

**REDEVELOPMENT AUTHORITY OF THE
CITY OF BETHLEHEM**

FINANCIAL REPORT

June 30, 2024



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REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Redevelopment Authority of the City of Bethlehem

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Authority of the City of Bethlehem (the Authority), a component unit of the City of Bethlehem, as of and for the year ended June 30, 2024, 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 governmental activities and each major fund of the Authority as of June 30, 2024 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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 GAAS 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 GAAS, 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 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 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 required supplementary 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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. Our opinions on the basic financial statements are not affected by this missing information.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
February 15, 2025

BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

Statement of Net Position

June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 457,738
Receivables	50,413
Capital assets, net	<u>24,986,008</u>
TOTAL ASSETS	<u>25,494,159</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows, pension	<u>60,382</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>60,382</u>
LIABILITIES	
Accounts payable	5,595
Unearned revenues	241,657
Net pension liability	<u>55,455</u>
TOTAL LIABILITIES	<u>302,707</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows, pension	<u>19,926</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,926</u>
NET POSITION	
Net investment in capital assets	24,986,008
Unrestricted	<u>245,900</u>
TOTAL NET POSITION	<u>\$ 25,231,908</u>

See Notes to Financial Statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

Statement of Activities

For the Year Ended June 30, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Community development	\$ 1,154,003	\$ 436,078	\$ -	\$ (717,925)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,154,003</u>	<u>\$ 436,078</u>	<u>\$ -</u>	(717,925)
GENERAL REVENUES:				
Interest income				<u>1,052</u>
				<u>1,052</u>
CHANGE IN NET POSITION				(716,873)
NET POSITION, BEGINNING				<u>25,948,781</u>
NET POSITION, ENDING				<u>\$ 25,231,908</u>

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM**Balance Sheet
Governmental Funds
June 30, 2024**

	<u>General Fund</u>	<u>Bethlehem Works Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 457,738	\$ -	\$ 457,738
Receivables	<u>50,413</u>	<u>-</u>	<u>50,413</u>
TOTAL ASSETS	<u>\$ 508,151</u>	<u>\$ -</u>	<u>\$ 508,151</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 5,595	\$ -	\$ 5,595
Unearned revenues	<u>241,657</u>	<u>-</u>	<u>241,657</u>
TOTAL LIABILITIES	<u>247,252</u>	<u>-</u>	<u>247,252</u>
FUND BALANCES			
Unassigned	<u>260,899</u>	<u>-</u>	<u>260,899</u>
TOTAL FUND BALANCES	<u>260,899</u>	<u>-</u>	<u>260,899</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 508,151</u>	<u>\$ -</u>	<u>\$ 508,151</u>

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 260,899**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets and the accumulated depreciation are as follows:

Cost of assets	\$ 31,267,155	
Accumulated depreciation	<u>(6,281,147)</u>	
		24,986,008

Deferred inflows and outflows of resources related to pensions are not reported in governmental funds

Deferred Outflows Related to Pensions	60,382
Deferred Inflows Related to Pensions	(19,926)

Net pension liabilities are not recorded as a liability in the governmental funds; however, these items are reported as a liability in the government-wide financial statements

Net pension liability	<u>(55,455)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 25,231,908**

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2024**

	<u>General Fund</u>	<u>Bethlehem Works Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Program revenue	\$ 436,078	\$ -	\$ 436,078
Investment income	-	1,052	1,052
TOTAL REVENUE	<u>436,078</u>	<u>1,052</u>	<u>437,130</u>
EXPENDITURES			
Program expenditures	420,159	2,459	422,618
General expenditures	<u>79,240</u>	<u>-</u>	<u>79,240</u>
TOTAL EXPENDITURES	<u>499,399</u>	<u>2,459</u>	<u>501,858</u>
EXCESS EXPENDITURES OVER REVENUES	<u>(63,321)</u>	<u>(1,407)</u>	<u>(64,728)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers in	35,224	-	35,224
Transfers out	<u>-</u>	<u>(35,224)</u>	<u>(35,224)</u>
TOTAL OTHER FINANCING SOURCES/(USES)	<u>35,224</u>	<u>(35,224)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(28,097)	(36,631)	(64,728)
FUND BALANCE, beginning	<u>288,996</u>	<u>36,631</u>	<u>325,627</u>
FUND BALANCE, ending	<u>\$ 260,899</u>	<u>\$ -</u>	<u>\$ 260,899</u>

See Notes to Financial Statements.

