.

In March 2021, the Redevelopment Authority's 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 December 31, 2021.

Parking Authority

In February 2021, the Parking Authority was loaned \$299,910 from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP). The purpose of the funds is to cover payroll costs. The Authority intends to apply for and receive loan forgiveness in 2021.

In April 2021, the Parking Authority entered into property sale agreement with a developer whereby the Parking Authority will sell a parcel of land for \$760,000 to the developer upon meeting several conditions, as outlined in the agreement.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF BETHLEHEM, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 43,699,381	\$ 43,699,381	\$ 43,876,400	\$ 177,019
Licenses and permits	3,437,800	3,437,800	3,047,786	(390,014)
Intergovernmental	10,013,264	10,126,664	9,168,660	(958,004)
Departmental earnings	7,151,000	7,151,000	6,052,939	(1,098,061)
Fines and forfeitures	390,000	390,000	456,929	66,929
Investment income	450,000	450,000	119,383	(330,617)
Municipal recreation	485,000	485,000	192,300	(292,700)
Host fees	9,825,000	9,825,000	9,580,294	(244,706)
Other operating revenues	1,245,155	1,245,155	666,761	(578,394)
Miscellaneous	1,728,000	1,728,000	1,293,933	(434,067)
Total revenues	<u>78,424,600</u>	<u>78,538,000</u>	<u>74,455,385</u>	<u>(4,082,615)</u>
Expenditures:				
Current:				
General government	1,054,661	1,071,237	1,031,311	39,926
Administration	2,076,330	2,076,330	1,982,102	94,228
Community development	8,886,498	8,999,898	7,451,728	1,548,170
Public works	10,633,523	10,632,447	9,913,511	718,936
Police	16,218,587	16,225,087	15,368,770	856,317
Fire	11,678,869	11,692,369	11,311,076	381,293
General	22,361,763	22,331,532	21,000,009	1,331,523
Civic	190,238	184,969	94,471	90,498
Library	1,416,274	1,416,274	1,416,274	-
Debt service:				
Principal	4,307,000	4,307,000	4,307,000	-
Interest	2,407,920	2,407,920	2,372,529	35,391
Total expenditures	<u>81,231,663</u>	<u>81,345,063</u>	<u>76,248,781</u>	<u>5,096,282</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,807,063)</u>	<u>(2,807,063)</u>	<u>(1,793,396)</u>	<u>1,013,667</u>
Other Financing Sources (Uses):				
Proceeds from sale of assets	341,750	341,750	341,750	-
Transfers in	2,946,527	2,946,527	2,918,350	(28,177)
Transfers out	(481,214)	(481,214)	(481,214)	-
Total other financing sources (uses)	<u>2,807,063</u>	<u>2,807,063</u>	<u>2,778,886</u>	<u>(28,177)</u>
Net Change in Fund Balance	-	-	985,490	985,490
Fund Balance:				
Beginning of the year, budgetary basis	-	-	15,436,179	15,436,179
End of the year, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,421,669</u>	<u>\$ 16,421,669</u>

See accompanying notes to budgetary comparison schedule.

CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2020

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	\$ 77,373,735	\$ 76,729,995
Accrual adjustments:		
Receivables:		
Beginning of year	(10,610,218)	-
End of year	10,849,617	-
Due from/to:		
Beginning of year	7,047,699	6,505,469
End of year	(7,047,699)	(6,325,829)
Accrued liabilities:		
Beginning of year	-	(2,818,277)
End of year	-	4,085,767
Unearned and unavailable revenues:		
Beginning of year	3,408,728	-
End of year	(3,189,934)	-
Custodial transactions	(88,862)	(866,116)
Reclassifications	520,701	(520,701)
GAAP basis	<u>\$ 78,263,767</u>	<u>\$ 76,790,308</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

