

CITY OF ALLENTOWN, PENNSYLVANIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004
&
INDEPENDENT AUDITORS' REPORT
&
ADDITIONAL INFORMATION**

**CITY OF ALLENTOWN, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004**



Roy C. Afflerbach

Mayor

David M. Howells, Sr.
Martin Velazquez, III
David K. Bausch
Tom Burke
Julio A. Guridy
Louis J. Hershman
Gail Hoover

President, City Council
Vice President, City Council
Councilperson
Councilperson
Councilperson
Councilperson
Councilperson

Frank J. Concannon

City Controller

Robert W. Brown, Esq.

City Solicitor

Beth A. Mohylsky
Barbara W. Bigelow

Manager of Treasury and Accounting Operations
Director of Finance and Human Resources

Parente Randolph, LLC

Independent Auditors

**This Report was prepared by
The Department of Finance
Barbara W. Bigelow, Director of Finance and Human Resources
Beth A. Mohylsky, Manager of Treasury and Accounting Operations**

PERTINENT FACTS ABOUT THE CITY OF ALLENTOWN

GENERAL

The City of Allentown is the county seat of Lehigh County and, with 106,632 residents, according to the U. S. Census Bureau 2000 estimate, ranks as Pennsylvania's third largest city. The Allentown-Bethlehem Metropolitan Statistical Area, comprised of Carbon, Lehigh and Northampton counties is the third largest urbanized area in the Commonwealth, with population estimated at 611,764. Only the Philadelphia and Pittsburgh areas have more residents. The City is strategically located within a 300-mile radius of the larger metropolitan areas on the eastern seaboard of the United States.

CITY GOVERNMENT

On April 23, 1996, the voters of the City of Allentown adopted a Home Rule Charter pursuant to the Home Rule Charter and Optional Plans Law, Act of April 13, 1972, P.L. 184, as amended, 53 P.S. Sections 2901 et seq. The City's Home Rule Charter took effect on the first Monday of January 1997. An elected Mayor with a four-year term serves as the chief executive of the City. A seven-member part-time City Council elected at large for four-year staggered terms forms the legislative branch of the City government. The other elected City official is the City Controller who serves a four-year term. The City Council holds regular public meetings, at least twice a month, usually the first and third Wednesday of each month, in order to enact legislation in the form of ordinances and resolutions.

INDUSTRIES/LABOR FORCE

The Allentown area remains an attractive location for new and existing businesses. A number of major corporations, including Mack Trucks, Inc., Air Products and Chemicals, Inc., Lehigh Portland Cement, Agere and PPL have selected Lehigh County as their headquarters or as the location of their principal plants. Other major industries include apparel, electrical and electronic equipment and fabricated metal products. Investments have remained strong in Allentown and the Lehigh Valley area relative to the state and northeast as a whole.

TRANSPORTATION

Interstate 78, U.S. Routes 22, 222 and 309 and several state highways radiate from the City and the Lehigh Valley and provide access to the major markets and ports of the East. The Northeast Extension of the Pennsylvania Turnpike is located approximately three miles west of the City. Railroads serving the Lehigh Valley area include the Consolidated Rail Corporation and the Canadian Pacific Railroad. Conrail has a large classification yard in the Allentown area. The Allentown yard can handle some 80 trains in and out each day, an average of one train every 18 minutes.

AMENITIES

The City of Allentown is home to a variety of cultural and educational facilities including two colleges, an art museum, two theatre companies, two symphony orchestras, a Municipal Opera Company, the Allentown Band, and an expanded free Public Library. The City maintains 2,000 acres of park land, well above the national average. The downtown area is in a transition period and a major effort is being made to attract new enterprises to Hamilton Street. Increased downtown activity will become a catalyst for continuing interest in the area.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF ALLENTOWN
DECEMBER 31, 2004**

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June 30, 2005

Honorable Mayor and Members of City Council
Allentown, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the City of Allentown, Pennsylvania, for the fiscal year ended December 31, 2004 is submitted herewith. This report was prepared by the City's Department of Finance. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Appendix. The introductory section includes this transmittal letter and the government's organizational chart listing principal officials. The financial section includes the management's discussion and analysis, basic financial statements and combining and individual fund financial statements and schedules and component unit financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The appendix presents the City's comprehensive set of management policies and also includes financial statements for two of the City's Component Units - the Allentown Parking Authority (APA) and the Allentown Economic Development Corporation (AEDC).

The City provides a full range of services. These services include police and fire protection; sanitation services; the construction and maintenance of streets, roads, and infrastructure; water/sewer services; recreational activities, parks, community development and planning, and general administrative services.

This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Government Accounting Standards Board (GASB). The financial statements of the reporting entity include those of the City of Allentown, Pennsylvania (City) (the primary government) and its Component Units. The Component Units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The Component Units, in accordance with GAAP, have been included in the financial reporting entity as discretely presented Component Units.

FINANCIAL INFORMATION

Internal Controls: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As a result of the implementation of GASB-34, the format of the CAFR has been expanded to include a Management Discussion and Analysis (MD&A) section that provides an analysis of the City's financial condition for 2004.

Budgetary Controls: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Fund, and Debt Service Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity (bureau) within an individual fund.

Encumbrance Accounting: The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Estimated purchase amounts are encumbered prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of approved appropriation balances are not released unless sufficient unencumbered funds are available for transfer in accordance with the City's Administrative Code or, in the absence of such available funds, until a supplemental appropriation is approved by City Council from the respective unappropriated fund balance.

OTHER INFORMATION

Independent Audit: The City's Administrative Code requires that an annual audit of the books of account, financial records, and transactions of the City be performed by independent certified public accountants. The accounting firm of Parente Randolph, LLC was selected by City Council in 2003 to perform the annual audit for fiscal years 2002 through 2004. In addition, various bond indentures also require such an audit. The City has complied with this requirement and the auditors' opinion has been included in this report.

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive financial report for the fiscal year ended December 31, 2003. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Initiatives for the Year: Our continuing focus for 2004 was on the first phase of our brighter vision for Allentown: To reestablish Allentown as a safe city by implementing strategies to restructure our police force and take control over crime. Throughout 2004 Allentown's Police Department has made noteworthy advancements toward receiving national certification and was granted state certification in early 2005. The Fire Department applied aggressively for grants in 2004 and was successful at receiving five times more grant revenue than any previous year.

While continuing efforts in public safety, Allentown has maintained an aggressive redevelopment effort under the guidance of a Mayor's Economic Development Cabinet, comprised of a blend of local business leaders and City employees. The work of this team in concert with the City's Community and Economic Development Department has resulted in at least five diverse economic development projects that are now underway in Allentown's downtown, with more prospective development in the planning stages.

Acknowledgments: The timely preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Department of Finance. We would especially like to express our appreciation to the following staff members who assisted and contributed so significantly to its preparation: Michael T. Sinclair, Mark W. Sivak and Michael J. Kresge.

We would also like to thank the Mayor and City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

Barbara W. Bigelow
Director of Finance and Human Resources

Beth A. Mohylsky
Manager, Treasury & Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Allentown,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjeldke

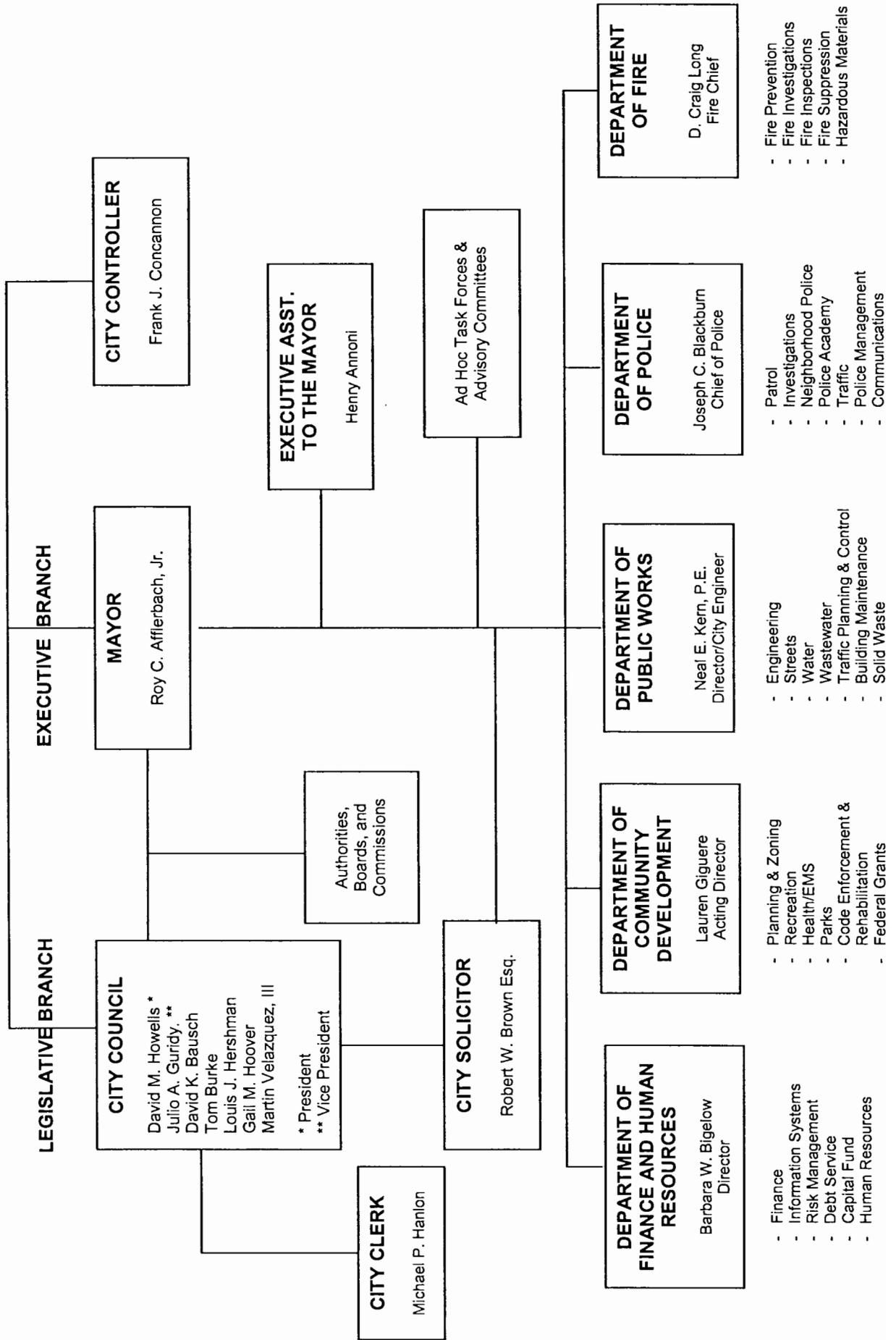
President

Jeffrey R. Emer

Executive Director

CITY OF ALLENTOWN

THE VOTERS OF ALLENTOWN



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
City of Allentown, Pennsylvania:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Allentown, Pennsylvania, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Allentown's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Allentown Economic Development Corporation and the Allentown Parking Authority as of and for the years ended June 30, 2004 and December 31, 2004, respectively, which represent 99 percent of the assets of the discretely presented component units column and 87 percent of the revenues of the discretely presented component units column. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allentown, Pennsylvania as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, such as Management's Discussion and Analysis ("MD&A") on pages 8 through 22 and budgetary comparison information on pages 77 through 78 and pension information on pages 79 through 81 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Allentown, Pennsylvania basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Allentown, Pennsylvania
June 6, 2005

**CITY OF ALLENTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

This Management Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City of Allentown (the City) for the year ended December 31, 2004. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the City's financial condition at December 31, 2004. Additional information is provided in the Transmittal Letter preceding this Management Discussion and Analysis which can be found on pages 1-3 of this report. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

During 2004, the City's total net assets decreased by \$8,142,666. Net assets of governmental activities decreased \$13,018,624 and net assets of business-type activities increased \$4,875,958.

