

ALLENTOWN PARKING AUTHORITY

AUDIT REPORT

December 31, 2021

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& COMPANY

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Certified Public Accountants | Business Consultants

ALLENTOWN PARKING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Allentown Parking Authority
Allentown, Pennsylvania

Opinion

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Allentown Parking Authority (a component unit of the City of Allentown), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the Allentown Parking Authority as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Allentown Parking Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Allentown Parking Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Allentown Parking Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and post-employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Allentown Parking Authority's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected

to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Buckno Lisicky + Company

Allentown, Pennsylvania
May 20, 2022

ALLENTOWN PARKING AUTHORITY
Management's Discussion and Analysis
(Unaudited)
Year Ended December 31, 2021

Introduction

This section of the Allentown Parking Authority's audit presents Management's Discussion and Analysis of the Authority's financial performance during the fiscal year ended December 31, 2021. Readers are encouraged to consider information presented here in conjunction with the following audited financial statements and notes.

Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the audited financial statements, notes to the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance.

Required Financial Statements

The financial statements of the Authority report information about the use of full accrual accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; notes to the financial statements; and both required and other supplementary information.

The statement of net position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Authority's creditors (liabilities).

While the statement of net position provides financial information regarding the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the past year.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, non-financing, financing and investing activities. In simpler terms, the primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the fiscal year.

Finally, the notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information comparing budget to actual revenue and expenses is provided.

Summary of Organization and Business

The Authority began operating as a Municipal Parking Authority on January 1, 1985 for the benefit of the City of Allentown. The Authority manages, supervises and administers both on-street and off-street operations within the confines of the City.

The Enforcement department of the Authority includes the enforcement of both City and State parking regulations by the issuance and processing of parking tickets and by the towing, booting and impounding of vehicles. In addition to the enforcement activities, the Authority administers a residential permit program, which allows residents to park in their respective neighborhood without having to "feed" a meter

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or move their vehicle due to time parking restrictions. The final composition of the on-street operation includes the maintenance and regulation, as well as the collection of monies, from approximately 1,500 parking meters located on the City streets.

The ownership and operating management of nine parking garages in downtown Allentown comprises the majority of the Facilities, Events and Operations department. These nine garages total approximately 5,469 parking spaces. In addition, the Authority owns, operates or leases 27 surface lots, which totals more than 1000 parking spaces.

The Authority receives no financial support from the City, Lehigh County or Commonwealth of PA and has no taxing power. All revenues are derived from the collections of parking fines and penalties, meter revenue and user fees from the parking garages and lots. The Authority, since its inception, has been self-supporting and has never requested any outside operating financial funding. However, in 2020, the Authority did receive PPP loan funding from the SBA to due to the COVID-19 pandemic.

Financial Analysis

The following comparative financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority’s fiscal year activities, which can then be used to determine whether the Authority is better or worse off because of these activities.

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 6,280,463	\$ 5,258,225	\$ 1,022,238	19.4%
Capital assets, net	71,941,551	55,371,041	16,570,510	29.9%
Other noncurrent assets	928,655	1,277,272	(348,617)	-27.3%
Total assets	<u>79,150,669</u>	<u>61,906,538</u>	<u>17,244,131</u>	<u>27.9%</u>
Deferred outflows of resources	<u>533,670</u>	<u>499,818</u>	<u>33,852</u>	<u>6.8%</u>
Current liabilities	5,083,248	3,977,825	1,105,423	27.8%
Noncurrent liabilities	52,660,917	38,928,607	13,732,310	35.3%
Total liabilities	<u>57,744,165</u>	<u>42,906,432</u>	<u>14,837,733</u>	<u>34.6%</u>
Deferred inflows of resources	<u>566,802</u>	<u>579,231</u>	<u>(12,429)</u>	<u>-2.1%</u>
Net investment in capital assets	25,964,912	23,694,287	2,270,625	9.6%
Unrestricted net position	<u>(4,591,540)</u>	<u>(4,773,594)</u>	<u>182,054</u>	<u>3.8%</u>
Total net position	<u>\$ 21,373,372</u>	<u>\$ 18,920,693</u>	<u>\$ 2,452,679</u>	<u>13.0%</u>

As the Statement of Net Position shows, current assets increased 19.4% over the previous year. Year-end cash and investments were higher in 2021 by approximately \$583,000 than the prior year. The

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increase in current assets is mainly due to the increase in cash and investments. The increase in noncurrent assets is due to the increase in construction in progress related to the Maple Street Garage.

Current liabilities increased by \$1,105,423. The main reason for the increase due to the \$1,979,364 increase in Accounts Payable, which is mostly construction payables related to the Maple Street Parking Garage

Overall, the Authority increased total net position (assets available to finance both capital and day-to-day operations) for the year by \$2,452,679.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 9,723,203	\$ 8,070,222	\$ 1,652,981	20.5%
Non-operating revenues	1,432,731	707,852	724,879	102.4%
	<u>11,155,934</u>	<u>8,778,074</u>	<u>2,377,860</u>	<u>27.1%</u>
Expenses:				
Operating expenses	6,907,574	6,585,924	321,650	4.9%
Non-operating expense	1,795,681	1,355,633	440,048	32.5%
	<u>8,703,255</u>	<u>7,941,557</u>	<u>761,698</u>	<u>9.6%</u>
Change in net position	2,452,679	836,517	1,616,162	193.2%
Beginning net position	18,920,693	18,084,176	836,517	4.6%
Ending net position	<u>\$ 21,373,372</u>	<u>\$ 18,920,693</u>	<u>\$ 2,452,679</u>	<u>13.0%</u>

The Statement of Revenues, Expenses and Changes in Fund Net Position provides the source of the changes in the Statement of Net Position. The above table reconciles total revenue of \$11,155,934 less total expenses of \$8,703,255 as the increase of \$2,452,679 in net position for the 2021 year. The following narrative will explain the individual accounts that affect these changes.

Revenues

Operating Revenue

Enforcement department revenue includes the revenue collected from parking meters, payments for parking tickets and release fees. Parking meter revenue collected from kiosks and meters in 2021 totaled \$778,935, an increase of 58.7% from 2020. Parking fine revenue is comprised of ticket fines and penalties, tickets paid at the magistrate (scofflaw), tickets paid after receiving notification from APA (notices), towing, and booting and release fees. Revenue from these sources totaled \$5,693,953, representing an 27.0% increase over 2020.

Customer service revenue includes permits, signs, key card sales, service fees and late fees. Permit revenue increased to \$137,464 in 2021, an increase of 107.9%.

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Off-street revenue is comprised of three categories. Transient revenue, which is generated from customers that pay a daily rate to park; contract revenue from customers that pay a monthly fee to park (residents and employees of downtown businesses); and Events. Off-street revenue overall increased 2.6% from 2020 to \$3,071,580. Contract revenue decreased 1.9% from 2020 to \$2,373,990. Transient revenue decreased 50.2% from 2020 to \$601,540. Event parking revenue decreased 46.0% from 2020 to \$91,333.

As the COVID-19 pandemic began to subside in 2021, restaurants and other merchants opened with very limited hours. The PPL Center opened to limited attendance in Spring but picked up volume as the year progressed. Offices began bringing employees back in part time by year end. Parking meter revenue, transient revenue and event parking revenue were all affected.

Non-Operating Revenue

Non-operating revenue is comprised of investment earnings, rental income, grant income, gain on sale of disposal of assets and miscellaneous income. The investment earnings on operating cash remained stable in 2021. The rental income derived from LANTA (ATC), the Grace Montessori School (Spiral) and City Center Investment Corp (600 Linden) also remained stable. During 2021, the Parking Authority recognized grant income of \$581,400, which represents the PPP loan being forgiven by the SBA in March of 2021. In addition, the Parking Authority recognized a gain of \$528,645 for the sale of the Northeast 7th Street Lot to City Center Investment Corporation for \$1,000,000.

Expenses

Operating Expenses

The direct costs associated with the overall administration and operations of the Authority are included in operating expenses. Three expense categories that comprise operating expenses excluding depreciation are personnel wages and benefits, services and charges and materials and supplies. These expenses totaled \$4,934,048, an increase of 8.0% from 2020.

