

**CITY OF ALLENTOWN
DECEMBER 31, 2016
SINGLE AUDIT**

Completed by:
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City of Allentown 2016 Single Audit

- Zelenkofske Axelrod LLC
 - First Year Auditing City Finances
 - Firm specializes in government and not-for-profit audits
 - Responsibility is to issue an opinion on the City's financial statements and its compliance with Federal Grant requirements in accordance with Uniform Guidance (Single Audit Act)

City of Allentown 2016 Single Audit

- Zelenkofske Axelrod LLC (Continued)
 - Our responsibility is not to issue an opinion on internal control but we do gain an understanding of internal control over financial statements and compliance
 - City issues a Comprehensive Annual Financial Report that is submitted to the Government Finance Officers Association Certificate Program for Financial Reporting Excellence

City of Allentown 2016 Single Audit

- City Responsibilities
 - Preparation of Financial Statements in accordance with US Generally Accepted Accounting Principles
 - Preparation of Required Supplementary Information in accordance with GAAP – Auditor only performs limited procedures
 - Management Discussion and Analysis
 - Budget to Actual Schedules
 - Required Pension Information

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- Other Information in CAFR
 - Introductory Section
 - Statistical Section
 - Unaudited
 - City prepares this information and Auditor does not audit

City of Allentown 2016 Single Audit

- Results of Audit
 - Unmodified Opinion on Financial Statements
 - Note that ZA did not audit the City's Component Units – Redevelopment Authority of the City of Allentown and Allentown Parking Authority

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- New Accounting Principles
 - Adoption of new accounting principles did not result in a restatement of prior period amounts
 - New Principles that affected report
 - GASB 72 – enhanced the footnote information that is presented in relation to the fair value presentation of investments
 - GASB 77 – required footnote disclosure in reference to any tax abatement policies of the City, even if they are enacted by other governments

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- Financial Results
 - Governmental Activities Net Position
 - Total Net Position is Negative \$88 million
 - » \$248 of that negative amount is Unrestricted with most of that amount a result of the Utility Service Concession Lease Arrangement with the Lehigh County Authority as well as negative amounts related to the City's Pension Plans

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- Financial Results
 - Governmental Activities Change in Net Position
 - \$13.6 million decrease
 - Net Pension Liability change is approximately \$23 million which is reason behind the overall decrease in net position

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- Financial Results

- Governmental Activities Revenues (ex Transfers)

- \$112.2 million – 2016
 - \$114.8 million – 2015
 - \$120.0 million - 2014

- Governmental Activities Expenses (ex Special Items)

- \$126.7 million – 2016
 - \$113.7 million – 2015
 - \$114.2 million - 2014

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- Financial Results
 - Business Type Activities Net Position
 - Total Net Position is \$9.8 million
 - » \$4.9 million of this Net Position in Invested in Capital Assets, Net

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- Financial Results
 - Business Type Activities Changes in Net Position
 - Negative \$421,820 which is less than 3% of total the activities of the business type activities (Solid Waste and Golf Course)

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- Financial Results
 - General Fund Fund Balance
 - \$19.5 million
 - \$860,000 is restricted
 - \$6,434,577 is Assigned – mostly pension obligation amounts from concession lease money
 - \$12.2 million is Unassigned and can be used for any purpose

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- Financial Results
 - General Fund Change in Fund Balance
 - Negative \$8.35 million
 - \$2.5 million of this amount was for pension obligation bond payments which comes from assigned fund balance
 - \$1.1 million was an additional transfer to the Internal Service Fund Risk payments
 - Also, the General Fund received an advance from the Solid Waste Fund in the amount of \$4.5 million for the payment of expenses

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- Financial Results
 - General Fund Revenues and Other Financing Sources
 - \$94.2 million – 2016
 - \$89.2 million – 2015
 - \$94.2 million – 2014
 - General Fund Expenses and Other Financing Uses
 - \$102.6 million – 2016
 - \$95.3 million – 2015
 - \$106.6 million – 2014

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- Federal Compliance
 - Major Programs
 - Community Development Block Grant
 - HOME Investment Partnerships Program
 - Highway Planning and Construction

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- Federal Compliance
 - Community Development Block Grant
 - 4 Findings
 - Earmarking – Certain percentage of grant must be spent in specified time and City did not meet requirements – this is a repeat finding
 - Reporting – City was required to submit Form HUD 60002 in a timely fashion and did not – this is a repeat finding
 - Subrecipient Monitoring – City did not monitor two out of five selected subrecipients to ensure they are spending money in accordance with program requirements
 - Procurement and Suspension/Debarment – City did not have proper language in contracts with subrecipients to ensure entity was not suspended/debarred by granting agency

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- Federal Compliance
 - HOME Investment Partnerships Program
 - 4 Findings
 - Earmarking and Matching – City could not provide information that it met the earmarking and matching requirements of the program
 - Procurement and Suspension/Debarment – City did not have proper language in contracts with subrecipients to ensure entity was not suspended/debarred by granting agency
 - Reporting – City was required to submit Form HUD 60002 in a timely fashion and did not
 - Subrecipient Monitoring – City did not monitor two out of three selected subrecipients to ensure they are spending money in accordance with program requirements

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- Federal Compliance
 - Highway Planning and Construction
 - 1 Finding
 - Cash Management – City is required to pay vendors within 10 days of receiving grant money and in three of seven reimbursement requests tested, the vendors were not paid within this time frame
 - This is a repeat finding

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- Management Letter Comments
 - Improve Timeliness of Bank Reconciliations – this is a repeat comment
 - Timely and accurate closing of Year-End Books and Records – records need to be reconciled and in auditable condition within three months of year-end – some records received during the audit did not tie to the City's accounting system
 - Uncollectible Accounts – It was noted that no formal written policies and procedures exist for estimating uncollectible accounts
 - City should update and complete a formal document outlining the City's accounting and internal control procedures – Finance Department is developing an Administrative Information Manual that should include this information
 - Recycling and Solid Waste Department Internal Controls – this is a repeat comment – Each cashier should have their own unique login and the cash drawers should be monitored and reconciled by someone independent of collection process

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- Future Thoughts
 - 2018 – City will be required to adopt GASB 75 which will dramatically change the accounting for Other Post Employment Benefits
 - 2020 – GASB 87 - Leases will be required to be adopted. Changes accounting for all leases
 - Other GASB pronouncements will be required to be adopted but should not have a dramatic affect

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- QUESTIONS?