Taking advantage of low interest rates, the City issued \$69,170,000 in new bonds refinancing \$36,865,000 of the 1996 taxable General Obligation Pension Bonds, \$21,935,000 in various issues of taxable Refunding Bonds, \$6,900,000 in Tax-Exempt General Obligation Bonds, \$3,075,000 in Tax-Exempt Water Revenue Bonds, and \$395,000 in Tax-Exempt Sewer Revenue Bonds. Outstanding bonds and other debt at December 31, 2004 for governmental activities was \$90,730,000.

Property tax rates remained at 14.72 mills in 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

- Management's discussion and analysis (this section)
- Government-wide financial statements (including notes)
- Required supplementary information
- Supplementary information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the City government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the City's pension plan and budget-to-actual figures for major funds. In addition to these required elements, an optional supplementary section is included with combining and other statements that provide particulars about non-major funds.

City of Allentown, Pennsylvania
Management Discussion and Analysis
(Unaudited)

Table A-2 summarizes the major features of the City’s financial statements, including the area of the City’s activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide statements	Fund financial statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the City, such as public safety and public works	The activities of the City, such as the Water Fund	Instances in which the City administers resources on behalf of others, such as the employee pension plans
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement revenues, expenditures and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide financial statements

Government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net assets includes all of the City's assets and liabilities, except fiduciary funds, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the City's net assets changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has had to rely on local taxes for funding.

All changes to net assets are recorded using the accrual method of accounting, which requires that revenues be recorded when they are earned and expenses be recorded when the goods and/or services are received, regardless of when cash is received or paid.

Net assets are one way to measure the City's financial position. Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial position is improving or deteriorating. However, other non-financial factors such as changes in the City's real property tax base and general economic conditions must be considered to assess the overall position of the City.

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the City can exercise influence and/or be obligated to provide financial support. The City has three discretely presented component units including the Allentown Parking Authority, the Allentown Redevelopment Authority, and the Allentown Economic Development Corporation. Complete and detailed financial statements are included in the appendix to this document.

There are two categories of activities for the primary government.

- *Governmental activities* include the City's basic services such as general government, public safety, community development, public works, health and sanitation, parks and recreation. Property taxes and operating grants and revenues finance most of these activities.
- *Business-type activities* such as the water fund, the sewer fund, the solid waste fund, and the municipal golf course fund charge a fee to customers to help cover the cost of services.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are

City of Allentown, Pennsylvania
Management Discussion and Analysis
(Unaudited)

expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net assets:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net asset balances as follows:
 - Net assets invested in capital assets, net of related debt
 - Restricted net assets are those with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net assets are net assets that do not meet any of the above restrictions.

Fund financial statements

Fund financial statements provide more detailed information on the City's most significant funds, *not the City as a whole*. Funds are accounting devices, i.e., a group of related accounts that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

The City has three kinds of funds:

- *Governmental funds* include most of the City's basic services and focus on: (1) the flow in and out of cash and other financial assets that can be readily converted to cash, and (2) the balances left at year-end that are available for spending. The five governmental funds that the City maintains (General, Pennsylvania Motor, Community Development Block Grant, Capital Projects, and Debt Service) are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently,

the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs.

The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The City adopts an annual budget for the general, Pennsylvania motor, debt service and capital project funds, as required by state law. Budgetary comparisons are presented as required supplementary information.

- *Proprietary funds* report business-type programs and activities that charge fees designed to cover the cost of providing services. They report using full accrual accounting.
- *Fiduciary funds* are funds for which the City is the trustee or fiduciary. These include the Police Pension Fund, the Firemen's Pension Fund and the Officers and Employees' Pension Fund and certain agency funds or clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The City is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Assets

The City of Allentown's total assets were \$216.1 million at December 31, 2004. Of this amount, \$180 million was capital assets, including infrastructure and construction in progress. Prior to the adoption of GASB No. 34 in 2003, infrastructure (roads, bridges, etc.) had not been reported or depreciated in governmental financial statements.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The City believes it has included all infrastructure in the 2004 financial statements.

City of Allentown, Pennsylvania
Management Discussion and Analysis
(Unaudited)

Table A-3: Condensed statement of net assets

	Governmental Activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 7,319,371	\$ 14,339,769	\$ 17,581,852	\$ 15,559,840	\$ 24,901,223	\$ 29,899,609
Capital assets, net	78,887,873	77,164,357	101,151,923	98,587,293	180,039,796	175,751,650
Other non-current assets	8,408,074	8,751,412	2,707,239	2,865,773	11,115,313	11,617,185
Total assets	\$94,615,318	\$100,255,538	\$121,441,014	\$117,012,906	\$216,056,332	\$217,268,444
Current and other liabilities	\$ 11,112,755	\$ 14,975,922	\$ 9,793,693	\$ 8,857,244	\$ 20,906,448	\$ 23,833,166
Long-term liabilities	93,257,159	82,015,588	46,576,613	47,960,912	139,833,772	129,976,500
Total liabilities	\$104,369,914	\$ 96,991,510	\$ 56,370,306	\$ 56,818,156	\$160,740,220	\$153,890,666
Net assets:						
Invested in capital assets, net of debt	\$ 20,907,099	\$ 31,054,583	\$ 48,253,494	\$ 44,536,897	\$ 69,160,593	\$ 75,591,480
Restricted net assets	8,421,791	9,006,858			8,421,791	9,006,858
Unrestricted net (deficit) assets	(39,083,486)	(36,797,413)	16,817,214	15,657,853	(22,266,272)	(21,139,560)
Total net (deficit) assets	\$ (9,754,596)	\$ 3,264,028	\$ 65,070,708	\$ 60,194,750	\$ 55,316,112	\$ 63,458,778

During 2004 net assets decreased \$8.1 million or 14.6% to \$55.3 million. Of this amount, \$69.2 million represents the net balance of long-term capital assets and long-term debt, while \$8.4 million is restricted for various purposes.

Total government-wide revenues of \$105 million came primarily from charges for services of \$46.5 million, representing 44.2 percent of the total. Property taxes at \$40.1 million made up the second largest source at 36.3 percent, followed by operating and capital grants, and contributions of \$11 million, or 10.5 percent, and other revenue sources made up the remaining 9 percent.

Total expenses for all programs in 2004 were \$113.2 million. The expenses cover a range of services, with the largest being public safety at \$37 million or 32.9 percent. The second largest program area was the sewer fund at \$11.4 million or 9.9 percent, followed by public works at \$10.6 million or 9.4 percent, the water fund at \$9.9 million or 8.8 percent, solid waste and recycling at \$9.3 million or 8.3 percent, community development at \$8.9 million or 7.9 percent, general government at 6.6 million or 5.9 percent, health and sanitation at \$3.5 million or 3.1 percent, parks at \$2.4 million or 2.1 percent, and the golf course at \$926 thousand or 0.5 percent. Interest on outstanding debt came to \$3.1 million or 2.8 percent, and other services made up the remaining 8.4 percent.

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Table A-4: Changes in net assets

The following statement of activities represents changes in net assets for the year ended December 31, 2004. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

	Governmental Activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Program revenues:						
Charges for services	\$ 8,277,661	\$ 7,622,357	\$ 38,180,756	\$ 39,409,894	\$ 46,458,417	\$ 47,032,251
Operating grants and contributions	7,703,267	9,492,085	1,571,561	1,600,757	9,274,828	11,092,842
Capital grants	1,779,448	328,928			1,779,448	328,928
General revenues:						
Taxes	40,058,771	40,167,520			40,058,771	40,167,520
Investment earnings	499,128	403,808	175,656	277,106	674,784	680,914
Unrestricted grants	6,833,526	6,939,484			6,833,526	6,939,484
Total revenues	65,151,801	64,954,182	39,927,973	41,287,757	105,079,774	106,241,939
Expenses:						
General government	6,645,606	5,900,215			6,645,606	5,900,215
Public safety	36,982,770	34,579,587			36,982,770	34,579,587
Community development	8,911,593	6,720,749			8,911,593	6,720,749
Public works	10,605,482	11,008,262			10,605,482	11,008,262
Health and sanitation	3,461,871	3,762,726			3,461,871	3,762,726
Parks and recreation	2,376,253	2,445,365			2,376,253	2,445,365
Other	9,498,938	4,250,164			9,498,938	4,250,164
Interest on long-term debt	3,115,775	5,173,199			3,115,775	5,173,199
Water fund			9,959,147	10,203,261	9,959,147	10,203,261
Sewer fund			11,422,394	10,179,095	11,422,394	10,179,095
Municipal golf course			925,727	611,666	925,727	611,666
Solid waste fund			9,316,884	9,213,705	9,316,884	9,213,705
Total expenses	81,598,288	73,840,267	31,624,152	30,207,727	113,222,440	104,047,994
Change in net assets before transfers	(16,446,487)	(8,303,821)	8,303,821	11,080,030	(8,142,666)	2,193,945
Transfers	3,427,863	3,461,374	(3,427,863)	(3,461,374)		
Change in net assets	(13,018,624)	(5,424,711)	4,875,958	7,618,656	(8,242,666)	2,193,945
Net assets beginning	3,264,028	8,688,739	60,194,750	52,576,094	63,458,778	61,264,833
Net assets ending	\$ (9,754,596)	\$ 3,264,028	\$ 65,070,708	\$ 60,194,750	\$ 55,316,112	\$ 63,458,778

Net cost of services

Net cost of services expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2004, real estate and Act 511 taxes brought in \$40.1 million. Of the \$7.3 million in other general revenues, \$3.4 million were general fund

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service charges. Table A-5 depicts the net program expenses for the years ended December 31 2004 and 2003.