Personnel costs make up 66% of the direct costs associated with operating expenses excluding depreciation. Salaries and wages for full and part-time employees make up 66% of personnel expenses. The other expenses that comprise personnel costs are fringe benefits. These costs, representing 34% of personnel costs include the employers' share of FICA, pension costs for management's and union employees' defined contribution plans, health insurance including the cost of OPEB (Other Post-Employment Benefits), life and disability insurance, workers' compensation insurance, healthcare reform fees, employer's cost of Pennsylvania unemployment tax and paid time off. The number of employees for 2021 was forty-eight full-time and part-time employees.

Services and charges, the second largest component of operating expenses excluding depreciation comprises 31% of operating expenses, excluding depreciation. The most significant expense is Repair and Maintenance which includes expenses for the maintenance of our facilities, equipment, vehicles and meters. Professional Fees is the next highest expense in this component, followed by Utilities. These three expenses represent 61% of the Services and charges component.

Materials and supplies, the third and smallest component of operating expenses, increased by 27.9% in 2021. The main items in this category are fuel expenses, office and operating supplies.

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Depreciation Expense

Depreciation expense reflects the annual costs associated with an asset reduction in book value. Expenses associated with depreciation decreased in 2021 by \$45,581.

Non-Operating Expenses

This expense is comprised of interest expense on the APA's bond issues, loans, capital leases and contributions to the City of Allentown. For 2021, interest expense, the Authority's largest non-operating expense, decreased by \$67,705 or 5.1%. In addition, the City contributed \$500,000 to the City of Allentown from the proceeds of the Northeast lot sale and dedicated to the immediate area of the Lanta Project for the betterment of the City – for Economic Development and not for General Purpose. In addition to the \$500,000 contribution, the Parking Authority recorded \$26,839 in in-kind contributions to the City related to lost meter revenue.

Capital Assets

The operation of the Authority requires various capital assets to run both efficiently and effectively. The following table depicts the various asset classes that the Authority owns and utilizes.

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 7,824,992	\$ 8,301,151	\$ (476,159)	-5.7%
Construction in progress	20,230,255	2,101,670	18,128,585	862.6%
Building and improvements	1,685,751	1,685,751	-	0.0%
Leasehold improvements	507,650	507,650	-	0.0%
Parking garages and lots	67,405,972	66,710,292	695,680	1.0%
Furniture and equipment	3,386,146	3,337,409	48,737	1.5%
Vehicles	618,237	604,720	13,517	2.2%
	<u>101,659,003</u>	<u>83,248,643</u>	<u>18,410,360</u>	<u>22.1%</u>
Less accumulated depreciation	<u>(29,717,452)</u>	<u>(27,877,602)</u>	<u>(1,839,850)</u>	<u>6.6%</u>
Capital assets, net	<u>\$ 71,941,551</u>	<u>\$ 55,371,041</u>	<u>\$16,570,510</u>	<u>29.9%</u>

As of December 31, 2021, the Authority had invested \$71,941,551 in capital assets net of accumulated depreciation. This amount increased 29.9% from 2020. Total capital additions for 2021 were \$19,668,769 compared to 2020 additions in the amount of \$1,738,116. Construction in progress increased significantly due to expenses related to the construction of the Maple Street Parking Garage.

Debt Administration

Total outstanding bonds and notes payable debt of the Authority as of December 31, 2021, totaled \$41,318,017. During 2021, the Parking Authority obtained a \$18,609,090 note for the construction of the Maple Street Parking Garage. As of December 31, 2021, the Authority had drawn down \$10,591,139 of the Note.

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	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Parking Revenue Bonds:				
Series A of 2018	\$24,514,906	\$25,387,736	\$ (872,830)	-3.4%
Series B of 2018	6,211,972	6,608,496	(396,524)	-6.0%
Construction Loan Note	<u>10,591,139</u>	<u>-</u>	<u>10,591,139</u>	<u>N/A</u>
	<u>\$41,318,017</u>	<u>\$31,996,232</u>	<u>\$ 9,321,785</u>	<u>29.1%</u>

In addition to restrictions placed on debt issuance by bond covenants, the Authority has instituted a financial policy that provides minimum net earnings ratio coverage. This policy, on an annual basis, requires that all pledged revenue from the Authority less operating expenses exceeds debt service by at least 20.0%. The chart below depicts the compliance of the Authority to this policy over the past two years.

Debt Coverage Ratio

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Gross Revenue	\$11,155,934	\$ 8,778,074	\$ 2,377,860	27.1%
Total Operating Expenses (Less Depreciation)	<u>4,934,048</u>	<u>4,566,817</u>	<u>367,231</u>	<u>8.0%</u>
Net Revenue	<u>\$ 6,221,886</u>	<u>\$ 4,211,257</u>	<u>\$ 2,010,629</u>	<u>47.7%</u>
Annual Debt Service	<u>\$ 2,596,011</u>	<u>\$ 2,597,795</u>	<u>\$ (1,784)</u>	<u>-0.1%</u>
Debt Service Coverage	<u>2.40</u>	<u>1.62</u>	<u>0.78</u>	<u>48.1%</u>

Currently Known Facts, Decisions or Conditions

In April 2021, the 9th & Walnut Garage and the Fountain Lot were closed and construction began of the new Maple Street Garage. The first three floors of the garage should open for parking by June 1st. Full completion of the garage is expected by the end of the 3rd quarter.

An RFP was issued on May 26, 2022 for necessary capital repairs to the Spiral Garage. We expect it will be awarded by June 1st with construction started in June and completion by end of 3rd quarter.

An agreement was signed in May 2022 with Riverview Lofts Allentown II LLC for the purchase of the 500 Railroad lot in exchange for the construction of a 2 level garage with 72 parking spaces.

Contacting the Authority's Financial Management

This financial report is designed to provide our creditors, customers and other interested parties with a general overview of the Authority's finances and demonstrates the Authority's accountability for the funds it receives. If you have any questions about this report or require additional information, contact the Allentown Parking Authority's Executive Director or Finance Manager, 603 W. Linden Street, Allentown, PA 18101.

BASIC FINANCIAL STATEMENTS

ALLENTOWN PARKING AUTHORITY**Statements of Net Position****December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,175,556	\$ 2,592,978
Investments	2,213,635	2,212,293
Accounts receivable	204,616	155,163
Note receivable	400,000	-
Accrued interest receivable	41,983	29,816
Prepaid expenses	244,673	267,975
TOTAL CURRENT ASSETS	<u>6,280,463</u>	<u>5,258,225</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	71,941,551	55,371,041
Note receivable	-	400,000
Net pension asset	928,655	877,272
TOTAL NONCURRENT ASSETS	<u>72,870,206</u>	<u>56,648,313</u>
TOTAL ASSETS	<u>79,150,669</u>	<u>61,906,538</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	463,903	499,818
Pension	69,767	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>533,670</u>	<u>499,818</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,654,025	674,661
Accrued expenses	361,005	328,815
Unearned revenue, current portion	374,164	287,371
Line of credit, current portion	300,000	758,754
Bonds payable, current portion	1,304,353	1,254,494
Capital lease payable, current portion	50,773	52,202
PPP loan payable	-	581,400
Other current liabilities	38,928	40,128
TOTAL CURRENT LIABILITIES	<u>5,083,248</u>	<u>3,977,825</u>
NONCURRENT LIABILITIES		
Unearned revenue, net of current portion	7,434,578	7,663,586
Bonds payable, net of current portion	40,013,664	30,741,738

ALLENTOWN PARKING AUTHORITY**Statements of Net Position****December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Capital lease payable, net of current portion	71,752	128,138
Other postemployment benefit liability	140,923	395,145
Other long-term liabilities	5,000,000	-
TOTAL NONCURRENT LIABILITIES	<u>52,660,917</u>	<u>38,928,607</u>
 TOTAL LIABILITIES	 <u>57,744,165</u>	 <u>42,906,432</u>
 DEFERRED INFLOWS OF RESOURCES		
Pension	526,274	545,466
OPEB	40,528	33,765
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>566,802</u>	 <u>579,231</u>
 NET POSITION		
Net investment in capital assets	25,964,912	23,694,287
Unrestricted	(4,591,540)	(4,773,594)
 TOTAL NET POSITION	 <u>\$ 21,373,372</u>	 <u>\$ 18,920,693</u>