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

* 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

	2020*	2019	2018	2017	2016	2015	2014	2013	2012	2011
Schedule of City Contributions										
Actuarially determined contribution	\$ 5,372,729	\$ 5,316,066	\$ 4,515,210	\$ 4,463,427	\$ 4,430,587	\$ 4,298,925	\$ 3,520,610	\$ 3,494,690	\$ 2,520,216	\$ 2,534,484
Contributions in relation to the actuarially determined contributions	5,372,729	5,316,066	4,515,210	4,463,427	4,430,587	4,298,925	3,520,610	3,494,690	2,520,217	2,614,322
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ (79,838)
Covered payroll	\$ 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	42.17%	41.23%	38.22%	38.54%	35.58%	36.57%	30.55%			
Investment Returns										
Annual money-weighted rate of return, net of investment expense	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, 2020:

Actuarial valuation date:	January 1, 2017
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	14 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	IRS 2017 Static Combined Table for Small Plans
Change in benefit terms:	Effective July 1, 2015, members hired on or after January 1, 2012, contribute 5% of compensation, plus \$1 per month

Changes in actuarial assumptions:

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 AND RELATED RATIOS

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

* 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

	2020*	2019	2018	2017	2016	2015	2014	2013	2012	2011
Schedule of City Contributions										
Actuarially determined contribution	\$ 3,422,628	\$ 3,384,368	\$ 2,668,509	\$ 2,595,844	\$ 2,550,742	\$ 2,683,110	\$ 2,223,040	\$ 2,245,105	\$ 1,492,988	\$ 1,672,843
Contributions in relation to the actuarially determined contributions	3,422,628	3,384,368	2,668,509	2,595,844	2,550,742	2,683,110	2,223,040	2,245,105	1,492,989	1,701,818
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ (28,975)
Covered payroll	\$ 8,425,386	\$ 8,398,361	\$ 7,711,777	\$ 7,639,322	\$ 8,021,606	\$ 6,860,596	\$ 7,065,479			
Contributions as a percentage of covered payroll	40.62%	40.30%	34.60%	33.98%	31.80%	39.11%	31.46%			
Investment Returns										
Annual money-weighted rate of return, net of investment expense	15.24%	17.90%	-4.35%	14.27%	8.75%	0.84%	5.73%			

Methods and assumptions used to determine contribution rate for the year ended December 31, 2020:

Actuarial valuation date:	January 1, 2017
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar closed
Remaining amortization period:	12 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	IRS 2017 Static Combined Table for Small Plans

Change in benefit terms: None since January 1, 2017

Changes in actuarial assumptions:

The January 1, 2017 mortality was updated from RP2000 Table to IRS 2017 Static Combined Table for Small Plans

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

CITY OF BETHLEHEM, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

	2020*	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
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)
Net Changes in Total Pension Liability	-	-	-	(4,812,241)	(453,343)	(611,580)	(533,831)
Total Pension Liability - Beginning	-	-	-	4,812,241	5,265,584	5,877,164	6,410,995
Total Pension Liability - Ending (a)	\$ -	\$ -	\$ -	\$ -	\$ 4,812,241	\$ 5,265,584	\$ 5,877,164
Plan Fiduciary Net Position:							
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)
Net Change in Plan Fiduciary Net Position	-	-	(1,113,424)	(5,931,210)	(241,525)	(138,450)	396,205
Plan Fiduciary Net Position - Beginning	-	-	1,113,424	7,044,634	7,286,159	7,424,609	7,028,404
Plan Fiduciary Net Position - Ending (b)	\$ -	\$ -	\$ -	\$ 1,113,424	\$ 7,044,634	\$ 7,286,159	\$ 7,424,609
Net Pension Asset - Ending (a-b)	\$ -	\$ -	\$ -	\$ (1,113,424)	\$ (2,232,393)	\$ (2,020,575)	\$ (1,547,445)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	146.39%	138.37%	126.33%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Asset as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