Table A-5: Net cost of governmental and business-type activities

Program:	Total cost of services		Net cost of services	
	2004	2003	2004	2003
General government	\$ 6,645,606	\$ 5,900,215	\$ 5,521,874	\$ 4,876,230
Public safety	36,982,770	34,579,587	31,756,515	28,714,678
Community development	8,911,593	6,720,749	4,042,658	1,607,122
Public works	10,605,482	11,008,262	7,119,378	8,995,280
Health and sanitation	3,461,871	3,762,726	784,721	730,692
Parks and recreation	2,376,253	2,445,365	1,998,053	2,049,532
Other	9,498,938	4,250,164	9,498,938	4,250,164
Interest on long-term debt	3,115,775	5,173,199	3,115,775	5,173,199
Water fund	9,959,147	10,203,261	(4,346,693)	(4,818,565)
Sewer fund	11,422,394	10,179,095	(2,995,899)	(5,050,990)
Municipal golf course	925,727	611,666	(20,584)	(229,436)
Solid waste fund	9,316,884	9,213,705	(764,989)	(703,933)
Total expenses	<u>\$113,222,440</u>	<u>\$104,047,994</u>	<u>\$ 55,709,747</u>	<u>\$ 45,593,473</u>

The City relied on real estate tax, Act 511 taxes and other general revenues to fund 45.3% of its governmental and business-type activities in 2004.

The real estate tax is based on the assessed value of real property. Changes in the assessed valuation affect tax revenues. The City's assessed valuation of real property increased \$91.9 million to \$5.5 billion in 2004. As a land-locked, essentially built-out city, growth in residential construction remains flat. In 2004, the City derived 23 percent of its total revenues from property taxes. The City's tax rate was 14.72 mills in 2004. Its rate is well below the Commonwealth-set cap of 25 mills for operating costs.

Property taxes and other general revenues covered 73.2 percent of general government spending with the remainder coming from grants and fees for specific services. Nearly 90 percent of public safety spending came from the property tax and other general revenues with the remainder coming from grants, fines, and court costs. Property taxes covered 45 percent of community development costs, with the remainder coming from fees, charges for service, and \$3.3 million from Community Development Block Grant (CDBG) funding.

Public works spending was partially funded through Commonwealth fuel tax revenues, with 67 percent coming from local property taxes and other general revenues. Health and sanitation received all but 22 percent of its revenue from program revenues, 72 percent of which was in the form of grants. Property taxes and other general revenues covered 84 percent of parks and recreation expenses.

Operations of the water fund and the sewer fund are entirely funded through charges for services, with excess revenues covering debt service costs. The municipal golf course is almost entirely reliant on fees for services. Solid waste fund expenses were funded at 93.6 percent through fees for service, with a grant making up the remainder of revenue.

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Capital Assets

The City's investment in capital assets at December 31, 2004, net of accumulated depreciation, was \$180 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. During 2004, construction in progress increased \$2.5 million. Table A-6 is a summary of capital assets at December 31, 2004 and 2003.

Table A-6: Capital assets at December 31, 2004 and 2003

	Governmental Activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Land and land improvements	\$ 9,154,896	\$ 9,374,716	\$ 3,759,048	\$ 3,759,048	\$ 12,913,944	\$ 13,133,764
Buildings and improvements	21,759,275	16,725,827	41,818,603	40,562,443	63,577,878	57,288,270
Vehicles, machinery and equipment	8,515,270	10,053,466	17,272,405	15,777,214	25,787,675	25,830,680
Distribution and collection systems			38,301,867	38,488,588	38,301,867	38,488,588
Infrastructure	39,458,432	41,010,348			39,458,432	41,010,348
Total	\$ 78,887,873	\$ 77,164,357	\$ 101,151,923	\$ 98,587,293	\$ 180,039,796	\$ 175,751,650

Detailed information about the City's capital assets can be found in Note 4, Notes to Financial Statements.

Debt Administration

Long-term debt:

At December 31, 2004, the City had \$ 146.9 million of debt outstanding, including bonds, notes, and capital leases. This was an increase of \$6.1 million from the previous year. Table A-7 provides a summary of outstanding debt.

Table A-7: Summary of outstanding debt

	Governmental Activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Capital lease	\$ 1,663,615	\$ 1,676,681	\$ 3,298,664	\$ 388,815	\$ 4,962,279	\$ 2,065,496
Bonds and notes	56,317,159	54,271,306	49,599,765	53,661,581	105,916,924	107,932,887
Pension obligation bonds	35,985,000	30,810,000			35,985,000	30,810,000
Total	\$ 93,965,774	\$ 86,757,987	\$ 52,898,429	\$ 54,050,396	\$ 146,864,203	\$ 140,808,383

The amount of indebtedness a city may incur is limited by Pennsylvania law to 250 percent (non-electoral) and 350 percent (net non-electoral and lease rental) of a three-year average of the total revenue received, exclusive of governmental grants for a specific purpose. The City's non-electoral debt limit at December 31, 2004 was approximately \$132.5 million, and the total debt

outstanding was \$53 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2004 was approximately \$185.5 million and the total debt outstanding was \$53 million. For computation purposes, these amounts have been reduced by \$35,985,000 which is the outstanding balance of the 2004 GO bond issue used to finance the City's pension funding liability as allowed by statute.

Detailed information about the City's Long-term Debt can be found in Note 8, Notes to Financial Statements.

Bond rating

The City's bonds were downgraded in March 2004 by Moody's Investors Services, Rating Committee., from "Baa1" to "Baa2", and by Standard and Poor's Rating Group from "AA-" to "A-", due to rating agency concerns about ongoing weakness in financial operations. The City has purchased insurance to increase its rating to Aaa.

GOVERNMENTAL FUNDS

The City of Allentown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of government funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, reserved/undesignated fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year. Governmental fund accounting was not affected by the adoption of GASB No. 34. Therefore a schedule is presented to reconcile the fund statements to the government-wide statements.

The City's governmental funds include the general fund, special revenue funds, and the capital projects fund. The general fund is the chief operating fund for the City. Special revenue funds are restricted to specific legislated use. The capital projects fund accounts for the proceeds of bond issues. The major funds are shown on the statement of revenues, expenditures and changes in fund balance in the financial statements.

Governmental fund revenues

Governmental fund revenues by source for the years ended December 31, 2004 and December 31, 2003 were as follows. Table A-8 also presents changes from 2003 to 2004.

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Table A-8: Revenues by source, governmental funds

	2004	2003	Changes from 2003 to 2004	Percent change
Revenues:				
Taxes	\$ 39,413,259	\$ 38,926,651	\$ 486,608	1.3
Licenses and permits	3,226,492	2,805,947	420,545	15.0
Charges for services	5,674,904	4,442,950	1,231,954	27.7
Fines and forfeits	701,001	735,416	(34,415)	(4.7)
Investment earnings	573,184	403,808	169,376	41.9
Intergovernmental revenues	14,946,143	15,093,944	(147,801)	(1.0)
Other	2,205,131	2,398,988	(193,857)	(8.1)
Total revenues	\$ 66,740,114	\$ 64,807,704	\$ 1,932,410	3.0

Governmental fund revenues totaled \$66.7 million for the year ended December 31, 2004. This is an increase of \$2 million from 2003, primarily due to increases in taxes, licenses and permit fees, and charges for services.

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2004 and December 31, 2003 were as follows. Table A-9 also presents changes from 2003 to 2004.

Table A-9: Expenditures by function, governmental funds

	2004	2003	Changes from 2003 to 2004	Percent change
Expenses:				
General government	\$ 6,025,189	\$ 5,654,308	\$ 370,881	6.6
Public safety	35,623,754	32,869,199	2,754,555	8.4
Community development	8,816,554	6,638,437	2,178,117	32.8
Public works	8,432,129	8,879,470	(447,341)	(5.0)
Health and sanitation	3,401,766	3,492,039	(90,273)	(2.6)
Parks and recreation	1,497,280	1,877,648	(380,368)	(20.3)
Debt service:				
Principal	4,300,000	5,955,000	(1,655,000)	(27.8)
Interest	2,553,329	4,456,400	(1,903,071)	(42.7)
Capital outlay	9,031,443	6,534,655	2,496,788	38.2
Payment of bond issuance costs	932,830	170,385	762,445	447.4
Total expenses	\$ 80,614,274	\$ 76,527,541	\$ 4,086,773	5.3

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, the CDBG (community development block grant) fund, the debt service fund, and the Pennsylvania motor fund, all of which are considered to be major funds.

Governmental fund expenditures totaled \$80.6 million for the year ended December 31, 2004, an increase of 5.3 percent from 2003. While debt service expenditures decreased \$3.6 million due to

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a refinancing, the savings were offset by increased spending in public safety, community development, and capital outlay.

The \$2.8 million increase in public safety reflects a continuing emphasis on community policing and the necessity to respond to demands for service. The increase in community development is partially the result of a new grant-funded program to abate lead paint, as well as additional economic development efforts and an increase in CDBG funding.

The increase in capital outlay is the result of increased activity in capital projects as well as \$1.1 million in equipment purchases.

Governmental fund balances

Table A-10 reflects ending balances for governmental funds and net assets for proprietary funds at December 31, 2004 and 2003.

**Table A-10: Ending fund balances, governmental funds
 Net assets, proprietary funds**

	2004		2003	
	Governmental funds	Proprietary funds	Governmental funds	Proprietary funds
General	\$ (3,312,208)		\$ (1,351,217)	
Pennsylvania Motor Fund	490,809		120,728	
Community Development				
Block Grant	7,930,982		8,886,130	
Debt Service				
Capital Projects	6,650,139		9,667,827	
Water fund		\$ 37,053,136		\$ 34,202,943
Sewer fund		20,536,346		18,730,746
Municipal golf course		3,146,093		3,313,182
Solid waste fund		4,335,133		3,947,879
Total	\$ 11,759,772	\$ 65,070,708	\$ 17,323,468	\$ 60,194,750

The City's governmental funds reported a combined fund balance of \$12 million at December 31, 2004. Of the total, \$8 million is restricted for CDBG projects, \$6.6 million is restricted for capital projects, and the general fund shows a deficit of \$3.3 million,

The general fund balance decreased by \$1.7 million, the second consecutive year that the general fund has operated at a deficit. Revenues were \$30 thousand greater than expenditures, as the City took steps to reduce costs and avoid a tax increase. The general fund is the chief operating fund of the City. At December 31, 2004 the total general fund balance was (\$3.3) million.