ALLENTOWN PARKING AUTHORITY**Statements of Revenues, Expenses, and Changes in Net Position****Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE		
Enforcement	\$ 6,472,888	\$ 4,975,485
Customer service	178,465	102,127
Garages and decks	2,575,173	2,554,882
Surface lots	139,120	97,625
Park and shop	357,557	340,103
TOTAL OPERATING REVENUE	<u>9,723,203</u>	<u>8,070,222</u>
OPERATING EXPENSES		
Wages and benefits	3,268,074	3,172,727
Services and charges	1,533,441	1,290,470
Materials and supplies	132,533	103,620
Depreciation	1,973,526	2,019,107
TOTAL OPERATING EXPENSES	<u>6,907,574</u>	<u>6,585,924</u>
OPERATING INCOME	<u>2,815,629</u>	<u>1,484,298</u>
NONOPERATING REVENUES (EXPENSES)		
Rental income	229,475	230,421
Miscellaneous income	79,702	156,786
Gain on sale of capital assets	528,645	11,799
Grant income	581,400	13,656
Cancellation of financing arrangement	-	266,470
Investment income	13,509	28,720
Interest expense	(1,268,842)	(1,336,547)
Contribution to City of Allentown	(526,839)	(19,086)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(362,950)</u>	<u>(647,781)</u>
CHANGE IN NET POSITION	2,452,679	836,517
NET POSITION, beginning	<u>18,920,693</u>	<u>18,084,176</u>
NET POSITION, ending	<u>\$ 21,373,372</u>	<u>\$ 18,920,693</u>

ALLENTOWN PARKING AUTHORITY**Statements of Cash Flows****Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 9,531,535	\$ 7,970,938
Payments to employees	(3,630,448)	(3,507,390)
Payments to suppliers	335,492	(881,563)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,236,579</u>	<u>3,581,985</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous income	79,702	156,786
Proceeds from PPP loan	-	581,400
Contribution to City of Allentown	(526,839)	(19,086)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(447,137)</u>	<u>719,100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(19,065,812)	(1,738,116)
Proceeds from capital grants	-	13,656
Proceeds from sale of bonds and notes	10,591,139	-
Proceeds from capital contribution	5,000,000	-
Proceeds from line of credit	300,000	-
Proceeds from sale of capital assets	1,043,675	-
Principal payments on bonds and notes payable	(1,269,354)	(1,203,085)
Principal payments on capital lease obligations	(57,815)	(58,163)
Principal payments on line of credit	(758,754)	-
Interest paid	(1,232,927)	(1,291,207)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,449,848)</u>	<u>(4,276,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	2,205,000	1,660,000
Purchase of investments	(2,205,000)	(2,160,000)
Investment income	13,509	18,592
Rental income	229,475	230,421
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>242,984</u>	<u>(250,987)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	582,578	(226,817)

ALLENTOWN PARKING AUTHORITY**Statements of Cash Flows****Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
CASH AND CASH EQUIVALENTS		
Beginning	2,592,978	2,819,795
Ending	<u>\$ 3,175,556</u>	<u>\$ 2,592,978</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,815,629	\$ 1,484,298
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,973,526	2,019,107
Cancellation of financing arrangement	-	266,470
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(49,453)	131,064
Inventory	-	19,327
Prepaid expenses	23,302	(18,387)
Net pension asset	(51,383)	(487,894)
Deferred outflows, pension	(69,767)	5,116
Increase (decrease) in liabilities:		
Accounts payable	1,979,364	527,691
Accrued expenses	32,190	9,425
Unearned revenue	(142,215)	(230,348)
Other current liabilities	(1,200)	(282,574)
Other postemployment benefit liability	(254,222)	(132,625)
Deferred inflows, pension	(19,192)	271,315
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,236,579</u>	<u>\$ 3,581,985</u>

ALLENTOWN PARKING AUTHORITY
Statements of Fiduciary Net Position
Fiduciary Fund - OPEB Trust Fund
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Investments, at fair value:		
MSQ II Model Port Conservative	\$ 348,997	\$ 321,290
MSQ II Model Port Moderate	<u>139,495</u>	<u>121,993</u>
TOTAL ASSETS	<u>\$ 488,492</u>	<u>\$ 443,283</u>
NET POSITION		
Restricted for OPEB	<u>488,492</u>	<u>443,283</u>
TOTAL NET POSITION	<u>\$ 488,492</u>	<u>\$ 443,283</u>

ALLENTOWN PARKING AUTHORITY
Statements of Changes in Fiduciary Net Position
Fiduciary Fund - OPEB Trust Fund
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ -	\$ 25,000
	<u>-</u>	<u>25,000</u>
Investment income		
Net appreciation in fair value of investments	45,663	43,588
	<u>45,663</u>	<u>43,588</u>
 TOTAL ADDITIONS	 <u>45,663</u>	 <u>68,588</u>
 DEDUCTIONS		
Investment fees	454	369
	<u>454</u>	<u>369</u>
 TOTAL DEDUCTIONS	 <u>454</u>	 <u>369</u>
 CHANGE IN NET POSITION	 45,209	 68,219
 NET POSITION, beginning	 <u>443,283</u>	 <u>375,064</u>
NET POSITION, ending	<u>\$ 488,492</u>	<u>\$ 443,283</u>

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

The Allentown Parking Authority (the Authority), a tax-exempt organization, was incorporated on November 30, 1984 by the City Council of the City of Allentown. The Authority is governed by a five member board appointed by the Mayor of the City of Allentown. The Authority is a component unit of the City of Allentown reporting entity. The Authority's purpose is to administer, supervise, and enforce an efficient system of off-street and on-street parking including the power and right:

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

The accounting policies of the Allentown Parking Authority conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board. The following is a summary of the significant policies:

Basis of Presentation and Accounting

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Authority is discussed below.

Proprietary Fund Financial Statements

Most of the activities of the Authority are accounted for within a single proprietary (enterprise) fund. The proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements December 31, 2021 and 2020

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Fiduciary Fund Financial Statements

The Authority also accounts for assets held as a trustee for other individuals in a fiduciary fund. The Authority’s other post-employment benefit fund is accounted for as a fiduciary fund. The fiduciary fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The fiduciary funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Authority considers all highly liquid investments, including investments in external investment pools, with an original maturity of three months or less to be cash equivalents.

Investments, External Investment Pools, Certificates of Deposit

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

Accounts Receivable

Accounts receivable is stated net of an allowance for doubtful accounts. The estimate of the allowance for doubtful accounts is based upon an analysis of specific receivables taking into account the age of the past due receivable and an assessment of its ultimate collectability. Management has determined no allowance for doubtful accounts is necessary for the years ended December 31, 2021 and 2020.

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

Capital Assets

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

Buildings and building improvements	10-44 years
Leasehold improvements	5-15 years
Parking garages and lots	10-50 years
Furniture and equipment	5-20 years
Vehicles	5-7 years

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

Deferred Outflows of Resources, Bond Refunding

The Authority has deferred the difference between the reacquisition price (the amount deposited into escrow to pay off the bonds) and the net carrying amount of previously refunded debt. This deferred amount on refunding is being amortized into interest expense on a straight-line basis over the shorter of the life of the new or old bonds. During the years ended December 31, 2021 and 2020, such amortization amounted to \$35,915 for both years. The unamortized deferred amounts on refunding are reported as a deferred outflow of resources in the statement of net position.

Deferred Outflows and Inflows of Resources for Pensions

In conjunction with pension accounting requirements, the effect of the differences in the Authority's expected and actual experience, the changes in assumptions, difference between projected and actual earnings on pension plan investments, and Authority contributions subsequent to the measurement date are recorded as deferred outflows and inflows of resources related to pension on the balance sheet. These amounts are determined based on the actuarial valuation performed for the pension plan.

Compensated Absences

Vacation pay for both salaried and union employees is based on length of service and accrues as of each employee's anniversary date. Sick pay for both salaried and union employees is based on 8 days per calendar year. Employees may carryover a maximum of 4 sick days per calendar year. Compensated absences are included as part of accrued expenses in the Statement of Net Position.

Net Position

Proprietary fund net position is divided into two components:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

Net investment in capital assets — consist of the historical cost of capital assets less accumulated depreciation and less any bond and lease debt that remains outstanding that was used to finance those assets.

Unrestricted net position—includes all other net position not included in the above category.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the principal operations of the Authority. Operating revenues consist of primarily charges to users of parking facilities. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

Date of Management's Review

The Allentown Parking Authority has evaluated subsequent events through May 20, 2022, the date which the financial statements were available to be issued.