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance to Statement of Activities
For the Year Ended June 30, 2024**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (64,728)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay	\$ -	
Depreciation expense	<u>(645,124)</u>	(645,124)

The difference between current year pension expense reported on the government activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds.

Pension expense		<u>(7,021)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (716,873)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Redevelopment Authority of the City of Bethlehem (Authority) was incorporated under the provisions of the Pennsylvania Urban Redevelopment Act Number 385 of May 24, 1945, as amended.

Financial Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria have been considered and there are no agencies or entities which should be presented with the Authority.

The Authority is considered a component unit of the City of Bethlehem (City) and the Authority's financial activities are included in the City's financial statements.

Basis of Presentation

The basic financial statements of the Authority are composed of the government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of applicable Governmental Accounting Standards Board (GASB) pronouncements.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The underlying accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts

that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Program revenue and investment income (loss) associated with the current fiscal period are all considered to be susceptible to accrual and thus have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Authority. Expenditures generally are recorded when a liability is incurred.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

The determination of major funds is based on minimum criteria as set forth in GASB pronouncements. The following are the Authority’s major funds:

General Fund – is used to account for several cooperation agreements with the City’s CDBG program and other funding sources wherein administration and other costs are provided by the Authority for general administrative, rehabilitation activities, and property acquisition and demolition.

Bethlehem Works – is used to account for the collection of financing district revenues from the various taxing bodies and to pay for construction and construction-related costs associated with various projects within the designated Bethlehem Works TIF (Tax Increment Financing) District. This program ended during the year ended June 30, 2021. As of June 30, 2024, this fund has been closed and any residual balances have been transferred to the general fund

The Authority is not required to adopt a budget for these funds.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be all unrestricted demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

The Board of Directors (Board) and trustee are permitted to invest the Authority's funds as defined in the Local Government Unit Debt Act, the Municipality Authorities Act, and the related trust indenture. The Authority is authorized to invest in the following: (1) U.S. Treasury Bills, (2) short-term obligations of the U.S. Government or its agencies or instrumentalities, (3) short-term commercial paper issued by a public corporation, (4) banker's acceptances, (5) insured savings and checking accounts and certificates of deposit in bank, savings and loan associations, and credit unions, (6) general obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or any Pennsylvania political subdivision, (7) shares of mutual funds, whose investments are restricted to the above categories.

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

Investments are stated at fair value. The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Authority did not have any investments as of June 30, 2024.

Transactions Between Funds

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as internal balances.

Use of Estimates

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

Receivables

Management has determined that all receivables are collectible, and no allowance for doubtful accounts has been reported.

Capital Assets

Capital assets of the Authority result from expenditures in the governmental funds. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

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

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

	<u>Years</u>
Buildings	40-50

Deferred Outflows/Inflows of Resources for Pension

In conjunction with pension accounting requirements, the differences in the Authority's expected and actual experience, the changes in assumptions, the 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 government-wide financial statements. These amounts are determined based on the actuarial valuation performed for the pension plan.

Unearned Revenue

The Authority receives funds in advance for various projects. These amounts are reported as unearned revenue until project expenses are incurred.

Fund Balances/Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets and unrestricted. The below classifications describe the constraints:

- **Net Investment in Capital Assets** - This category groups all capital assets, including infrastructure, and intangible assets, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- **Unrestricted Net Position** - This category represents net position of the Authority not restricted for any project or other purpose.

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

- **Restricted** – This category represents funds that are limited in the use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. There were no restricted amounts as of June 30, 2024.
- **Unassigned** – This category represents all other funds not otherwise defined.

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Unassigned fund balance is applied last.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages during the year ended June 30, 2024. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 2. DEPOSITS

Custodial Credit Risk

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 formal policy for custodial credit risk on deposits.

As of June 30, 2024, the Authority's book balance was \$457,638 and the bank balance was \$465,273. Of the bank balance at June 30, 2024, \$250,000 was covered by federal depository insurance and \$215,273 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM**Notes to the Financial Statements**

June 30, 2024

authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

NOTE 3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no interfund balances as of June 30, 2024.