CITY OF BETHLEHEM, PENNSYLVANIA

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

	2020*	2019	2018	2017	2016	2015	2014	2013	2012	2011
Schedule of City Contributions										
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,515	\$ 1,040,430	\$ 1,051,497	\$ 432,314	\$ 455,998
Contributions in relation to the actuarially determined contributions	-	-	-	-	-	698,515	1,040,430	1,051,497	432,315	458,902
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ (2,904)
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
Investment Returns										
Annual money-weighted rate of return, net of investment expense	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

	2020*	2019	2018	2017	2016	2015
Total Pension Liability:						
Service cost	\$ 2,563,348	\$ 2,654,019	\$ 2,563,555	\$ 2,561,288	\$ 2,610,686	\$ 2,788,823
Interest	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	-	-	-	3,737,933	2,482,253	-
Benefit payments, including refunds	(8,586,430)	(7,878,883)	(8,316,599)	(7,233,675)	(7,502,216)	(7,143,060)
Differences between expected and actual experience	-	577,841	-	1,849,458	-	425,849
Net Changes in Total Pension Liability	1,909,798	4,035,645	1,803,005	8,325,531	4,743,574	3,464,419
Total Pension Liability - Beginning	149,884,989	145,849,344	144,046,339	135,720,808	130,977,234	127,512,815
Total Pension Liability - Ending (a)	\$ 151,794,787	\$ 149,884,989	\$ 145,849,344	\$ 144,046,339	\$ 135,720,808	\$ 130,977,234
Plan Fiduciary Net Position:						
Contributions - employer	\$ 1,838,373	\$ 2,311,003	\$ 1,181,609	\$ 1,177,999	\$ 1,118,126	\$ 28,582,658
Contributions - employee	1,632,541	1,648,602	1,621,913	1,657,679	1,539,086	1,625,488
Net investment income	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	(8,586,430)	(7,878,883)	(8,316,599)	(7,233,675)	(7,502,216)	(7,143,060)
Administrative expense	(265,737)	(323,867)	(327,935)	(365,238)	(301,278)	(229,161)
Net Change in Plan Fiduciary Net Position	22,079,479	(10,358,730)	16,249,876	5,666,793	(5,129,253)	27,726,632
Plan Fiduciary Net Position - Beginning	133,419,892	143,778,622	127,528,746	121,861,953	126,991,206	99,264,574
Plan Fiduciary Net Position - Ending (b)	\$ 155,499,371	\$ 133,419,892	\$ 143,778,622	\$ 127,528,746	\$ 121,861,953	\$ 126,991,206
Net Pension Liability (Asset) - Ending (a-b)	\$ (3,704,584)	\$ 16,465,097	\$ 2,070,722	\$ 16,517,593	\$ 13,858,855	\$ 3,986,028
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.44%	89.01%	98.58%	88.53%	89.79%	96.96%
Covered Payroll	\$ 21,785,668	\$ 22,100,890	\$ 21,347,566	\$ 22,036,333	\$ 20,428,871	\$ 20,610,195
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-17.00%	74.50%	9.70%	74.96%	67.84%	19.34%

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CITY OF BETHLEHEM, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS
SCHEDULE OF CITY CONTRIBUTIONS -
CITY'S PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

	2020*	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,837,872	\$ 1,195,583	\$ 1,181,049	\$ 1,177,599	\$ 1,117,586	\$ 821,609	\$ 4,033,848	\$ 2,939,785	\$ 3,041,355	\$ 3,428,478
Contributions in relation to the actuarially determined contributions	(a) 1,838,373	2,311,003	1,181,609	1,177,999	1,118,126	1,172,109	4,033,848	2,939,785	3,041,355	3,428,478
Contribution deficiency (excess)	\$ (501)	\$ (1,115,420)	\$ (560)	\$ (400)	\$ (540)	\$ (350,500)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 21,785,668	\$ 22,100,890	\$ 21,347,566	\$ 22,036,333	\$ 20,428,871	\$ 20,610,195				
Contributions as a percentage of covered payroll	8.44%	10.46%	5.54%	5.35%	5.47%	5.69%				

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

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Methods and assumptions used to determine contribution rates:

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

Changes in actuarial assumptions:

The December 31, 2016 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%.