NOTE 2. DEPOSITS AND INVESTMENTS

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

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

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

There are no deposit or investment transactions during the years ended December 31, 2021 and 2020 that were in violation of state statutes or applicable trust indentures.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2021 and 2020, the portions of the Authority's bank balances of \$3,053,760 and \$2,602,829, respectively, that were insured and exposed to custodial credit risk were as follows:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
FDIC insured	\$ 250,000	\$ 250,000
Uninsured and collateral held by pledging banks trust department not in the Authority's name	<u>2,803,760</u>	<u>2,352,829</u>
	<u>\$ 3,053,760</u>	<u>\$ 2,602,829</u>

Investments

External Investment Pool - Pennsylvania School District Liquid Asset Fund (PSDLAF)

The Authority invests in the Pennsylvania School District Liquid Asset Fund (PSDLAF), a customized cash management program created in 1982 by the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials to provide a unique set of benefits and enhancements for investing public funds. The general objective of the Fund is to provide its investors current income while preserving capital in a manner compatible with the needs and requirements of public school and local government entities in Pennsylvania. The pool is not SEC regulated. The investment policy of PSDLAF is guided by Section 440.1 of the Pennsylvania School Code which governs the temporary investment of funds by School Entities. The fund is managed by a Board of Trustees, who oversees, reviews, and supervises the activities of all consultants and professional Advisers to the Fund. The Trustees also retain an Executive Director of the Fund who acts as a consultant to the Fund and performs such consulting and advisory services with respect to matters concerning the operations and activities of the Fund as may from time to time be reasonably requested by the Trustees. An independent investment company has been appointed by the Trustees to act as the Fund's Investment Adviser. The fair value of the Authority's position in the PSDLAF is the same as the value of the pool shares and matures in less than one year. The Authority's investment in PSDLAF has been rated AAAM, the highest rating available, by Standard and Poor's, an independent investment rating company. The weighted average maturity of PSDLAF is approximately 288.93 days. The weighted average portfolio yield is approximately 0.313%.

As of December 31, 2021 and 2020, the carrying amounts of external investment pool assets were \$2,213,635 and \$2,212,293, respectively. The fair value of external investment pool assets approximate their carrying values as of December 31, 2021 and 2020. As required by the Governmental Accounting Standards Board, investments in external investment pools are uncategorized with regard to risk and are not included in the custodial credit risk table presented above.

NOTE 3. NOTES RECEIVABLE

The Authority received a \$900,000 note receivable from the sale of a parking facility. The note has an outstanding balance of \$400,000 for both years ended December 31, 2021 and 2020. The note bears interest at a rate of 3% per annum. The final payment of principal of \$400,000 and all accrued interest is due thirty-six months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property. The note provides the option for the buyer to transfer or assign its Neighborhood Improvement Zone (NIZ) credits to the Authority in the amount of \$550,000 for the first payment and \$440,000 for the final payment. The note is secured by a mortgage against the property.

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

On January 31 2022, the note and accrued interest was paid in full by the Da Vinci Science Center, the new owners of the lot.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020 is as follows:

	Year Ended December 31, 2021			
	Balance Jan. 1, 2021	Additions	Deletions/ Transfers	Balance Dec. 31, 2021
Non-depreciable assets:				
Land	\$ 8,301,151	\$ 7,575	\$ (483,734)	\$ 7,824,992
Construction in progress	2,101,670	18,730,861	(602,276)	20,230,255
	<u>10,402,821</u>	<u>18,738,436</u>	<u>(1,086,010)</u>	<u>28,055,247</u>
Depreciable assets:				
Building and improvements	1,685,751	-	-	1,685,751
Leasehold improvements	507,650	-	-	507,650
Parking garages and lots	66,710,292	695,680	-	67,405,972
Furniture and equipment	3,337,409	137,326	(88,589)	3,386,146
Vehicles	604,720	97,327	(83,810)	618,237
	<u>72,845,822</u>	<u>930,333</u>	<u>(172,399)</u>	<u>73,603,756</u>
	<u>83,248,643</u>	<u>19,668,769</u>	<u>(1,258,409)</u>	<u>101,659,003</u>
Less accumulated depreciation:				
Building and improvements	1,374,611	66,269	-	1,440,880
Leasehold improvements	431,502	25,383	-	456,885
Parking garages and lots	23,724,840	1,515,107	-	25,239,947
Furniture and equipment	2,035,207	265,609	(80,000)	2,220,816
Vehicles	311,442	101,158	(53,676)	358,924
	<u>27,877,602</u>	<u>1,973,526</u>	<u>(133,676)</u>	<u>29,717,452</u>
	<u>\$ 55,371,041</u>	<u>\$ 17,695,243</u>	<u>\$ (1,124,733)</u>	<u>\$ 71,941,551</u>

ALLENTOWN PARKING AUTHORITY**Notes to the Financial Statements****December 31, 2021 and 2020**

	Year Ended December 31, 2020			
	<u>Balance</u>		<u>Deletions/</u>	<u>Balance</u>
	<u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Dec. 31, 2020</u>
Non-depreciable assets:				
Land	\$ 8,301,151	-	\$ -	\$ 8,301,151
Construction in progress	<u>788,557</u>	<u>1,313,113</u>	<u>-</u>	<u>2,101,670</u>
	<u>9,089,708</u>	<u>1,313,113</u>	<u>-</u>	<u>10,402,821</u>
Depreciable assets:				
Buildings and improvements	1,656,359	29,392	-	1,685,751
Leasehold improvements	507,650	-	-	507,650
Parking garages and lots	66,696,893	13,399	-	66,710,292
Furniture and equipment	3,203,103	175,420	(41,114)	3,337,409
Vehicles	<u>461,605</u>	<u>206,792</u>	<u>(63,677)</u>	<u>604,720</u>
	<u>72,525,610</u>	<u>425,003</u>	<u>(104,791)</u>	<u>72,845,822</u>
	<u>81,615,318</u>	<u>1,738,116</u>	<u>(104,791)</u>	<u>83,248,643</u>
Less accumulated depreciation:				
Buildings and improvements	1,309,317	65,294	-	1,374,611
Leasehold improvements	406,120	25,382	-	431,502
Parking garages and lots	22,145,628	1,579,212	-	23,724,840
Furniture and equipment	1,813,925	262,396	(41,114)	2,035,207
Vehicles	<u>282,520</u>	<u>86,823</u>	<u>(57,901)</u>	<u>311,442</u>
	<u>25,957,510</u>	<u>2,019,107</u>	<u>(99,015)</u>	<u>27,877,602</u>
	<u>\$ 55,657,808</u>	<u>\$ (280,991)</u>	<u>\$ (5,776)</u>	<u>\$ 55,371,041</u>

NOTE 5. DEBT AND OTHER NONCURRENT LIABILITIES

Activity in debt and other noncurrent liabilities for the years ended December 31, 2021 and 2020 is as follows:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

	Year Ended December 31, 2021					
	Balance				Balance	Due within
	Jan. 1, 2021	Additions	Reductions	Dec. 31, 2021	one year	
Bonds and Notes:						
Tax Exempt Parking						
Revenue Bond - 2018A	\$ 25,387,736	\$ -	\$ 872,830	\$ 24,514,906	\$ 905,577	
Taxable Parking						
Revenue Bond - 2018B	6,608,496	-	396,524	6,211,972	398,776	
Construction Loan Note	-	10,591,139	-	10,591,139	-	
	31,996,232	10,591,139	1,269,354	41,318,017	1,304,353	
Line of credit	758,754	300,000	758,754	300,000	300,000	
Capital leases	180,340	-	57,815	122,525	50,773	
PPP Loan	581,400	-	581,400	-	-	
Capital contribution payable	-	5,000,000	-	5,000,000	-	
OPEB liability	395,145	-	254,222	140,923	-	
	<u>\$ 33,911,871</u>	<u>\$ 15,891,139</u>	<u>\$ 2,921,545</u>	<u>\$ 46,881,465</u>	<u>\$ 1,655,126</u>	

	Year Ended December 31, 2020					
	Balance				Balance	Due within
	Jan. 1, 2020	Additions	Reductions	Dec. 31, 2020	one year	
Revenue Bonds:						
Tax Exempt Parking						
Revenue Bond - 2018A	\$ 26,226,371	\$ -	\$ 838,635	\$ 25,387,736	\$ 872,831	
Taxable Parking						
Revenue Bond - 2018B	6,972,946	-	364,450	6,608,496	381,663	
	33,199,317	-	1,203,085	31,996,232	1,254,494	
Line of credit	758,754	-	-	758,754	758,754	
Capital leases	238,503	-	58,163	180,340	52,202	
PPP Loan	-	581,400	-	581,400	581,400	
OPEB liability	527,770	-	132,625	395,145	-	
	<u>\$ 34,724,344</u>	<u>\$ 581,400</u>	<u>\$ 1,393,873</u>	<u>\$ 33,911,871</u>	<u>\$ 2,646,850</u>	

Parking Revenue Bonds

Tax Exempt Parking Revenue Bond, Series A of 2018

On June 20, 2018, the Authority issued the Tax Exempt Parking Revenue Bond, Series A of 2018 in the amount of \$27,405,527. The final maturity of the Bond is on November 15, 2040 with principal and interest paid quarterly on March 31st, June 30th, September 30th, and December 31st of each year. Until May 15, 2025, the Bonds bear interest at 3.70%, after which the interest rate shall be reset to and bear interest at variable rate equal to 60%

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

of the rate of interest published by the Wall Street Journal from time to time as the U.S. Prime Rate, floating daily with a maximum rate of 5.25%.