A reconciliation of the interfund transfers for the year ended June 30, 2024 is as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 35,224	\$ -
Bethlehem Works Fund	<u>-</u>	<u>35,224</u>
Total	<u>\$ 35,224</u>	<u>\$ 35,224</u>

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 was as follows:

	<u>Balance Jul 1, 2023</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance Jun 30, 2024</u>
Government Activities				
Capital assets, depreciable:				
Buildings	<u>\$ 31,267,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,267,155</u>
	<u>31,267,155</u>	<u>-</u>	<u>-</u>	<u>31,267,155</u>
Less accumulated depreciation:				
Buildings	<u>(5,636,023)</u>	<u>(645,124)</u>	<u>-</u>	<u>(6,281,147)</u>
	<u>(5,636,023)</u>	<u>(645,124)</u>	<u>-</u>	<u>(6,281,147)</u>
Governmental activities capital assets, net	<u>\$ 25,631,132</u>	<u>\$ (645,124)</u>	<u>\$ -</u>	<u>\$ 24,986,008</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

Community development	<u>\$ 645,124</u>
Total depreciation expense, governmental activities	<u>\$ 645,124</u>

NOTE 5. COMMITMENTS AND CONTINGENCIES

ArtsQuest Lease

During the year ended June 30, 2011, the Authority entered into a lease agreement with ArtsQuest. The Authority has leased to ArtsQuest certain property, including the Levitt Pavilion, the Bethlehem Landing Building, and the Improved Plazas. The initial term of the lease expired on June 1, 2020. This lease automatically renewed effective June 1, 2020. Because the initial term was extended for an additional 10-year renewal period, the lease is then subject to two additional 10-year renewals, which will automatically renew unless one party provides a written termination notice to the other at least one year in advance of the applicable renewal date. ArtsQuest is to surrender the assets upon the termination of this lease, in as good order and condition as they are at the start of the lease, ordinary wear and tear and depreciation excepted. Consideration for the lease was \$1.

Consulting Agreement

In March 2021, the Board approved a consulting agreement between the Authority and the retired Executive Director to continue fulfilling duties and responsibilities as the Authority's Executive Director for the period April 1, 2021 through February 28, 2022. In February 2022, per an amended agreement, the retired Executive Director will act in a consulting capacity, to supplement services/duties/responsibilities of the new Executive Director for the period of March 1, 2022 through December 31, 2022. The agreement was amended again to cover services through December 31, 2023. In January 2024, the Authority extended the consulting agreement with the retired Executive Director for the period January 1, 2024 through June 30, 2024 at \$1,000 per month. These services were not renewed and did not extend past June 30, 2024.

Intergovernmental Cooperation Agreement

In August 2021, under Resolution 1489, the Authority entered into the Intergovernmental Cooperation Agreement with the City, which creates a Grant Program Manager position for the City. The Grant Program Manager will also have the responsibilities of the Authority's former Administrative Coordinator position and thus eliminates all employees at the Authority. The Grant Program Manager's salary will be paid by the City, with a portion of the salary being reimbursed by the Authority to the City. The Authority has no plans at this time of hiring additional employees. Thus, creating no salaries expense for the Authority, beyond this point. As of June 30, 2024 total expenses paid under the agreement were \$33,000.

NOTE 6. PENSION PLAN

Plan Description

The Authority's pension plan is a defined benefit pension plan (plan) adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer Public Employee Retirement System (PERS) that acts as a common investment and administrative agent for municipalities in the Commonwealth.

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

Notes to the Financial Statements

June 30, 2024

PMRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. The report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, Pennsylvania 17108- 1165.

Benefits Provided

Act 205 of the Pennsylvania Municipal Retirement Law grants the authority to establish and amend the benefit terms to the Board. All full-time employees are required to participate in PMRS. A member is 100% vested after 12 years of service. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries as outlined in the plan document.