The City's capital projects fund holds bond proceeds and serves as the appropriation and funding repository for a variety of capital projects. Primary sources of revenue to this fund are receipts from residential curb and sidewalk construction and contributions from proprietary funds in support of appropriated projects.

Budgetary highlights

The Allentown City Council may revise the budget through transfers or ordinance. There are two kinds of revisions:

- Allocations made to specific line items from other line items (internal transfers) or from contingency funds established in the budget
- New appropriations are budgeted when received, and the anticipated related expense is budgeted at the same time

Because the City is on a different fiscal year than the Commonwealth and the federal government, it is difficult to know what grants will be forthcoming in the City's fiscal year. Some revenue variances are due to budgeting for grants not received. Other revenue variances are based on grants received but not anticipated.

The general fund budget for revenues increased \$278 thousand during the year from the original budget of \$68.7 million to the final budget of \$69 million. Actual revenues were \$4 million below the final budget. Intergovernmental revenues were \$1.1 million lower than estimated due to timing of receipts. Tax receipts fell short of estimates by \$2.3 million.

The general fund budget for expenditures increased \$2.8 million during the year from the original budget of \$65.2 million to the final budget of \$68 million. Actual expenditures were \$5.4 million lower than the amended budget because of careful attention to expenditures in all areas.

Some large variances between general fund budgeted amounts and actual amounts on individual lines are due to the differences between budget methodology and accounting methodology.

The 2005 budget anticipates a real estate tax increase as well as further attention to collection of delinquent receivables and controls on expenditures to negate the prior years' deficits.

ECONOMIC CONDITION AND OUTLOOK

As the Commonwealth of Pennsylvania's third largest city, Allentown is strategically located within a 300 mile radius of the larger metropolitan areas on the eastern seaboard of the United States. Excellent transportation systems and close proximity to both New York and Philadelphia make Allentown attractive to businesses and families desirous of locating in an area that offers clean air, good water, and rolling, wooded topography.

Allentown's former historical reliance on heavy industry as a major employer has just about disappeared and local employment trends demonstrate that there has been a definite shift in the Lehigh Valley's labor market over the last ten to fifteen years. A majority of workers are in office settings; employed in managerial, professional, and technical positions. Skill requirements are rising in most industries and occupations, not just in the high-tech sector.

In 2004, reflecting the fiscal malaise felt by cities across the nation, Allentown's economy continued in a stall. City expenses continued to increase at rates double the consumer price index, primarily as a result of previously negotiated or arbitrator-mandated multi-year labor

contracts, spiraling health care insurance costs, pension contribution costs, and debt service payments, while investment income has plummeted and other revenue sources remain depressed.

Government, public utilities, education, and health services provide the base for the job market in the City. Allentown has also experienced an increase in financial services employment; banks, insurance, financial planning, and similar services. This sector of the economy epitomizes the service industry with its orientation towards office use and paper and data handling, an area which has shown considerable growth in this decade. The City and Lehigh County continue to seek ways to attract new businesses to the area. New business stimulates the economy by providing jobs and other economic benefits derived from productive employment.

Manufacturing employment in the Allentown-Bethlehem Metropolitan Statistical areas in the areas of apparel, food, electrical/electronic equipment, industrial machinery and printing and publishing are strong components of the overall employment picture. Mack Trucks, Air Products and Chemicals, Inc., Lehigh Portland Cement, Nestle, and Agere have selected the area as their headquarters or as the location of principal plants.

Allentown continues to experience major development in the westernmost section of the City on land formerly owned by the Harry C. Trexler Trust. This land is on the north and south sides of Tilghman Street just within the City limits. A number of large, upscale residential communities of single family homes and condominiums have been completed. The benefit to the City continues as improvements to this land are added to the tax rolls.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Allentown, 435 Hamilton Street, Allentown, Pennsylvania 18101.

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
CURRENT ASSETS:				
Cash and cash equivalents	\$ 7,545,335	\$ 5,969,736	\$ 13,515,071	\$ 5,498,911
Receivables (net of allowance for uncollectibles):				
Taxes	804,248		804,248	
Loans				571,775
Accounts	85,177	7,563,704	7,648,881	
Grants	1,552,433		1,552,433	
Other	1,380,590		1,380,590	
Other current assets				328,131
Internal balances	(4,048,412)	4,048,412		
Total current assets	<u>7,319,371</u>	<u>17,581,852</u>	<u>24,901,223</u>	<u>6,398,817</u>
NONCURRENT ASSETS:				
Capital assets, net:				
Land	8,409,945	3,759,048	12,168,993	5,130,672
Property held for development	744,951		744,951	318,776
Buildings	9,502,292	23,646,803	33,149,095	9,595,810
Land and building improvements	8,121,343	15,826,903	23,948,246	3,517,386
Machinery and equipment	5,230,291	15,530,602	20,760,893	93,950
Vehicles	3,284,979	1,741,803	5,026,782	1,098,593
Distribution and collection systems		38,301,867	38,301,867	
Construction in progress	4,135,640	2,344,897	6,480,537	8,503,544
Infrastructure	<u>39,458,432</u>		<u>39,458,432</u>	
Total capital assets, net	78,887,873	101,151,923	180,039,796	28,258,731
Net pension asset	306,627		306,627	
Loans receivable	7,158,117		7,158,117	
Other assets	<u>943,330</u>	<u>2,707,239</u>	<u>3,650,569</u>	<u>1,449,478</u>
Total noncurrent assets	<u>87,295,947</u>	<u>103,859,162</u>	<u>191,155,109</u>	<u>29,708,209</u>
TOTAL ASSETS	<u>\$ 94,615,318</u>	<u>\$ 121,441,014</u>	<u>\$ 216,056,332</u>	<u>\$ 36,107,026</u>
CURRENT LIABILITIES:				
Accounts payable and other current liabilities	\$ 2,670,963	\$ 1,937,375	\$ 4,608,338	\$ 523,312
Wages payable	1,247,277	232,734	1,480,011	
Accrued interest payable	1,088,280	630,958	1,719,238	
Other liabilities	685,247	68,374	753,621	1,397,736
Due to other governments	18,655		18,655	
Deferred revenue	394,760		394,760	
Capital leases payable	377,573	609,487	987,060	
Notes and bonds payable	<u>4,630,000</u>	<u>6,314,765</u>	<u>10,944,765</u>	<u>-</u>
Total current liabilities	<u>11,112,755</u>	<u>9,793,693</u>	<u>20,906,448</u>	<u>1,921,048</u>
NONCURRENT LIABILITIES:				
Claims liability	2,579,096		2,579,096	
Capital leases payable	1,286,042	2,689,177	3,975,219	
Accrued vacation	1,682,194	602,436	2,284,630	
Deferred revenue	37,668		37,668	
Notes and bonds payable	<u>87,672,159</u>	<u>43,285,000</u>	<u>130,957,159</u>	<u>13,096,780</u>
Total noncurrent liabilities	<u>93,257,159</u>	<u>46,576,613</u>	<u>139,833,772</u>	<u>13,096,780</u>
TOTAL LIABILITIES	<u>104,369,914</u>	<u>56,370,306</u>	<u>160,740,220</u>	<u>15,017,828</u>
NET ASSETS (DEFICIT):				
Invested in capital assets, net of related debt	20,907,099	48,253,494	69,160,593	14,276,417
Restricted	8,421,791		8,421,791	
Unrestricted	<u>(39,083,486)</u>	<u>16,817,214</u>	<u>(22,266,272)</u>	<u>6,812,781</u>
Total net assets (deficit):	<u>(9,754,596)</u>	<u>65,070,708</u>	<u>55,316,112</u>	<u>21,089,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 94,615,318</u>	<u>\$ 121,441,014</u>	<u>\$ 216,056,332</u>	<u>\$ 36,107,026</u>

See Notes to Financial Statements

CITY OF ALLENTOWN, PENNSYLVANIA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Primary government:				
Governmental activities:				
General government	\$ 6,645,606	\$ 1,031,734	\$ 91,998	
Public safety	36,982,770	4,582,892	568,186	\$ 75,177
Community development	8,911,593	1,505,949	2,881,486	481,500
Public works	10,605,482	623,799	1,639,534	1,222,771
Health and sanitation	3,461,871	155,087	2,522,063	
Parks and recreation	2,376,253	378,200		
Other	9,498,938			
Interest on long-term debt	<u>3,115,775</u>			
Total governmental activities	81,598,288	8,277,661	7,703,267	1,779,448
Business-type activities:				
Water fund	9,959,147	14,169,008	136,832	
Sewer fund	11,422,394	14,365,042	53,251	
Municipal golf course	925,727	945,130	1,181	
Solid waste fund	<u>9,316,884</u>	<u>8,701,576</u>	<u>1,380,297</u>	
Total business-type activities	<u>31,624,152</u>	<u>38,180,756</u>	<u>1,571,561</u>	-
Total primary government	<u>\$113,222,440</u>	<u>\$ 46,458,417</u>	<u>\$ 9,274,828</u>	<u>\$ 1,779,448</u>
COMPONENT UNITS				
Allentown Redevelopment Authority	\$ 722,060		\$ 643,142	
Allentown Economic Development Corporation	1,652,928	\$ 910,525	375,835	
Allentown Parking Authority	<u>4,155,922</u>	<u>4,162,031</u>	<u>679,493</u>	-
Total component units	<u>\$ 6,530,910</u>	<u>\$ 5,072,556</u>	<u>\$ 1,698,470</u>	<u>\$ -</u>

General Revenues:

Property and other taxes
 Grants and charges not restricted
 to specific programs
 Unrestricted investment earnings
 Other Income
 Transfer of Land
 Transfers