Taxable Parking Revenue Bond, Series B of 2018

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

Construction Loan Note

On September 27, 2021, the Parking Authority obtained a construction loan note in the amount of \$18,609,090 for the construction of the Maple Street Parking Garage. As of December 31, 2021, the Parking Authority had drawn down \$10,591,139 on the Note for construction expenses.

The interest rate on the Note is equal to the rate of interest published by The Wall Street Journal from time to time as the "U.S. "Prime Rate", but never lower than 3.25%. At the end of the construction period, the Parking Authority may elect to retain the fluctuating rate set forth above, or convert the interest rate to a fixed rate.

During the construction period, the Parking Authority will make payments of interest only on the 1st of each month, in arrears, at the applicable interest rate as provided on the advanced and outstanding balance of principal. Beginning on September 1st, 2023, and continuing on December 1st, March 1st and June 1st each year through the maturity date, the Parking Authority will pay principal plus interest based on a 25-year amortization on the advanced and outstanding balance of principal. A final balloon payment of all outstanding principal and interest will be made by September 27, 2026, the maturity date.

The annual aggregate maturities of the bonds and notes as of December 31, 2021 are as follows:

Year	Principal Amount	Total Interest	Total Debt Service
2022	\$ 1,304,353	\$ 1,551,898	\$ 2,856,251
2023	1,549,983	1,533,959	3,083,942
2024	1,661,084	1,475,001	3,136,085
2025	1,643,153	1,673,832	3,316,985
2026	11,282,295	1,599,535	12,881,830
2027-2031	8,236,224	5,303,776	13,540,000
2032-2036	8,444,569	3,010,961	11,455,530
2037-2040	7,196,356	826,638	8,022,994
	<u>\$ 41,318,017</u>	<u>\$16,975,600</u>	<u>\$58,293,617</u>

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

The Bonds above are subject to certain financial covenants. As of December 31, 2021, the Authority is in compliance with those covenants.

PPP Loan

On July 20, 2020, the Authority received loan proceeds in the amount of \$581,400 under the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The CARES Act provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a maximum of twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four-week period.

On March 4, 2021, the Organization was notified that the full amount of the PPP Loan was forgiven. The forgiven portion of the loan was recognized as grant income in the Statement of Revenues, Expenses and Changes in Net Position for the year ending December 31, 2021.

Capital Leases

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

The following schedule presents future minimum capital lease payments as of December 31, 2021:

<u>Year Ending</u> <u>December 31</u>	
2022	\$ 55,734
2023	34,646
2024	32,518
2025	<u>8,129</u>
Net minimum lease payments	131,027
Less: Interest	<u>(8,502)</u>
Present value of minimum lease payments	<u>\$ 122,525</u>

The leased capital assets under capital leases are included in capital assets at December 31, 2021 and 2020 as follows:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Equipment	\$ 683,792	\$ 683,792
Parking garages and lots	173,327	173,327
Vehicles	90,356	111,988
Less: accumulated depreciation	<u>(731,600)</u>	<u>(640,888)</u>
	<u>\$ 215,875</u>	<u>\$ 328,219</u>

Amortization of leased vehicles and equipment under capital assets is included with depreciation expense.

Line of Credit

The Parking Authority has an unsecured \$1,000,000 line of credit with ESSA Bank. The interest on the line of credit is payable quarterly at the Wall Street Journal prime rate. The Parking Authority had outstanding balances on the line of credit as of December 31, 2021 and 2020 in the amount of \$300,000 and \$758,754, respectively. The current termination date of the line of credit is June 30, 2023.

Other Long-Term Liabilities

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

NOTE 6. LEASING ACTIVITIES

The Authority leases office space and parking facilities to third parties under operating lease agreements. The rents are determined based on the square footage being rented and are subject to periodic increases. The agreements also include various renewal options after the initial term expires. Minimum future rental income from the operating leases as of December 31, 2021 is as follows:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

Year Ending <u>December 31</u>	
2022	\$ 223,919
2023	223,919
2024	224,972
2025	224,972
2026	224,972
Thereafter	<u>7,465,015</u>
	<u>\$ 8,587,769</u>

NOTE 7. PENSION PLANS

The Authority maintains three pension plans for its eligible employees.

Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan

This retirement plan is designed to provide retirement benefit to the Authority's eligible union employees. The plan covers all eligible employees over the age of 19 with one year of service with the Authority. Employer contributions to the plan are established by the Union's collective bargaining agreement. Employer contributions were fixed at 5% by the collective bargaining agreement for the years ended December 31, 2021 and 2020. Participant contributions are on a voluntary basis up to 10% of compensation. The plan's provisions may be amended by resolution of the Authority's Board of Directors subject to 90 days written notice to the plan's Trustee. No modification which affects the rights, duties and responsibilities of the Trustee may be made without the Trustee's consent.

Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan

The Authority established a defined contribution retirement plan designed to provide retirement benefits to the Authority's eligible salaried employees. The plan covers all salaried employees effective from their date of hire or plan effective date. The Authority contributes on behalf of each salaried employee an amount of 2.0% match for every 1.0% employee contribution. The employer's matching contribution is limited to 10% of earnings and may change from year-to-year. Salaried employees are 100% vested in the plan at time of enrollment. 19 of 23 salaried employee participants contribute a minimum 5.0% of salary and received the maximum employer match of 10.0%.

Allentown Parking Authority Salaried Employees Defined Benefit Pension Plan

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

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

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

As of December 31, 2021 and 2020, the following employees were covered by the Plan:

	<u>2021</u>	<u>2020</u>
Active employees	1	2
Retirees and beneficiaries currently receiving benefits	11	11
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>	<u>-</u>
	<u>13</u>	<u>13</u>

Benefits provided

Retirement Benefits

The normal retirement benefit is 2.25% of average 36 month compensation for each year of credited service to a maximum of 70% of such average compensation. In no event shall the benefit be less than the Equivalent Actuarial Value of the participant's December 31, 2001 account balance under the former Allentown Parking Authority Defined Contribution Retirement Plan. Normal retirement date is the first day of the month following the attainment of age 55.

The postponed retirement benefit is calculated using compensation and service up to age 70-1/2. Benefits will be actuarially increased for postponed retirement after age 70-1/2, and will be reduced by any distributions made after age 70-1/2. A member may postpone his retirement beyond the normal retirement date.

Death Benefits

The pre-retirement death benefit is equal to the present value of the member's accrued benefit at the date of death payable to the member's beneficiary, but in no event less than any December 31, 2001 account balance from the former Allentown Parking Authority Defined Contribution Retirement Plan with 7-1/2% interest compounded annually, plus employee contributions with 5% compounded annually.

The post retirement death benefit is payable in accordance with the form of retirement benefit elected, but in no event less than the unpaid portion of the December 31, 2001 account balance from the former Allentown Parking Authority Defined Contribution Retirement Plan with 7-1/2% interest compounded annually plus employee contributions with 5% compounded annually.

Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

services, are funded through investment earnings and/or contributions. Employees are not required to contribute to the Plan.

Net Pension Liability

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

The table below shows the changes in the total pension liability, the plan fiduciary net position (i.e. fair value of plan assets) and the net pension liability (asset) for the year ended December 31, 2021.