Plan Membership

Membership of the Plan consisted of the following at January 1, 2023, the most recent actuarial valuation:

Active employees	0
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	<u>1</u>
	<u>5</u>

Contributions

The Authority’s funding policy is to fund the minimum Plan requirement computed in accordance with Act 205 in 1984, the Municipal Pension Plan Fund Standard and Recovery Act. The Authority’s funding policy requires that annual contributions be based upon the Plan’s Minimum Municipal Obligation (MMO), which are actuarially determined rates that should result in the accumulation of assets that are sufficient to pay benefits when due. All full-time employees are required to contribute five and a half percent of their annual covered salary to the System. The MMO for the year ended December 31, 2023 was \$12,966. During the year ended June 30, 2024, the Authority made a contribution to the Plan in the amount of \$12,966.

Changes in the Net Pension Liability

The changes in the net pension liability of the Authority for the year ended June 30, 2024 were as follows:

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

Notes to the Financial Statements

June 30, 2024

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A-B)
	<u> </u>	<u> </u>	<u> </u>
Balances, June 30, 2023 (based on the measurement date of December 31, 2022)	\$ 1,271,246	\$ 1,151,268	\$ 119,978
Changes for the year:			
Interest	64,293	-	64,293
Contributions, employer	-	12,866	(12,866)
Contributions, PMRS assessment	-	100	(100)
PMRS investment income	-	58,362	(58,362)
Market value investment income	-	60,857	(60,857)
PMRS administrative expense	-	(100)	100
Additional administrative expense	-	(3,269)	3,269
Benefit payments	<u>(94,427)</u>	<u>(94,427)</u>	<u>-</u>
Net changes	<u>(30,134)</u>	<u>34,389</u>	<u>(64,523)</u>
Balances, June 30, 2024 (based on the measurement date of December 31, 2023)	<u>\$ 1,241,112</u>	<u>\$ 1,185,657</u>	<u>\$ 55,455</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed on January 1, 2023, rolled forward to the measurement date of December 31, 2023, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	5.25%
Projected salary increases	2.79%-6.22%
* includes inflation rate of 2.20%	
Post-retirement cost of living adjustments	2.20%, subject to plan limitations

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

Pre-retirement mortality:

Males	PUB-2010 General Employees male table
Females	PUB-2010 General Employees female table

Post-retirement mortality:

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

Long-Term Expected Rate of Return

The PMRS System’s (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class. The methodology used by the System and an in-depth description of the process, including the anticipated rate of return by asset class, can be found at www.pmrs.state.pa.us. Based on this methodology, the PMRS Board established the System’s long-term expected rate of return at 7.31%. The rationale for the difference between the System’s long-term expected rate of return and the discount rate can be found at www.pmrs.state.pa.us.

Discount Rate

The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities’ total pension liability as of December 31, 2023 was 5.25%. The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System’s long-term expected rate of return will be used in the depletion testing of the projected cash flows. Based on those assumptions, the PMRS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents the net pension (asset) liability of the Plan calculated using the discount rates described above, as well as what the Plan’s net pension (asset) liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net Pension Liability (Asset)	\$ 195,255	\$ 55,455	\$ (61,087)

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

For the year ended June 30, 2024, the Authority recognized pension expense of \$19,987.

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM**Notes to the Financial Statements**

June 30, 2024

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 60,382
Net difference between projected and actual earnings on pension plan investments	<u>19,926</u>	<u>-</u>
	<u>\$ 19,926</u>	<u>\$ 60,382</u>

The difference in the Authority's expected and actual experience is recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Authority contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2025	\$ 28,007
2026	1,899
2027	22,723
2028	<u>(12,173)</u>
	<u>\$ 40,456</u>

Subsequent Event

In December 2024, the Authority learned that as a result of the 2021 Intergovernmental Agreement with the City of Bethlehem and the last Authority employee no longer being an Authority employee (due to the position being transferred to a City of Bethlehem employment position), the full unfunded liability of this position was due to PMRS within one year, which amounted to \$131,148.

On December 27, 2024, the Authority elected to make an irrevocable election to amortize the balance of the unfunded liability over a ten year period. The 10-year amortization election was approved by PMRS in January 2025.

NOTE 7. CONDUIT DEBT

The Authority has entered into certain conduit financing agreements with other non-profit

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

Notes to the Financial Statements

June 30, 2024

organizations. Although the Authority is a party to the trust indentures with the associated Trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reported in the Authority's balance sheet or statement of net position. The Authority served as a financing conduit for the following bond purchases:

ArtsQuest

Revenue Bonds Series 2016, outstanding balance of the bonds is not available.