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

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

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CITY OF BETHLEHEM, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

SCHEDULE OF BETHLEHEM PARKING AUTHORITY CONTRIBUTIONS

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

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

Methods and assumptions used to determine contribution rates:

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

Changes in actuarial assumptions:

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

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

CITY OF BETHLEHEM, PENNSYLVANIA

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

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

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CITY OF BETHLEHEM, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

SCHEDULE OF BETHLEHEM REDEVELOPMENT AUTHORITY CONTRIBUTIONS

	2020*	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 34,097	\$ 30,415	\$ 30,522	\$ 27,449	\$ 27,007	\$ 18,486	\$ 17,598	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	34,097	30,415	30,522	27,449	27,007	18,097	17,598	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 175,989	\$ 170,882	\$ 165,905	\$ 167,105	\$ 156,218	\$ 156,502				
Contributions as a percentage of covered payroll	19.37%	17.80%	18.40%	16.43%	17.29%	11.56%				

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Methods and assumptions used to determine contribution rates:

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

Changes in actuarial assumptions:

The December 31, 2015 assumptions were based on the PMRS Experience Study for the period covering January 1, 2009 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%.

CITY OF BETHLEHEM, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
SCHEDULE OF CHANGES IN THE OPEB PLAN'S
TOTAL OPEB LIABILITY
YEAR ENDED DECEMBER 31, 2020

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

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CITY OF BETHLEHEM, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

YEAR ENDED DECEMBER 31, 2020

1. Actuarial Methods and Assumptions

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

Valuation date	1/1/2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate	3.26%
Projected salary increases	4.5%
Mortality	Police and Firefighters: PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Non-Uniformed Employees: PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. (Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement).
Health insurance premiums	Based on 2020 health and dental insurance premiums.
Health care cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Actuarial value of assets	Not applicable

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

Changes in Actuarial Assumptions

The interest rate was changed from 3.64% 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, 2020

	Community Development Block Grant Fund	Liquid Fuels Fund	Total
Assets			
Cash and cash equivalents	\$ 2,534,702	\$ 1,065,848	\$ 3,600,550
Receivables:			
Loans	1,211,579	-	1,211,579
Due from other governments	331,369	-	331,369
Total Assets	\$ 4,077,650	\$ 1,065,848	\$ 5,143,498
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and other accrued expenses	\$ 221,867	\$ 132,233	\$ 354,100
Due to other funds	155,000	-	155,000
Unearned revenues	3,700,783	-	3,700,783
Total Liabilities	4,077,650	132,233	4,209,883
Fund Balance:			
Restricted for:			
Public works	-	933,615	933,615
Total Fund Balance	-	933,615	933,615
Total Liabilities and Fund Balance	\$ 4,077,650	\$ 1,065,848	\$ 5,143,498

CITY OF BETHLEHEM, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2020

	Community Development Block Grant Fund	Liquid Fuels Fund	Total
Revenues:			
Intergovernmental revenues	\$ 1,288,434	\$ 2,129,421	\$ 3,417,855
Investment income	5,581	4,918	10,499
Other	278,625	-	278,625
Total revenues	1,572,640	2,134,339	3,706,979
Expenditures:			
Current:			
Public works	-	2,197,167	2,197,167
Program expenditures	1,582,640	-	1,582,640
Total expenditures	1,582,640	2,197,167	3,779,807
Deficiency of Revenues Under Expenditures	(10,000)	(62,828)	(72,828)
Other Financing Sources (Uses):			
Transfers in	10,000	-	10,000
Total other financing sources (uses)	10,000	-	10,000
Net Change in Fund Balance	-	(62,828)	(62,828)
Fund Balance:			
Beginning of year	-	996,443	996,443
End of year	\$ -	\$ 933,615	\$ 933,615