	Change in Net Pension Liability (Asset)		
	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A-B)
Balances, December 31, 2020	\$ 2,780,215	\$ 3,657,487	\$ (877,272)
Changes for the year:			
Interest	198,203	-	198,203
Differences between expected and actual experience	(40,512)	-	(40,512)
Employer contributions		13,202	(13,202)
Changes in assumptions	221,434	-	221,434
Net investment income	-	417,306	(417,306)
Benefit payments	(259,343)	(259,343)	-
Net changes	119,782	171,165	(51,383)
Balances, December 31, 2021	\$ 2,899,997	\$ 3,828,652	\$ (928,655)

Actuarial Assumptions

The actuarial assumptions of the Plan include the following:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry Age, Normal
Investment return:	7.0% per annum, net of investment expenses
Salary increases:	None assumed
Pre-retirement mortality:	None
Post-retirement mortality:	PUBG-2010 Healthy Retiree Mortality projected 5 years past the valuation date using Scale MP-2020
Termination:	None
Disability:	None
Retirement age:	Normal retirement age or age on valuation date if greater

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.24%) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity:	
Large Cap	5.72%
Mid Cap	6.77%
Small Cap	6.77%
International Equity	6.55%
Fixed Income	2.18%
Real Estate	5.41%
Cash	-0.33%

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

Sensitivity of Net Pension Liability to Changes in Discount Rate

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) calculated using the discount rate of 7.0% as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ (658,322)	\$ (928,655)	\$ (1,160,318)

Pension Expense and Deferred Outflows and Inflows of Resources

As of December 31, 2021 and 2020, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
	2021	2020
Changes in assumptions	\$ 69,767	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	-
	<u>\$ 69,767</u>	<u>\$ -</u>

As of December 31, 2021 and 2020, the Authority reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	
	2021	2020
Difference between expected and actual experience	\$ 12,764	\$ -
Net difference between projected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	513,510	545,466
	<u>\$ 526,274</u>	<u>\$ 545,466</u>

For the years ended December 31, 2021 and 2020, the Authority recognized pension expense (benefit) under the defined benefit pension plan of \$(127,140) and \$(198,261), respectively.

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended <u>December 31</u>	
2022	\$ (87,684)
2023	(211,724)
2024	(123,075)
2025	<u>(34,024)</u>
	<u>\$ (456,507)</u>

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Benefit Provisions

The Authority provides continuation of medical insurance coverage to employees who retire at a minimum age of 55 from a management position with at least 20 years of management service and must be a minimum of age 54 by January 1, 2019. The employee must be actively employed up to age 55 to be eligible. The benefit is not provided to employees hired after December 31, 2010. The single employer plan allows for participation in the Authority's "basic" medical plan which includes a prescription drug benefit and dental coverage. The authority under which obligations to contribute are established is the plan document and the board of directors. The Authority will pay a percentage of the cost of single coverage to age 65 or until the retiree becomes eligible for Medicare benefits, whichever comes first, at a rate of 80% and 100% for retired employees with more than 20 and 25 years of service, respectively. The Plan also provides for spousal and dependent coverage provided the premium is paid by the employee.

All benefits to management employees will be reviewed at various times in the future and, thus, costs and benefits are subject to change with the approval of the Authority's Board of Directors.

Contributions

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

As of December 31, 2021 and 2020, the following employees were covered by the Plan:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Fully eligible active employees	-	1
Other active employees not fully eligible	-	2
Retirees and beneficiaries currently receiving benefits	<u>7</u>	<u>4</u>
	<u>7</u>	<u>7</u>

Net OPEB Liability

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

The table below shows the changes in the total OPEB liability, the plan fiduciary net position (i.e. fair value of plan assets) and the net OPEB liability for the year ended December 31, 2021.

	<u>Change in Net OPEB Liability (Asset)</u>		
	<u>Increase (Decrease)</u>		
	Total OPEB Liability (A)	Plan Fiduciary Net Postion (B)	Net OPEB Liability (Asset) (A-B)
Balances, December 31, 2020	\$ 838,428	\$ 443,283	\$ 395,145
Changes for the year:			
Service cost	-	-	-
Interest	35,937	-	35,937
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(17,633)	-	(17,633)
Changes in assumptions and cost method	(107,508)	-	(107,508)
Contributions - employer	-	-	-
Net investment income	-	45,209	(45,209)
Benefit payments (1)	<u>(119,809)</u>	<u>-</u>	<u>(119,809)</u>
Net changes	<u>(209,013)</u>	<u>45,209</u>	<u>(254,222)</u>
Balances, December 31, 2021	<u>\$ 629,415</u>	<u>\$ 488,492</u>	<u>\$ 140,923</u>

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

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

that is different than expected.

Actuarial Assumptions

The actuarial assumptions of the Plan include the following:

Actuarial Methods and Assumptions

Valuation date	January 1, 2020
Actuarial cost method:	Entry Age, Normal
Discount rate	5.5%
Salary increases:	5% compounded annually
Inflation	2.24%
Healthcare cost trend	Medical - decrease by 7.562% during 2021, increase by 8.25% during 2022 reduced by 0.25% per year thereafter to an ultimate level of 5% per year Dental - increase 2% per year
Pre-retirement mortality:	None
Post-retirement mortality:	PUBG-2010 General Amount Weighted Mortality Tables for Healthy Retirees projected to 2026 using Scale MP-2020
Termination:	None
Disability:	None
Retirement age:	Age 55 if attained a minimum of 25 years. If 25 years of service not attained by age 55, the retirement is assumed of 20 years

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation of 2.24%) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2021 are summarized in the following table:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity:	
Large Cap	5.72%
Mid Cap/Small Cap	6.77%
Core Bonds	1.14%
International Equity	6.55%
International Bonds	0.29%
Emerging Markets	8.54%
Cash	-0.33%

Discount Rate

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

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 6.0% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.5%) or 1 percentage point higher (6.5%) than the current rate:

	<u>1% Decrease 4.50%</u>	<u>Current Discount Rate 5.50%</u>	<u>1% Increase 6.50%</u>
12/31/2021 Total OPEB liability	\$ 646,598	\$ 629,415	\$ 604,653
Fiduciary net position	<u>488,492</u>	<u>488,492</u>	<u>488,492</u>
12/31/2021 Net OPEB liability	<u>\$ 158,106</u>	<u>\$ 140,923</u>	<u>\$ 116,161</u>

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point higher or 1 percentage point lower than expected:

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
12/31/2021 Total OPEB liability	\$ 601,120	\$ 629,415	\$ 649,939
Fiduciary net position	<u>488,492</u>	<u>488,492</u>	<u>488,492</u>
12/31/2021 Net OPEB liability	<u>\$ 112,628</u>	<u>\$ 140,923</u>	<u>\$ 161,447</u>

OPEB Expense and Deferred Outflows and Inflows of Resources

As of December 31, 2021 and 2020, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	
	<u>2021</u>	<u>2020</u>
Net difference between projected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	<u>40,528</u>	<u>33,765</u>
	<u>\$ 40,528</u>	<u>\$ 33,765</u>

There were no deferred outflows of resources related to OPEB as of December 31, 2021 and 2020.

For the years ended December 31, 2021 and 2020, the Authority recognized OPEB expense (benefit) of \$(174,695) and \$29,696, respectively.

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

<u>Year Ended</u> <u>December 31</u>	
2022	\$ (14,065)
2023	(14,065)
2024	(8,234)
2025	<u>(4,164)</u>
	<u>\$ (40,528)</u>

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

NOTE 9. DEFERRED COMPENSATION PLAN

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

The Authority makes contributions to the deferred compensation plan through contributions to three 401(a) Money Purchase Plans. The Authority made total contributions of \$129,807 and \$117,733 to the 401(a) plans for the years ending December 31, 2021 and 2020, respectively.

NOTE 10. RISK MANAGEMENT

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

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

NOTE 11. STRATA III CONDOMINIUM ASSOCIATION

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

Construction of the condominium was financed through the issuance of a mortgage in the name of the Parking Authority in the maximum amount of \$5,300,000. The mortgage note is payable solely from funds to be received from Allentown Neighborhood Improvement Zone Development Authority (ANIZDA) and represents a conduit debt obligation of the

ALLENTOWN PARKING AUTHORITY

Notes to the Financial Statements

December 31, 2021 and 2020

Authority. The Authority is not obligated in any manner for the repayment of the mortgage. Accordingly, the mortgage is not reported as a liability in the accompanying financial statements. The mortgage note is further guaranteed by CCIC and Strata III OP, LP (Apartment Developer). As of December 31, 2021 and 2020, the principal amount outstanding under the mortgage is \$3,452,190 and \$3,897,213, respectively. The Authority's participation in the Condominium Association is subject to a Parking License Agreement. Under the terms of the agreement, the parking facility of the condominium is managed by the Authority. The Authority charges the Apartment Developer a management fee equal to its share of the direct operating costs and expenses of the parking facility each month.