Moravian University

University Revenue Bonds of 2021, outstanding balance as of June 30, 2024 in the amount of \$4,425,000.

University Revenue Bonds of 2022, outstanding balance as of June 30, 2024 in the amount of \$8,730,000.

University Revenue Bonds of 2024, outstanding balance as of June 30, 2024 in the amount of \$39,970,000.

NOTE 8. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events and transactions for potential recognition and disclosure through February 15, 2025, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

Required Supplementary Information

Schedule of Changes in the Pension Plan's Net Pension Liability and Related Ratios

Last Ten Fiscal Years

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service cost	\$ -	\$ -	\$ 15,275	\$ 26,019	\$ 25,264	\$ 24,297	\$ 23,589	\$ 23,110	\$ 22,509	\$ 21,777
Interest	64,293	56,761	58,507	54,214	53,876	52,994	52,803	51,724	50,385	49,383
Differences between expected and actual experiences	-	181,148	-	23,196	-	12,002	-	38,737	-	19,796
Changes of assumptions	-	-	-	70,311	-	-	-	24,749	24,308	-
Benefit payments	(94,427)	(94,427)	(89,185)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)
NET CHANGE IN TOTAL PENSION LIABILITY	(30,134)	143,482	(15,403)	100,282	5,682	15,835	2,934	64,862	23,744	17,498
TOTAL PENSION LIABILITY, BEGINNING	<u>1,271,246</u>	<u>1,127,764</u>	<u>1,143,167</u>	<u>1,042,885</u>	<u>1,037,203</u>	<u>1,021,368</u>	<u>1,018,434</u>	<u>953,572</u>	<u>929,828</u>	<u>912,330</u>
TOTAL PENSION LIABILITY, ENDING	\$ 1,241,112	\$ 1,271,246	\$ 1,127,764	\$ 1,143,167	\$ 1,042,885	\$ 1,037,203	\$ 1,021,368	\$ 1,018,434	\$ 953,572	\$ 929,828
PLAN FIDUCIARY NET POSITION										
Contributions, employer	12,866	14,805	30,863	34,544	34,097	30,415	30,522	27,449	27,007	18,097
Contributions, member	-	-	5,481	9,969	9,679	9,398	9,125	9,191	8,592	8,304
Net investment income (loss)	119,219	(117,436)	161,963	222,791	200,448	(11,385)	145,234	84,414	19,218	50,638
Benefit payments, including refunds	(94,427)	(94,427)	(89,185)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)	(73,458)
Administrative expense	(3,269)	(3,114)	(3,375)	(2,341)	(1,794)	(2,121)	(2,155)	(2,311)	(1,918)	(1,746)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	34,389	(200,172)	105,747	191,505	168,972	(47,151)	109,268	45,285	(20,559)	1,835
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>1,151,268</u>	<u>1,351,440</u>	<u>1,245,693</u>	<u>1,054,188</u>	<u>885,216</u>	<u>932,367</u>	<u>823,099</u>	<u>777,814</u>	<u>798,373</u>	<u>796,538</u>
PLAN FIDUCIARY NET POSITION, ENDING	\$ 1,185,657	\$ 1,151,268	\$ 1,351,440	\$ 1,245,693	\$ 1,054,188	\$ 885,216	\$ 932,367	\$ 823,099	\$ 777,814	\$ 798,373
NET PENSION LIABILITY, ENDING	\$ 55,455	\$ 119,978	\$ (223,676)	\$ (102,526)	\$ (11,303)	\$ 151,987	\$ 89,001	\$ 195,335	\$ 175,758	\$ 131,455
Plan fiduciary net position as a percentage of total pension liability	95.53%	90.56%	119.83%	108.97%	101.08%	85.35%	91.29%	80.82%	81.57%	85.86%
COVERED EMPLOYEE PAYROLL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,655</u>	<u>\$ 181,248</u>	<u>\$ 175,989</u>	<u>\$ 170,882</u>	<u>\$ 165,905</u>	<u>\$ 167,105</u>	<u>\$ 156,218</u>	<u>\$ 156,502</u>
Net pension liability as a percentage of covered employee payroll	N/A	N/A	-224.45%	-56.57%	-6.42%	88.94%	53.65%	116.89%	112.51%	84.00%