Total general revenues and transfers

Change in net assets
 Net assets - beginning

Net assets - ending

See Notes to Financial Statements

Schedule consists of both facing pages

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (5,521,874)		\$ (5,521,874)	
(31,756,515)		(31,756,515)	
(4,042,658)		(4,042,658)	
(7,119,378)		(7,119,378)	
(784,721)		(784,721)	
(1,998,053)		(1,998,053)	
(9,498,938)		(9,498,938)	
<u>(3,115,775)</u>		<u>(3,115,775)</u>	
(63,837,912)		(63,837,912)	
	\$ 4,346,693	4,346,693	
	2,995,899	2,995,899	
	20,584	20,584	
	<u>764,989</u>	<u>764,989</u>	
<u>(63,837,912)</u>	<u>8,128,165</u>	<u>(55,709,747)</u>	
			\$ (78,918)
			(366,568)
			<u>685,602</u>
			\$ <u>240,116</u>
40,058,771		40,058,771	
6,833,526		6,833,526	
499,128	175,656	674,784	91,650
			12,253
			318,776
<u>3,427,863</u>	<u>(3,427,863)</u>	<u>-</u>	<u>-</u>
<u>50,819,288</u>	<u>(3,252,207)</u>	<u>47,567,081</u>	<u>662,795</u>
(13,018,624)	4,875,958	(8,142,666)	662,795
<u>3,264,028</u>	<u>60,194,750</u>	<u>63,458,778</u>	<u>20,426,403</u>
<u>\$ (9,754,596)</u>	<u>\$65,070,708</u>	<u>\$55,316,112</u>	<u>\$21,089,198</u>

CITY OF ALLENTOWN, PENNSYLVANIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Pennsylvania Motor
<u>ASSETS</u>		
Cash and cash equivalents	-	\$ 515,986
Receivables:		
Taxes	\$ 804,248	
Loans		
Accounts		
Grants	653,083	
Due from other funds	<u>2,232,281</u>	<u>-</u>
TOTAL	<u>\$ 3,689,612</u>	<u>\$ 515,986</u>
<u>LIABILITIES AND FUND (DEFICIT) BALANCES</u>		
LIABILITIES		
Accounts payable	797,007	
Accrued wages payable	1,215,543	25,177
Due to other funds	3,780,573	
Due to other governments	5,448	
Deferred revenues	812,976	
Other liabilities	<u>390,273</u>	<u>-</u>
Total liabilities	<u>7,001,820</u>	<u>25,177</u>
FUND (DEFICIT) BALANCES:		
Reserved for encumbrances		
Reserved for specific fund balances		490,809
Unreserved, undesignated	<u>(3,312,208)</u>	<u>-</u>
Total fund (deficit) balances	<u>(3,312,208)</u>	<u>490,809</u>
TOTAL	<u>\$ 3,689,612</u>	<u>\$ 515,986</u>

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

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds
- Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds
- Accrued interest payable included on the statement of net assets
- Net pension asset included on the statement of net assets
- Assets and liabilities of the internal service fund reported in the statement of net assets are used to charge the cost of insurance to individual funds and are not reported in the funds
- Debt issuance costs are deferred and amortized on the statement of net assets
- Long-term liabilities, including bonds payable, (net of issuance cost and premium) are not due and payable in the current period and therefore are not reported in the funds

Net assets of governmental activities

See Notes to Financial Statements

Schedule consists of both facing pages

Community Development Block Grant	Capital Projects	Total Governmental Funds
\$ 1,095,369	\$ 3,842,920	\$ 5,454,275
7,158,117		804,248
899,350	85,177	7,158,117
-	5,084,559	85,177
		1,552,433
		7,316,840
<u>\$ 9,152,836</u>	<u>\$ 9,012,656</u>	<u>\$ 22,371,090</u>
317,108	\$ 498,137	\$ 1,612,252
2,593		1,243,313
687,145	1,771,207	6,238,925
13,207		18,655
201,801	93,173	812,976
<u>1,221,854</u>	<u>2,362,517</u>	<u>685,247</u>
	6,650,139	6,650,139
7,930,982		8,421,791
		<u>(3,312,208)</u>
<u>7,930,982</u>	<u>6,650,139</u>	11,759,722
<u>\$ 9,152,836</u>	<u>\$ 9,012,656</u>	
		78,887,873
		418,216
		(1,088,280)
		306,627
		(5,296,449)
		905,662
		<u>(95,647,967)</u>
		<u>\$ (9,754,596)</u>

CITY OF ALLENTOWN, PENNSYLVANIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Pennsylvania Motor	Community Development Block Grant
REVENUES:			
Taxes	\$ 39,413,259		
Licenses and permits	3,226,492		
Charges for services	5,216,876		
Fines and forfeits	701,001		
Investment earnings	556,219	\$ 9,364	\$ 7,601
Intergovernmental revenues	8,485,808	1,648,197	3,362,986
Other	<u>2,079,404</u>	<u>8,095</u>	<u>93,560</u>
Total revenues	<u>59,679,059</u>	<u>1,665,656</u>	<u>3,464,147</u>
EXPENDITURES:			
Current:			
General government	6,004,595		
Public safety	35,623,754		
Community development	4,245,518		4,019,296
Public works	7,136,554	1,295,575	
Health and sanitation	3,401,766		
Parks and recreation	1,497,280		
Debt service:			
Principal			400,000
Interest			
Capital outlay	1,110,243		
Payment of bond issuance costs	<u>839,248</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>59,858,958</u>	<u>1,295,575</u>	<u>4,419,296</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(179,899)</u>	<u>370,081</u>	<u>(955,149)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of refunding bonds	57,621,949		
Issuance of bonds			
Payment to refunded bonds escrow agent	(56,782,701)		
Transfers in	3,430,959		
Transfers out	(6,457,838)		
Capital lease obligations	<u>406,540</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(1,781,091)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,960,990)	370,081	(955,149)
FUND BALANCE (DEFICIT), BEGINNING	<u>(1,351,218)</u>	<u>120,728</u>	<u>8,886,131</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (3,312,208)</u>	<u>\$ 490,809</u>	<u>\$ 7,930,982</u>

See Notes to Financial Statements

Schedule consists of both facing pages

Debt Service	Capital Projects	Total Governmental Funds
		\$ 39,413,259
		3,226,492
	\$ 458,028	5,674,904
		701,001
	-	573,184
	1,449,152	14,946,143
	<u>24,072</u>	<u>2,205,131</u>
	<u>1,931,252</u>	<u>66,740,114</u>
\$ 20,594		6,025,189
		35,623,754
	551,740	8,816,554
		8,432,129
		3,401,766
		1,497,280
3,900,000		4,300,000
2,553,329		2,553,329
-	7,921,200	9,031,443
-	<u>93,582</u>	<u>932,830</u>
<u>6,473,923</u>	<u>8,566,522</u>	<u>80,614,274</u>
<u>(6,473,923)</u>	<u>(6,635,270)</u>	<u>(13,874,160)</u>
		57,621,949
	7,103,888	7,103,888
	(3,510,306)	(60,293,007)
6,473,923	75,000	9,979,882
	(51,000)	(6,508,838)
	-	<u>406,540</u>
<u>6,473,923</u>	<u>3,617,582</u>	<u>8,310,414</u>
-	(3,017,688)	(5,563,746)
-	<u>9,667,827</u>	<u>17,323,468</u>
<u>\$ -</u>	<u>\$ 6,650,139</u>	<u>\$ 11,759,722</u>

CITY OF ALLENTOWN, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Amounts reported for governmental activities in the statement of activities
(pages 24-25) are different because:

Net change in fund balances - total governmental funds (pages 28-29)	\$ (5,563,746)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	7,533,402
Depreciation expense on capital assets is reported in the statement of activities but they do not require the use of current financial resources; therefore depreciation expense is not reported as expenditures in governmental funds	(4,914,758)
The net effect of various transactions involving capital assets (i.e. disposals and contributions) is to decrease net assets.	(882,062)
Revenues related to real estate taxes and deferred revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(530,219)
Vacation expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(168,174)
Activities of the internal service fund are reported as net expense in the statement of activities.	(1,419,716)
Change in net pension asset not reflected in the funds.	(25,329)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds.	(65,700,000)
The repayment of principal of long term debt consumes the current financial resources of governmental funds.	58,695,000
Governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	519,424
Accrued interest expense on long term debt is reported in the statement of activities but does not require the use of current financial resources; therefore accrued interest expense is not reported as expenditures in governmental funds.	<u>(562,446)</u>
Change in net assets of governmental activities (pages 24-25)	<u>\$ (13,018,624)</u>

See Notes to Financial Statements

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CITY OF ALLENTOWN, PENNSYLVANIA

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	Water Fund	Sewer Fund
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,297,219	\$ 989,601
Accounts receivable:		
Metered charges	4,009,145	2,498,982
Refuse collection		
Other	33,950	111,096
Signatories	<u>395,250</u>	<u>1,360,127</u>
Total accounts receivable	4,438,345	3,970,205
Allowance for doubtful accounts	<u>824,505</u>	<u>540,737</u>
Net accounts receivable	<u>3,613,840</u>	<u>3,429,468</u>
Due from other funds	<u>-</u>	<u>5,516,945</u>
Total current assets	<u>5,911,059</u>	<u>9,936,014</u>
CAPITAL ASSETS:		
Land	2,595,840	28,450
Buildings	11,382,192	29,270,008
Land and building improvements	14,663,096	2,287,509
Machinery and equipment	19,552,877	13,553,844
Vehicles	2,219,850	1,751,106
Distribution and collection systems	39,280,805	10,556,841
Construction in progress	<u>773,385</u>	<u>1,571,512</u>
Gross capital assets	90,468,045	59,019,270
Accumulated depreciation	<u>(26,218,570)</u>	<u>(28,325,322)</u>
Net capital assets	<u>64,249,475</u>	<u>30,693,948</u>
Other assets	<u>1,861,109</u>	<u>846,130</u>
TOTAL	<u>\$ 72,021,643</u>	<u>\$ 41,476,092</u>

See notes to financial statements

Schedule consists of both facing pages

Municipal Golf Course	Solid Waste Fund	Totals	Internal Service Fund
<u>\$ 125,507</u>	<u>\$ 2,557,409</u>	<u>\$ 5,969,736</u>	<u>\$ 2,091,060</u>
		6,508,127	
	1,093,795	1,093,795	
		145,046	
<u>-</u>	<u>-</u>	<u>1,755,377</u>	<u>-</u>
-	1,093,795	9,502,345	
<u>-</u>	<u>573,399</u>	<u>1,938,641</u>	<u>-</u>
<u>-</u>	<u>520,396</u>	<u>7,563,704</u>	
<u>-</u>	<u>-</u>	<u>5,516,945</u>	<u>-</u>
<u>125,507</u>	<u>3,077,805</u>	<u>19,050,385</u>	<u>2,091,060</u>
1,134,758		3,759,048	
233,020	844,014	41,729,234	
2,812,427	1,428,729	21,191,761	
573,855	693,074	34,373,650	
225,480	2,446,672	6,643,108	
37,465		49,875,111	
<u>-</u>	<u>-</u>	<u>2,344,897</u>	
5,017,005	5,412,489	159,916,809	
<u>(1,678,137)</u>	<u>(2,542,857)</u>	<u>(58,764,886)</u>	<u>-</u>
<u>3,338,868</u>	<u>2,869,632</u>	<u>101,151,923</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>2,707,239</u>	<u>-</u>
<u>\$ 3,464,375</u>	<u>\$ 5,947,437</u>	<u>\$ 122,909,547</u>	<u>\$ 2,091,060</u>

