

CITY OF ALLENTOWN DECEMBER 31, 2017 AUDIT PRESENTATION

Presented by:

ZELENKOF SKE AXELROD LLC

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City of Allentown 2017 Audit

- Zelenkofske Axelrod LLC's Responsibility
 - 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 2017 Audit

- Zelenkofske Axelrod LLC (Continued)
 - ZA's 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 (or CAFR) that is submitted to the Government Finance Officers Association Certificate Program for Financial Reporting Excellence

City of Allentown 2017 Audit

- City's Responsibilities
 - Preparation of Financial Statements in accordance with U.S. 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
 - The City prepares this information and Auditor does not audit

City of Allentown 2017 Audit

- Results of 2017 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
 - These were presented as component units in the City's financial statements

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- New Accounting Principles
 - Adoption of new accounting principles did not result in a restatement of prior period amounts
 - None of the new principles affected the 2017 financial statements

City of Allentown 2017 Audit

- Financial Results
 - Governmental Activities Net Position
 - Total Net Position is Negative \$99 million
 - » \$297 million 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

City of Allentown 2017 Audit

- Financial Results
 - Governmental Activities Change in Net Position
 - \$9.9 million decrease; \$3.7 million less than 2016
 - Change in pension-related accounts \$7 million increase in liabilities, net
 - \$2 million increase in OPEB liability
 - Expenditures over direct revenues was \$12 million higher than 2016
 - General revenues and transfers was \$16 million higher than 2016

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- Financial Results
 - Governmental Activities Revenues (ex Transfers)
 - \$116.6 million - 2017
 - \$112.2 million – 2016
 - \$114.8 million – 2015
 - Governmental Activities Expenses (ex Special Items)
 - \$127.7 million - 2017
 - \$126.7 million – 2016
 - \$113.7 million – 2015

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- Financial Results
 - Business Type Activities Net Position (Solid Waste Fund & Municipal Golf Course)
 - Total Net Position is \$10.9 million
 - » \$5.5 million of this Net Position is in Invested in Capital Assets, Net

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- Financial Results
 - Business Type Activities
 - \$1 million increase in Net Position
 - \$1.4 million increase in charges for services

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- Financial Results
 - General Fund
 - Fund Balance - \$13.3 million unassigned; \$6.3 million reduction
 - \$1.3 million reduction in cash
 - \$7.2 million reduction in amounts due from other funds
 - \$2.1 million increase in unavailable taxes

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- Financial Results
 - General Fund Change in Fund Balance
 - Decrease of \$6.3 million; \$2.1 million less than 2016
 - \$5.8 million increase in revenues; primarily taxes
 - \$5.9 increase in expenditures; primarily public safety
 - \$6.6 million increase in issuance of long term debt and capital leases.

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- Financial Results
 - General Fund Revenues and Other Financing Sources
 - \$104.7 million - 2017
 - \$94.2 million – 2016
 - \$89.2 million – 2015
 - General Fund Expenses and Other Financing Uses
 - \$110.9 million - 2017
 - \$102.6 million – 2016
 - \$95.3 million – 2015

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- Single Audit
 - Schedule of Expenditures of Federal Awards
 - City is required to provide an accurate schedule of expenditures of federal awards
 - Large adjustments to the expenditures of the Department of Housing and Urban Development section were required

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- Federal Compliance
 - Major Program
 - Community Development Block Grant

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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
 - Program Income– City did not properly account for program income in the general ledger
 - Reporting – City was required to accurately report amounts on the Forms SF-425 and C04PR26 which reflect the general ledger but did not – this is a repeat finding
 - Subrecipient Monitoring – City did not have provisions required by uniform administrative requirements in contracts – 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
 - 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

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- Future Changes:
 - 2018 – City will be required to adopt GASB 75 which will dramatically change the accounting for Other Postemployment Benefits
 - 2018 – City to adopt GASB 86 addressing certain debt extinguishment issues
 - 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?