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

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM**Required Supplementary Information****Schedule of Employer Contributions****Last Ten Fiscal Years**

Measurement Year	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by Plan as a % of Covered Employee Payroll
2015	\$ 18,097	\$ 18,097	\$ -	\$ 156,502	11.56%
2016	27,007	27,007	-	156,218	17.29%
2017	27,449	27,449	-	167,105	16.43%
2018	30,522	30,522	-	165,905	18.40%
2019	30,415	30,415	-	170,882	17.80%
2020	34,097	34,097	-	175,989	19.37%
2021	34,544	34,544	-	181,248	19.06%
2022	30,863	30,863	-	99,655	30.97%
2023	14,805	14,805	-	-	N/A
2024	12,966	12,966	-	-	N/A

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

REDEVELOPMENT AUTHORITY OF THE CITY OF BETHLEHEM

Notes to Required Supplementary Information

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Level Dollar based upon the amortization periods in Act 205
Asset valuation method:	Based upon the municipal reserves
Discount rate:	5.25%
Inflation:	2.20%
Salary increases:	Age related scale with merit and inflation component. For 2021 and 2022, merit based increases are assumed to be 0%.
COLA increases:	2.2% for those eligible for a COLA
Pre-retirement mortality:	Males - PUB-2010 General Employees male table Females - PUB-2010 General Employees female table
Post-retirement mortality:	Males - RP-2006 annuitant male table Females - RP-2006 annuitant female table
Mortality Improvement	Base mortality described above projected from the applicable table's base year to 2023 using Mortality Improvement Scale MP-2018.

Historical changes in assumptions

12/31/2020:	The experience study was updated from period covering January 1, 2009 through December 31, 2013 to January 1, 2014 through December 31, 2018; mortality tables were updated from RP 2000 to PUB-2010 for pre-retirement and projected salary increases were also adjusted.
12/31/2016:	Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.
12/31/2015:	Assumptions based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015.



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February 15, 2025

To the Board of Directors
Redevelopment Authority of the City of Bethlehem

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Authority of the City of Bethlehem, (the Authority), a component unity of the City of Bethlehem, for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 26, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no particularly sensitive accounting estimates in the Township's financial statements.

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most significant disclosure affecting the financial statements was Note 5, which discusses Authority commitments.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected Misstatements

The attached schedule summarized all misstatements (material and immaterial) detected as a result of the audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 15, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Audit Findings or Issues

Matters involving internal controls and the Authority's operations are detailed in a separately issued management letter.

Other Matters

Required Supplementary Information

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Members of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Buckno Lisicky & Co PC". The signature is written in a cursive, flowing style.

Buckno Lisicky & Company
February 15, 2025



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Board of Directors
Redevelopment Authority of the City of Bethlehem

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Redevelopment Authority of the City of Bethlehem (Authority), a component unit of the City of Bethlehem, as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Improving Financial Reporting

During the audit process, various material adjustments were proposed to the Authority's records by the auditors. These adjustments were necessary to balance the trial balance, to adjust net position to match the prior year audited financial statements, and to adjust various accrual accounts to actual. We recommend that the Authority evaluate their current internal controls over financial reporting and identify areas for improvement that are most important for consistent and accurate financial reporting throughout the year.

We have already discussed these comments and suggestions with various Authority personnel. We highly recommend cleaning up the Authority's chart of accounts in order to help assist in the financial reporting process.

Two City Center, 645 Hamilton Street, Suite 204, Allentown, PA 18101 ~ 610.821.8580 ~ fax 610.821.9679
444 Main Street, Bethlehem, PA 18018 ~ 610.691.0113 ~ fax 610.691.5273
1167 Interchange Road, Lehighton, PA 18235 ~ 610.377.6960 ~ fax 610.377.6980
2 Ridgedale Avenue, Suite 205, Cedar Knolls, NJ 07927 ~ 973.984.0100 ~ fax 973.984.7467

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Buckno Lisicky & Co PC

Buckno Lisicky & Company, PC