(continued)

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	Water Fund	Sewer Fund
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 238,284	\$ 402,743
Accrued wages payable	88,347	112,412
Accrued interest payable	366,621	264,337
Due to other funds	1,302,986	
Capital leases payable	79,903	353,600
Other liabilities	-	
Current portion of long term liabilities	<u>4,439,765</u>	<u>1,875,000</u>
Total current liabilities	<u>6,515,906</u>	<u>3,008,092</u>
LONG-TERM LIABILITIES:		
Capital lease payable	489,550	2,070,438
Bonds payable	27,730,000	15,555,000
Accrued vacation	233,051	306,216
Claims liability	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>28,452,601</u>	<u>17,931,654</u>
Total liabilities	<u>34,968,507</u>	<u>20,939,746</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	31,510,257	10,839,910
Unrestricted	<u>5,542,879</u>	<u>9,696,436</u>
Total net assets (deficit)	<u>37,053,136</u>	<u>20,536,346</u>
TOTAL	<u>\$ 72,021,643</u>	<u>\$ 41,476,092</u>

See Notes to Financial Statements

Schedule consists of both facing pages

Municipal Golf Course	Solid Waste Fund	Totals	Internal Service Fund
\$ 135,213	\$ 1,161,135	\$ 1,937,375	\$ 1,058,711
4,044	27,931	232,734	3,395
		630,958	
165,547		1,468,533	3,745,738
	175,984	609,487	
	68,374	68,374	
<u>-</u>	<u>-</u>	<u>6,314,765</u>	<u>-</u>
<u>304,804</u>	<u>1,433,424</u>	<u>11,262,226</u>	<u>4,807,844</u>
	129,189	2,689,177	
		43,285,000	
13,478	49,691	602,436	569
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,579,096</u>
<u>13,478</u>	<u>178,880</u>	<u>46,576,613</u>	<u>2,579,665</u>
<u>318,282</u>	<u>1,612,304</u>	<u>57,838,839</u>	<u>7,387,509</u>
3,338,868	2,564,459	48,253,494	
(192,775)	1,770,674	16,817,214	(5,296,449)
<u>3,146,093</u>	<u>4,335,133</u>	<u>65,070,708</u>	<u>(5,296,449)</u>
<u>\$ 3,464,375</u>	<u>\$ 5,947,437</u>	<u>\$ 122,909,547</u>	<u>\$ 2,091,060</u>

CITY OF ALLENTOWN, PENNSYLVANIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	Water Fund	Sewer Fund	Municipal Golf Course
OPERATING REVENUES:			
Charges for services:			
Metered charges	\$12,113,451	\$ 7,640,573	
Refuse collections			
Recycling			
Other charges	1,722,728	6,403,721	\$ 929,018
Grants	136,832	53,251	1,181
Miscellaneous	<u>129,885</u>	<u>320,748</u>	<u>16,112</u>
Total operating revenues	<u>14,102,896</u>	<u>14,418,293</u>	<u>946,311</u>
OPERATING EXPENSES:			
Personnel services	4,516,771	5,939,296	264,952
Utility services	499,826	719,180	13,151
Contracted services	236,450	959,005	170,222
Materials and supplies	778,282	1,084,394	155,155
Claims and benefits			
Depreciation and amortization	2,225,473	1,767,815	246,968
Miscellaneous	<u>193,286</u>	<u>184,418</u>	<u>75,279</u>
Total operating expenses	<u>8,450,088</u>	<u>10,654,108</u>	<u>925,727</u>
OPERATING INCOME (LOSS)	<u>5,652,808</u>	<u>3,764,185</u>	<u>20,584</u>
NONOPERATING (EXPENSE) REVENUE:			
Investment income	54,385	59,534	2,589
Interest expense	(1,509,059)	(768,286)	
Miscellaneous	<u>202,944</u>	<u>-</u>	<u>-</u>
Total nonoperating (expense) revenue	<u>(1,251,730)</u>	<u>(708,752)</u>	<u>2,589</u>
INCOME (LOSS) BEFORE TRANSFERS	4,401,078	3,055,433	23,173
TRANSFERS	<u>(1,550,885)</u>	<u>(1,249,833)</u>	<u>(190,262)</u>
NET INCOME (LOSS)	2,850,193	1,805,600	(167,089)
NET ASSETS (DEFICIT), BEGINNING	<u>34,202,943</u>	<u>18,730,746</u>	<u>3,313,182</u>
NET ASSETS (DEFICIT), ENDING	<u>\$37,053,136</u>	<u>\$20,536,346</u>	<u>\$3,146,093</u>

See Notes to Financial Statements

Schedule consists of both facing pages

Solid Waste Fund	Totals	Internal Service Fund
	\$ 19,754,024	
\$ 8,276,979	8,276,979	
415,074	415,074	
	9,055,467	\$10,271,422
1,380,297	1,571,561	
<u>9,523</u>	<u>476,268</u>	<u>61,689</u>
<u>10,081,873</u>	<u>39,549,373</u>	<u>10,333,111</u>
1,504,808	12,225,827	
13,789	1,245,946	
6,646,998	8,012,675	
399,441	2,417,272	
		11,752,301
468,003	4,708,259	
<u>283,845</u>	<u>736,828</u>	<u>-</u>
<u>9,316,884</u>	<u>29,346,807</u>	<u>11,752,301</u>
<u>764,989</u>	<u>10,202,566</u>	<u>(1,419,190)</u>
59,148	175,656	42,655
	(2,277,345)	
<u>-</u>	<u>202,944</u>	<u>-</u>
<u>59,148</u>	<u>(1,898,745)</u>	<u>42,655</u>
824,137	8,303,821	(1,376,535)
<u>(436,883)</u>	<u>(3,427,863)</u>	<u>(43,181)</u>
387,254	4,875,958	(1,419,716)
<u>3,947,879</u>	<u>60,194,750</u>	<u>(3,876,733)</u>
<u>\$ 4,335,133</u>	<u>\$ 65,070,708</u>	<u>\$ (5,296,449)</u>

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Water Fund	Sewer Fund	Municipal Golf Course
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 14,217,130	\$ 14,707,002	\$ 946,311
Payments to suppliers for services	(1,751,025)	(2,845,328)	(291,195)
Payments to employees	(4,514,342)	(5,915,166)	(259,340)
Net cash provided by (used in) operating activities	<u>7,951,763</u>	<u>5,946,508</u>	<u>395,776</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers	(1,550,885)	(1,249,833)	(190,262)
Other income	202,944	-	-
Net cash used in noncapital financing activities	<u>(1,347,941)</u>	<u>(1,249,833)</u>	<u>(190,262)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(1,588,531)	(1,546,294)	(159,122)
Advance from/to other funds	(623,545)	(3,834,346)	70,951
Capital bond issuance costs	(111,449)	(10,000)	-
Principal paid on capital debt	(5,736,816)	(1,795,000)	-
Proceeds from the issuance of capital debt	3,075,000	395,000	-
Payments of obligations under capital leases	(76,531)	(338,529)	-
Interest paid on long term obligations	(1,531,715)	(787,799)	-
Net cash (used in) provided by capital and related financing activities	<u>(6,593,587)</u>	<u>(7,916,968)</u>	<u>(88,171)</u>
CASH FLOWS FROM INVESTING ACTIVITIES,			
Interest received	<u>54,385</u>	<u>59,534</u>	<u>2,589</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,620	(3,160,759)	119,932
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,232,599</u>	<u>4,150,360</u>	<u>5,575</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,297,219</u>	<u>\$ 989,601</u>	<u>\$ 125,507</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 5,652,808	\$ 3,764,185	\$ 20,584
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,225,473	1,767,815	246,968
Accounts receivable	114,234	288,709	-
Vouchers and accounts payable	(59,539)	101,669	122,612
Accrued payroll	2,429	24,130	5,612
Other liabilities	16,358	-	-
Total adjustments	<u>2,298,955</u>	<u>2,182,323</u>	<u>375,192</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 7,951,763</u>	<u>\$ 5,946,508</u>	<u>\$ 395,776</u>
Schedule of noncash capital and related financing activities,			
Assets acquired under capital leases	<u>\$ 645,984</u>	<u>\$ 2,583,936</u>	<u>\$ -</u>

See Notes to Financial Statements

Schedule consists of both facing pages

Solid Waste Fund	Totals	Internal Service Fund
\$ 10,019,521	\$ 39,889,964	\$ 10,333,111
(6,823,751)	(11,711,299)	(11,761,201)
<u>(1,492,115)</u>	<u>(12,180,963)</u>	<u>1,311</u>
1,703,655	15,997,702	(1,426,779)
(436,883)	(3,427,863)	(43,182)
<u>-</u>	<u>202,944</u>	<u>-</u>
(436,883)	(3,224,919)	(43,182)
(221,491)	(3,515,438)	
	(4,386,940)	2,611,736
	(121,449)	
	(7,531,816)	
	3,470,000	
(152,559)	(567,619)	
<u>-</u>	<u>(2,319,514)</u>	<u>-</u>
(374,050)	(14,972,776)	2,611,736
59,148	175,656	42,655
951,870	(2,024,337)	1,184,430
<u>1,605,539</u>	<u>7,994,073</u>	<u>906,630</u>
\$ 2,557,409	\$ 5,969,736	\$ 2,091,060
\$ 764,989	\$ 10,202,566	\$ (1,419,190)
468,003	4,708,259	
(62,352)	340,591	
534,492	699,234	402,490
12,693	44,864	1,311
<u>(14,170)</u>	<u>2,188</u>	<u>(411,390)</u>
938,666	5,795,136	(7,589)
\$ 1,703,655	\$ 15,997,702	\$ (1,426,779)
\$ 247,548	\$ 3,477,468	\$ -