NOTE 12. LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION

ALLENTOWN PARKING AUTHORITY**Required Supplementary Information****Pension****Schedule of Changes in Net Pension Liability and Related Ratios**

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
TOTAL PENSION LIABILITY							
Interest	\$ 218,085	\$ 220,605	\$ 212,438	\$ 203,074	\$ 204,066	\$ 202,439	\$ 198,203
Differences between expected and actual experience	-	-	(11,100)	-	14,591	-	(40,512)
Changes in assumptions	-	-	6,096	-	-	-	221,434
Benefit payments, including refunds	<u>(194,346)</u>	<u>(174,612)</u>	<u>(474,376)</u>	<u>(200,199)</u>	<u>(208,700)</u>	<u>(242,815)</u>	<u>(259,343)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	23,739	45,993	(266,942)	2,875	9,957	(40,376)	119,782
TOTAL PENSION LIABILITY, BEGINNING	<u>3,004,969</u>	<u>3,028,708</u>	<u>3,074,701</u>	<u>2,807,759</u>	<u>2,810,634</u>	<u>2,820,591</u>	<u>2,780,215</u>
TOTAL PENSION LIABILITY, ENDING	<u>3,028,708</u>	<u>3,074,701</u>	<u>2,807,759</u>	<u>2,810,634</u>	<u>2,820,591</u>	<u>2,780,215</u>	<u>2,899,997</u>
PLAN FIDUCIARY NET POSITION							
Contributions - employer	-	-	-	-	9,198	13,202	13,202
Net investment income	(35,622)	246,491	498,292	(111,811)	643,072	677,131	417,306
Benefit payments, including refunds	<u>(194,346)</u>	<u>(174,612)</u>	<u>(474,376)</u>	<u>(200,199)</u>	<u>(208,700)</u>	<u>(242,815)</u>	<u>(259,343)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(229,968)	71,879	23,916	(312,010)	443,570	447,518	171,165
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>3,212,582</u>	<u>2,982,614</u>	<u>3,054,493</u>	<u>3,078,409</u>	<u>2,766,399</u>	<u>3,209,969</u>	<u>3,657,487</u>
PLAN FIDUCIARY NET POSITION, ENDING	<u>2,982,614</u>	<u>3,054,493</u>	<u>3,078,409</u>	<u>2,766,399</u>	<u>3,209,969</u>	<u>3,657,487</u>	<u>3,828,652</u>
NET PENSION LIABILITY, ENDING	<u>\$ 46,094</u>	<u>\$ 20,208</u>	<u>\$ (270,650)</u>	<u>\$ 44,235</u>	<u>\$ (389,378)</u>	<u>\$ (877,272)</u>	<u>\$ (928,655)</u>
Plan fiduciary net position as a % of total pension liability	98.5%	99.3%	109.6%	98.4%	113.8%	131.6%	132.0%
COVERED EMPLOYEE PAYROLL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability as a % of covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

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

ALLENTOWN PARKING AUTHORITY
Required Supplementary Information
Pension
Schedule of Employer Contributions

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions Recognized by the Plan</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions Recognized by Plan as a % of Covered Employee Payroll</u>
2015	\$ -	\$ -	\$ -	\$ -	0.00%
2016	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2019	4,313	9,198	(4,885)	-	0.00%
2020	13,202	13,202	-	-	0.00%
2021	13,202	13,202	-	-	0.00%

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

ALLENTOWN PARKING AUTHORITY

Notes to Required Supplementary Information

Pension Plan

1. ACTUARIAL METHODS AND ASSUMPTIONS

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

2. CHANGES IN ACTUARIAL ASSUMPTIONS

Significant Plan Changes	None
Significant Assumption Changes	<p>In 2015, the mortality assumption was changes from the RFP-Table to the RP-2000 Table projected to 2015 using Scale AA</p> <p>In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 using Scale AA to the RP-2000 Table project to 2017 using Scale AA.</p> <p>In 2021, the interest rate assumption was lowered from 7.50% to 7.00% per annum and the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA to the PubG-2010 projected 5 years past 2021 valuation date using MP-2020.</p>

ALLENTOWN PARKING AUTHORITY**Required Supplementary Information****Other Postemployment Benefits Plan****Schedule of Changes in Net OPEB Liability and Related Ratios**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 30,445	\$ 10,881	\$ 11,424	\$ -
Interest	72,054	53,092	51,049	35,936
Changes of benefit terms	-	(177,069)	-	-
Differences between expected and actual experience	-	(146,934)	-	(17,633)
Changes in assumptions & cost method	-	(13,625)	-	(107,508)
Benefit payments	<u>(52,464)</u>	<u>(70,233)</u>	<u>(126,879)</u>	<u>(119,808)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	50,035	(343,888)	(64,406)	(209,013)
TOTAL OPEB LIABILITY, BEGINNING	<u>1,196,687</u>	<u>1,246,722</u>	<u>902,834</u>	<u>838,428</u>
TOTAL OPEB LIABILITY, ENDING	<u>1,246,722</u>	<u>902,834</u>	<u>838,428</u>	<u>629,415</u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	25,000	25,000	25,000	-
Net investment income	<u>(13,459)</u>	<u>47,673</u>	<u>43,219</u>	<u>45,209</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	11,541	72,673	68,219	45,209
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>290,850</u>	<u>302,391</u>	<u>375,064</u>	<u>443,283</u>
PLAN FIDUCIARY NET POSITION, ENDING	<u>302,391</u>	<u>375,064</u>	<u>443,283</u>	<u>488,492</u>
NET OPEB LIABILITY, ENDING	<u>\$ 944,331</u>	<u>\$ 527,770</u>	<u>\$ 395,145</u>	<u>\$ 140,923</u>
Plan fiduciary net position as a % of total OPEB liability	24.3%	41.5%	52.9%	77.6%
COVERED EMPLOYEE PAYROLL	<u>\$ 308,966</u>	<u>\$ 184,970</u>	<u>\$ 194,218</u>	<u>\$ -</u>
Net OPEB liability as a % of covered-employee payroll	305.6%	285.3%	203.5%	N/A

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

ALLENTOWN PARKING AUTHORITY
Required Supplementary Information
Other Postemployment Benefits Plan
Schedule of Employer Contributions

Measurement Year *	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ -	\$ -	\$ -	\$ 308,966	0.00%
2019	-	-	-	184,970	0.00%
2020	-	-	-	194,218	0.00%
2021	-	-	-	-	0.00%

The Authority makes occasional contributions to the OPEB Trust. A \$25,000 contribution was made for 2018, 2019 and 2020. No contribution was made for 2021.

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

ALLENTOWN PARKING AUTHORITY

Notes to Required Supplementary Information Other Postemployment Benefits Plan

1. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial method:	Entry Age, Normal Cost Valuation Method
Discount rate:	5.50% per annum, net of investment expenses
Salary increases:	5% compounded annually
Inflation:	2.24%
Health care cost trend rate:	Medical costs are assumed to decrease by 7.562% during 2021, increase by 8.25% during 2022 reduced by 0.25% per year thereafter to an ultimate level of 5% per year. Dental costs are assumed to increase by 2% per year.
Pre-retirement mortality:	None
Post-retirement mortality:	Pub-2010 General Amount Weighted Mortality Tables for Healthy Retirees projected to 2026 using Scale MP-2020.
Termination:	None
Disability:	None
Retirement age:	Assumed at age 55 if attained a minimum of 25 years of service. If 25 years of service is not attained by age 55, then retirement is assumed when the employee attains the later of 20 years of service and age 55.
Participation	100% of management retirees are assumed to participate in retiree medical and prescription drug coverages. 0% of spouses and dependents are assumed to participation in coverage

2. CHANGES IN ACTUARIAL ASSUMPTIONS

Significant Plan Changes	None
Significant Assumption Changes	<p>In 2020, the assumed rate of increase to the combined medical and prescription drug costs has changed from 8.25% to 5.00% by 0.25% to 6.50% during 2020, 8.000% during 2021 reduced by 0.25% thereafter to an ultimate level of 5.00% per year.</p> <p>In 2021, the discount rate was changed from 6% to 5.5%. The rate that medical and prescription drug costs as assumed to increase has changed in 2021 reduced by 0.25% per year to an ultimate level of 5% per year to -7.562% during 2021, 8.25% in 2022 decreasing by 0.25% per year to an ultimate level of 5% per year. The 2021 rate is based on actual renewal information</p>

OTHER SUPPLEMENTARY INFORMATION

ALLENTOWN PARKING AUTHORITY**Schedule of Revenues and Expenses - Budget vs Actual
Year Ended December 31, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Enforcement:			
Parking meters	\$ 491,000	\$ 778,935	\$ 287,935
Parking tickets	4,400,000	4,719,685	319,685
Scofflaw	456,600	731,533	274,933
Release fees	259,100	235,845	(23,255)
Lot enforcement	6,000	6,890	890
	<u>5,612,700</u>	<u>6,472,888</u>	<u>860,188</u>
Customer service:			
Residential parking permits	20,400	17,082	(3,318)
Parking meter permits	47,500	120,382	72,882
Signs	20,400	33,966	13,566
Key card sales	8,000	9,385	1,385
Service fees	200	66	(134)
Late fees	10,000	(2,416)	(12,416)
	<u>106,500</u>	<u>178,465</u>	<u>71,965</u>
Garages and decks:			
Contract parking	2,009,700	2,062,255	52,555
Transient parking	279,600	418,848	139,248
Event parking	275,100	89,083	(186,017)
Electrical charging stations	2,000	4,987	2,987
	<u>2,566,400</u>	<u>2,575,173</u>	<u>8,773</u>
Surface lots:			
Contract parking	90,000	118,244	28,244
Transient parking	4,800	20,876	16,076
	<u>94,800</u>	<u>139,120</u>	<u>44,320</u>
Park and shop:			
Contract parking	179,700	193,491	13,791
Transient parking	82,500	161,816	79,316
Event parking	93,000	2,250	(90,750)
	<u>355,200</u>	<u>357,557</u>	<u>2,357</u>
TOTAL OPERATING REVENUES	<u>8,735,600</u>	<u>9,723,203</u>	<u>987,603</u>
NONOPERATING REVENUES			
Space rental	101,900	225,519	123,619
Billboard rentals	2,000	3,956	1,956
Miscellaneous income	-	79,702	79,702
Gain (loss) on sale of equipment	-	528,645	528,645
Grant income	-	581,400	581,400
Investment income	5,000	13,509	8,509

ALLENTOWN PARKING AUTHORITY**Schedule of Revenues and Expenses - Budget vs Actual
Year Ended December 31, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOTAL NONOPERATING REVENUES	108,900	1,432,731	1,323,831
TOTAL REVENUES	8,844,500	11,155,934	2,311,434
OPERATING EXPENSES			
WAGES AND BENEFITS			
Salaries - Management	1,086,100	1,191,779	(105,679)
Wages - Clerks, PCOs & Attendants- Full Time	927,700	797,278	130,422
Wages - Clerks, PCOs & Attendants- Full Time OT	33,300	84,586	(51,286)
Wages - Clerks, PCOs & Attendants- Part Time	186,500	89,793	96,707
Wages - Clerks, PCOs & Attendants- Part Time OT	-	3,057	(3,057)
FICA	199,100	184,213	14,887
Retirement plans	178,200	(10,535)	188,735
Health insurance	940,400	725,385	215,015
Wellness initiative	5,500	1,874	3,626
Healthcare reform fees	200	130	70
OPEB	86,000	(174,695)	260,695
Life insurance	25,000	20,244	4,756
Worker's compensation	27,300	38,941	(11,641)
Unemployment tax	30,300	34,134	(3,834)
Holiday/Sick/Vacation/Personal	369,100	269,041	100,059
Uniforms	24,900	12,849	12,051
TOTAL WAGES AND BENEFITS	4,119,600	3,268,074	851,526
SERVICES AND CHARGES			
Electric	100,100	135,601	(35,501)
Telephone	84,400	86,441	(2,041)
Cable	3,300	4,040	(740)
Internet	15,900	15,236	664
Water and sewer	3,500	4,909	(1,409)
Natural Gas	1,500	1,421	79
Advertising	3,800	2,624	1,176
Postage	11,000	10,221	779
Printing	1,700	-	1,700
Publications and memberships	6,300	13,231	(6,931)
Training and professional development	65,100	35,011	30,089
Insurance	133,700	142,885	(9,185)
Repair and Maintenance-Facilities	247,000	272,656	(25,656)
Repair and Maintenance-Equipment	78,200	78,510	(310)
Repair and Maintenance-Vehicles	41,100	52,328	(11,228)
Repair and Maintenance-Meters	12,200	12,622	(422)
Towing & Booting Expense	56,800	18,741	38,059
Equipment Leasing	5,000	5,222	(222)

ALLENTOWN PARKING AUTHORITY**Schedule of Revenues and Expenses - Budget vs Actual
Year Ended December 31, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Vehicle lease	30,600	(24)	30,624
Professional Fees - Accounting	17,000	14,909	2,091
Professional Fees - Computer Fees	42,400	85,694	(43,294)
Professional Fees - Legal	45,000	35,847	9,153
Professional Fees - Pension Admin	27,000	41,112	(14,112)
Professional Fees - Payroll	12,400	14,169	(1,769)
Professional Fees- Miscellaneous	25,300	54,729	(29,429)
Computer operating system	155,400	159,065	(3,665)
Safety Committee	500	448	52
Bank Fees	-	(181)	181
Credit Card Fees	72,000	80,728	(8,728)
Bad Debts	-	23,806	(23,806)
Coin/Currency Counting Expense	1,000	1,601	(601)
Miscellaneous Collections Expense	200	462	(262)
Meetings Expense	3,000	3,633	(633)
Signs	26,500	13,523	12,977
Real estate taxes	14,000	14,419	(419)
Stormwater fees	16,600	16,240	360
Miscellaneous services & charges	47,500	81,562	(34,062)
Charitable contributions	2,500	-	2,500
Tuition reimbursement	25,000	-	25,000
TOTAL SERVICES AND CHARGES	<u>1,434,500</u>	<u>1,533,441</u>	<u>(98,941)</u>
MATERIALS AND SUPPLIES			
Office supplies	28,100	25,253	2,847
Gasoline	19,600	32,891	(13,291)
Miscellaneous Operating Supplies	59,100	74,389	(15,289)
TOTAL MATERIALS AND SUPPLIES	<u>106,800</u>	<u>132,533</u>	<u>(25,733)</u>
TOTAL OPERATING EXPENSES	<u>5,660,900</u>	<u>4,934,048</u>	<u>726,852</u>
CAPITAL OUTLAY	<u>635,200</u>	<u>19,668,769</u>	<u>(19,033,569)</u>
DEBT SERVICE			
Principal payments	1,242,522	1,269,354	(26,832)
Interest expense	1,299,678	1,268,842	30,836
TOTAL DEBT SERVICE	<u>2,542,200</u>	<u>2,538,196</u>	<u>4,004</u>
TRANSFER TO CITY OF ALLENTOWN	<u>500</u>	<u>526,839</u>	<u>(526,339)</u>
TOTAL EXPENSES	<u>8,838,800</u>	<u>27,667,852</u>	<u>(18,829,052)</u>

ALLENTOWN PARKING AUTHORITY**Schedule of Revenues and Expenses - Budget vs Actual
Year Ended December 31, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXCESS (DEFICIT) REVENUES OVER EXPENSES - BUDGETARY BASIS	5,700	(16,511,918)	(16,517,618)
RECONCILIATION TO GAAP BASIS:			
Less: Debt service principal	-	1,269,354	1,269,354
Less: Capital outlay	-	19,668,769	19,668,769
Add: Depreciation expense	-	(1,973,526)	(1,973,526)
	-	<u>18,964,597</u>	<u>18,964,597</u>
CHANGE IN NET POSITION	5,700	2,452,679	2,446,979
NET POSITION, BEGINNING	<u>18,920,693</u>	<u>18,920,693</u>	-
NET POSITION, ENDING	\$ 18,926,393	\$ 21,373,372	\$ 2,446,979