CITY OF ALLENTOWN, PENNSYLVANIA

**STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004**

	Pension Trust Funds	Private Purpose Trexler Park Fund	Agency Funds
<u>ASSETS</u>			
CASH AND CASH EQUIVALENTS			\$ 5,815,366
INTEREST RECEIVABLE	\$ 1,206,959		
INVESTMENTS, At fair value			
U.S. Government obligations	10,127,776		
Corporate bonds	7,578,396		
Equity investments	70,629,491		
Collateralized mortgages	3,280,043		
Other fixed income	33,977,366		
Asset backed securities	5,261,670		
GRANT RECEIVABLE	-	\$ 1,417,916	-
TOTAL	<u>\$ 132,061,701</u>	<u>\$ 1,417,916</u>	<u>\$ 5,815,366</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Accounts payable	\$ 1,574,208	\$ 5,791	
Accrued wages		8,066	
Payroll tax liabilities			\$ 994,408
Due to other funds		1,380,589	
Due to other governments	<u>1,517,758</u>		<u>4,820,958</u>
Total liabilities	<u>3,091,966</u>	<u>1,394,446</u>	<u>5,815,366</u>
NET ASSETS:			
Held in trust for pension benefits and other purposes	<u>128,969,735</u>	<u>23,470</u>	<u>-</u>
TOTAL	<u>\$ 132,061,701</u>	<u>\$ 1,417,916</u>	<u>\$ 5,815,366</u>

See Notes to Financial Statements

CITY OF ALLENTOWN, PENNSYLVANIA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Pension Trust Funds	Private Purpose Trexler Park Fund
ADDITIONS:		
Contributions:		
Employer	\$ 3,509,923	
Plan members	<u>1,775,034</u>	
Total contributions	<u>5,284,957</u>	
Investment income:		
Net appreciation in fair value of investments	7,419,333	
Interest and dividends	4,953,857	
Less investment expenses	<u>(361,616)</u>	<u>-</u>
Net investment income	<u>12,011,574</u>	<u>-</u>
Other income:		
Grants		1,517,916
Miscellaneous	<u>55,124</u>	<u>17,121</u>
Total other income	<u>55,124</u>	<u>1,535,037</u>
Total additions	<u>17,351,655</u>	<u>1,535,037</u>
DEDUCTIONS:		
Benefits paid to recipients	11,185,650	
Parks and recreation		1,541,957
Administrative and other fees	<u>163,316</u>	<u>-</u>
Total deductions	<u>11,348,966</u>	<u>1,541,957</u>
CHANGE IN NET ASSETS	6,002,689	(6,920)
NET ASSETS, BEGINNING	<u>122,967,046</u>	<u>30,390</u>
NET ASSETS, ENDING	<u>\$ 128,969,735</u>	<u>\$ 23,470</u>

See Notes to Financial Statements

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF OPERATIONS AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the City of Allentown, Pennsylvania (the "City"), conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the City's financial statements.

FINANCIAL REPORTING ENTITY

The City was incorporated in 1762 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a third class city, as defined by state statutes. The City operates under a Home Rule Charter form of government and provides a full range of services, including public safety, roads, sanitation, health, culture and recreation, and general government services to its approximately 107,000 residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units, discussed in Note 2, are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

BASIS OF PRESENTATION

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program* revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING,
AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

GENERAL FUND – is used to account for all financial transactions applicable to the general operations of the City except for those required to be accounted for in another fund.

PENNSYLVANIA MOTOR FUND – is used to account for the financial activity of the City's liquid fuels tax allocation from the Commonwealth of Pennsylvania.

COMMUNITY DEVELOPMENT BLOCK GRANT – is used to account for the financial activity of the City's Community Development Block Grant program and other urban renewal and improvement grants.

DEBT SERVICE FUND - is used to account for the accumulation of resources for, and the payment of, general long-term bonds and other debt principal, interest and related costs.

CAPITAL PROJECTS FUND – is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports five major proprietary funds:

WATER FUND – is used to account for all costs incurred in the collection, treatment and distribution of water for consumption and is operated in a manner similar to a private business enterprise to be self-supporting.

SEWER FUND – is used to account for the operation and maintenance of the sanitary sewage treatment plant and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

SOLID WASTE FUND – is used to account for the administration of the collection and disposal of municipal waste and recyclables in the City and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

MUNICIPAL GOLF COURSE FUND – is used to account for the operation and maintenance of the 18-hole Allentown Municipal Golf Course and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

INTERNAL SERVICE FUND – is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis for the City's self-insurance program and externally administered insurance programs.

The City's Fiduciary Fund accounts for the Pension Trust Fund, Trexler Park Fund and Agency Fund.

PENSION TRUST FUND – is used to account for pension benefits for employees. The principal revenue sources for this fund are employer and employee contributions. The Pension Trust Fund is accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. The Pension Trust Fund accounts for the City's three defined benefit pension plans, officers and employees, police and firemen.

PRIVATE PURPOSE TRUST FUND – The Trexler Park Fund is used for maintenance, development and extension of the City's park system. The Trexler Park fund is a private purpose trust fund since the principal can be expended.

AGENCY FUND – is used to account for funds held in escrow for other parties. The Agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The agency fund accounts for the earned income taxes, payroll withholdings and tax collections from the Allentown School District and the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

BUDGETARY ACCOUNTING CONTROL

The City's budget is prepared primarily on a cash basis and includes appropriations to the standard account level to cover prior and anticipated current encumbrances. Budgets are approved by City Council which contain estimated revenues adequate to fully fund appropriations. Appropriations not reserved for encumbrances lapse at year end. Annual operating budgets are legally adopted for the General Fund, Pennsylvania Motor Fund, and Debt Service Fund, and Capital Projects Fund.

The Director of Finance has the power to authorize the transfer of any unexpended balance between standard accounts within a fund, provided such transfers do not exceed \$5,000. Transfers that exceed \$5,000 must be approved by a majority of City Council and all transfers between funds must be approved by ordinance.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash of all funds, except pension trust and certain enterprise and special revenue funds, is maintained in a cash and investment pool. Interest earnings, as well as gains and losses, are allocated to funds based on the average daily balances of funds invested in the pool. The balance recorded as cash and cash equivalents in each fund type is principally the allocation of the pooled cash balance. The balance recorded as investments in each fund type, except those in pension trust funds, is principally the allocation of the pooled investment balance. Investments are carried at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Insurance holdings, if any, are valued at reported contract values. Investments of the discretely presented component units are carried at cost, which does not differ materially from fair value.

For purposes of the statement of cash flows, the City considers all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid investments purchases with an original maturity of three months or less, to be cash equivalents.

INTERNAL BALANCES

Internal balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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). All other outstanding balances between funds are reported as "due to/from other funds."

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is calculated based on collection history and was approximately \$1,214,000 at December 31, 2004.

INVENTORIES

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are rendered as expenditures when consumed rather than when purchased. The City has determined that any unused materials and supplies on hand at December 31, 2004 are immaterial.

CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City maintains a capitalization threshold of \$5,000 for all capital assets.

General infrastructure assets acquired prior to December 31, 2004 consist of bridges, traffic lights and signals, streets and streetlights, and storm sewers and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>YEARS</u>
Buildings and improvements	35-80
Machinery and equipment	5-25
Vehicles	2-10
Reservoirs and water and sewer distribution and collection systems	99
Infrastructure	10-99

RESTRICTED NET ASSETS

Net assets are restricted by laws or regulations of other governments.

COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts based on their length of employment. Vacation leave carried by employees varies depending upon collective bargaining agreements and City policy. Accumulated sick leave may be compensated to employees at the rate of \$10 to \$15 per day, depending upon employees' classification, up to 100 days upon retirement after 23 years of service or mandatory retirement due to age or disability.

DEFERRED REVENUES

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable but are not available. Deferred revenue may also result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date.

BOND DISCOUNTS AND ISSUANCE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method. Bond discounts are deducted from the bonds outstanding, and issuance costs are presented as other assets.

PROPERTY TAXES

Significant dates on the City's property tax calendar are as follows:

Levy date:	February 1
Due dates:	Net by April 5 Gross by June 5 or by installments due April 15, May 15, June 15 and July 15
Lien date:	December 31

Property taxes not being paid in installments become delinquent on June 6. The City continues to collect delinquent property taxes up to December 31 of the current year. At that time, all unpaid school and real estate taxes are certified to the Portnoff Law Associates for further collection and possible tax sales over an additional 30-month period.

The 2004 tax levy for improvements was 8.93 mills and 41.95 mills for land.

INTERFUND TRANSACTIONS

As a result of its operations, the City effects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2004, appropriate interfund receivables or payables have been established.

INTERGOVERNMENTAL REVENUES

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania and federal agencies generally to fund specific programs. Awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs and the revenues are measurable and available. Reimbursement type grants are recorded as revenues when the related expenditures or expenses are incurred. The amount recorded as due from other governments consists primarily of amounts due from the Commonwealth of Pennsylvania.

SELF-INSURANCE

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2004, the City carried excess loss insurance policies which limited its liability to \$450,000 per occurrence for workers' compensation and \$100,000 per occurrence for property and flood loss. Governmental and proprietary funds are charged based on historical loss patterns. These charges are reimbursed through the various funds. The City funds reported loss claims based upon the evaluation of an independent claims manager. The City maintains the integrity of funds so provided, together with earnings thereon, in the Risk Management Internal Service Fund solely for purposes of liquidating claims incurred. Under its self-insurance plan, the City accrues the estimated expense of workers' compensation, property, casualty and general liability claim costs based on claims filed subsequent to year end, and an additional amount for incurred but not yet reported claims based on prior experience. An accrual for such costs of \$2,579,096 is included in the accompanying financial statements. Claim payments based on actual claims ultimately filed could differ materially from these estimates. Settled claims from these risks have not exceeded commercial insurance coverage for the past four years.

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 the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. REPORTING ENTITY

In accordance with GASB Statement No 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, the City has evaluated all related entities (authorities, commissions, and affiliates) for the possible inclusion in the financial reporting entity.

The component units discussed below are included in the City's reporting entity because of the significance of financial and operational relationships within the City. These component units have been included in the financial reporting entity as discretely presented component units.

ALLENTOWN REDEVELOPMENT AUTHORITY

The Allentown Redevelopment Authority (the "Authority"), an entity legally separate from the City, is governed by a board appointed by the Mayor and administers the Community Development Block Grant Program and other urban renewal and improvement grants.

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

Allentown Economic Development Corporation ("AEDC"), an entity legally separate from the City, is governed by a board that includes the Mayor and a City Council member. Its purpose is to encourage economic development in the City. AEDC provides technical and financial assistance to existing business and fosters the attraction of new commerce into the City. The City has guaranteed the installment debt of the AEDC.

ALLENTOWN PARKING AUTHORITY

Allentown Parking Authority (The “Authority”) is a municipal authority organized pursuant to the Parking Authority Act of 1947 of the Commonwealth of Pennsylvania. The Authority’s function is to develop, administer and enforce an efficient system of off-street and on-street parking in the City. The Authority is governed by a board appointed by the Mayor. The City has guaranteed the debt issuance of the Authority.

CONDENSED FINANCIAL STATEMENTS

Condensed financial statements are provided as supplemental information for each of the discretely presented component units mentioned above. Complete financial statements of the individual component units can be obtained directly from the Office of the City Treasurer.

City Of Allentown, Pennsylvania
Notes To Financial Statements

CONDENSED FINANCIAL STATEMENTS
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	ALLENTOWN REDEVELOPMENT AUTHORITY	ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION*	ALLENTOWN PARKING AUTHORITY	TOTALS
ASSETS				
Cash and cash equivalents	\$ 113,916	\$ 3,504,910	\$ 1,201,085	\$ 4,819,911
Investments			679,000	679,000
Accounts receivable, net		219,026	314,542	533,568
Due from other governments	38,207			38,207
Other assets		1,498,647	278,962	1,777,609
Property held for development	318,776			318,776
Capital assets, net	<u>318,776</u>	<u>14,275,373</u>	<u>13,664,582</u>	<u>27,939,955</u>
Total assets	<u>\$ 470,899</u>	<u>\$ 19,497,956</u>	<u>\$ 16,138,171</u>	<u>\$ 36,107,026</u>
LIABILITIES				
Accounts payable	\$ 13,207	\$ 80,152	\$ 429,953	\$ 523,312
Long-term debt		3,379,088	9,717,692	13,096,780
Other liabilities	<u>34,208</u>	<u>480,197</u>	<u>883,331</u>	<u>1,397,736</u>
Total liabilities	<u>47,415</u>	<u>3,939,437</u>	<u>11,030,976</u>	<u>15,017,828</u>
NET ASSETS:				
Invested in capital assets, net of related debt		10,990,126	3,286,291	14,276,417
Unrestricted	<u>423,484</u>	<u>4,568,393</u>	<u>1,820,904</u>	<u>6,812,781</u>
Total net assets	<u>423,484</u>	<u>15,558,519</u>	<u>5,107,195</u>	<u>21,089,198</u>
Total liabilities and net assets	<u>\$ 470,899</u>	<u>\$ 19,497,956</u>	<u>\$ 16,138,171</u>	<u>\$ 36,107,026</u>

* Presented as of June 30, 2004

CONDENSED FINANCIAL STATEMENTS
 DISCRETELY PRESENTED COMPONENT UNITS
 STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	ALLENTOWN REDEVELOPMENT <u>AUTHORITY</u>	ALLENTOWN ECONOMIC DEVELOPMENT <u>CORPORATION</u>	ALLENTOWN PARKING <u>AUTHORITY</u>	<u>TOTAL</u>
Program revenues:				
Charges for services		\$ 910,525	\$4,162,031	\$ 5,072,556
Grants	\$643,142	375,835	679,493	1,698,470
General revenues:				
Investment income	1,342	71,004	19,304	91,650
Other income	1,342		10,911	12,253
Transfer of land	<u>318,776</u>	<u> </u>	<u> </u>	<u>318,776</u>
Total revenues	<u>964,602</u>	<u>1,357,364</u>	<u>4,871,739</u>	<u>7,193,705</u>
Expenses:				
Operating and other expenses	722,060	1,200,702	2,419,704	4,342,466
Depreciation and amortization		220,292	687,517	907,809
Interest expense		231,934	423,371	655,305
Loss on disposal of assets			400,852	400,852
Contribution to City of Allentown	<u> </u>	<u> </u>	<u>224,478</u>	<u>224,478</u>
Total expenses	<u>722,060</u>	<u>1,652,928</u>	<u>4,155,922</u>	<u>6,530,910</u>
Net income (loss)	242,542	(295,564)	715,817	662,795
Net assets, beginning of year	<u>180,942</u>	<u>15,854,083</u>	<u>4,391,378</u>	<u>20,426,403</u>
Net assets, end of year	<u>\$423,484</u>	<u>\$15,558,519</u>	<u>\$5,107,195</u>	<u>\$21,089,198</u>

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City is authorized to make investments as defined in the Pennsylvania Third Class City Code and the Home Rule Charter. Authorized types of investments include the following:

- a. United States Treasury bills.
- b. Short-term obligations of the U.S. Government or its agencies or instrumentalities.
- c. Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law therefore is pledged by the depository.
- d. Obligations of the U.S. Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- e. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for City funds listed above.
- f. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured.

Investments of pension trust funds are placed pursuant to guidelines established by the respective pension boards. Investments of component units are transacted pursuant to guidelines established by the respective boards of directors.

Bank balances are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. All bank balances of the City are considered to be either Category 1 or Category 3.

At December 31, 2004, the carrying amount of the City's bank deposits was \$21,345,116 and the corresponding book balances were \$19,330,437 of which \$237,910 (Category 1) was covered by federal depository insurance. The City's change fund and petty cash balances were \$11,950 at December 31, 2004.

At December 31, 2004, the carrying amount of the discretely presented component units' bank deposits was \$5,498,911 and the corresponding bank balances were \$5,825,697, of which \$1,097,000 (Category 1) was covered by Federal Depository Insurance.

Under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. The uninsured deposits (as defined by Statement No. 3 of the Governmental Accounting Standards Board) of the City in the amount of \$21,095,256 (Category 3) were collateralized by this pool of assets maintained by the City's depository institutions and \$3,850,675 (Category 3) of the discretely presented component units' bank deposits.

The remaining bank balances of the discretely presented component units of \$228,669 were uncategorized and \$667,353 were uninsured and uncollateralized.

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

At December 31, 2004, the City's cash and cash equivalents balances were as follows:

CATEGORY.....			<u>TOTAL</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash	\$237,910		\$13,003,226	\$13,241,136
U.S. Government agencies			6,653,506	6,653,506
Corporate bonds			107,438	107,438
Mortgage backed securities			840,308	840,308
Other fixed income			<u>502,728</u>	<u>502,728</u>
	<u>\$237,910</u>		<u>\$21,107,206</u>	<u>\$21,345,116</u>

At December 31, 2004, the City's investment balances were as follows:

Pension trust funds:			
U.S. Government obligations	\$	10,127,776	\$ 10,127,776
Corporate bonds		7,578,396	7,578,396
Equity investments		70,629,491	70,629,491
Collateralized mortgage		3,280,043	3,280,043
Other fixed income		33,977,366	33,977,366
Asset backed securities		<u>5,261,670</u>	<u>5,261,670</u>
		<u>\$130,854,742</u>	<u>\$130,854,742</u>

Investments are categorized into these three categories of credit risk:

Category	Description
1	Insured or registered, or securities held by the City or its agent in the City's name.
2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
3	Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Activity in the Capital Assets for the year ended December 31, 2004 is as follows:

	January 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	December 31, <u>2004</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,103,228	\$ 306,717		\$ 8,409,945
Property held for development	1,271,488	35,000	\$ 561,537	744,951
Art	95,166	-	-	95,166
Construction in progress	<u>1,643,518</u>	<u>6,275,094</u>	<u>3,782,972</u>	<u>4,135,640</u>
Total capital assets not being depreciated	<u>11,113,400</u>	<u>6,616,811</u>	<u>4,344,509</u>	<u>13,385,702</u>
Capital assets being depreciated:				
Buildings	21,216,108	1,707,318	10,450	22,912,976
Land and building improvements	15,838,951	637,817	295,162	16,181,606
Machinery and equipment	15,665,414	679,267	253,951	16,090,730
Vehicles	13,517,500	266,051	243,463	13,540,088
Infrastructure	<u>61,036,899</u>	<u>1,409,110</u>	<u>6,984</u>	<u>62,439,025</u>
Total capital assets being depreciated	<u>127,274,872</u>	<u>4,699,563</u>	<u>810,010</u>	<u>131,164,425</u>
Less accumulated depreciation for:				
Buildings	12,894,105	527,030	10,451	13,410,684
Land and building improvements	7,435,127	657,381	32,245	8,060,263
Machinery and equipment	10,335,873	872,173	252,441	10,955,605
Vehicles	8,888,741	1,540,666	174,298	10,255,109
Infrastructure	<u>21,670,069</u>	<u>1,317,508</u>	<u>6,984</u>	<u>22,980,593</u>
Total accumulated depreciation	<u>61,223,915</u>	<u>4,914,758</u>	<u>476,419</u>	<u>65,662,254</u>
Total capital assets being depreciated, net	<u>66,050,957</u>	<u>(215,195)</u>	<u>333,591</u>	<u>65,502,171</u>
Governmental activities capital assets, net	<u>\$77,164,357</u>	<u>\$6,401,616</u>	<u>\$4,678,100</u>	<u>\$78,887,873</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

	January 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	December 31, <u>2004</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,759,048			\$3,759,048
Construction in progress	<u>714,756</u>	<u>\$2,893,337</u>	<u>\$1,263,196</u>	<u>2,344,897</u>
Total capital assets not being depreciated	<u>4,473,804</u>	<u>2,893,337</u>	<u>1,263,196</u>	<u>6,103,945</u>
Capital assets being depreciated:				
Buildings	41,377,808	358,837	7,411	41,729,234
Land and building improvements	20,722,376	474,431	5,046	21,191,761
Machinery and equipment	29,944,933	4,506,601	77,884	34,373,650
Vehicles	6,502,345	382,879	242,116	6,643,108
Distribution and collection systems	<u>49,562,504</u>	<u>337,091</u>	<u>24,484</u>	<u>49,875,111</u>
Total capital assets being depreciated	<u>148,109,966</u>	<u>6,059,839</u>	<u>356,941</u>	<u>153,812,864</u>
Less accumulated depreciation for,				
Buildings	16,939,848	1,149,995	7,412	18,082,431
Land and building improvements	4,597,894	772,010	5,046	5,364,858
Machinery and equipment	17,071,887	1,849,045	77,884	18,843,048
Vehicles	4,312,936	824,837	236,468	4,901,305
Distribution and collection systems	<u>11,073,911</u>	<u>516,280</u>	<u>16,947</u>	<u>11,573,244</u>
Total accumulated depreciation	<u>53,996,476</u>	<u>5,112,167</u>	<u>343,757</u>	<u>58,764,886</u>
Total capital assets being depreciated, net	<u>94,113,490</u>	<u>947,672</u>	<u>13,184</u>	<u>95,047,978</u>
Business-type activity capital assets, net	<u>\$ 98,587,294</u>	<u>\$ 3,841,009</u>	<u>\$1,276,380</u>	<u>\$101,151,923</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 348,272
Public safety	1,359,016
Public works	2,173,353
Health	60,105
Parks and recreation	878,973
Community development and planning	<u>95,039</u>
Total	<u>\$4,914,758</u>

5. INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2004 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental activities:		
General Fund	\$ 851,692	\$ 3,780,573
Trexler Park Fund	<u>1,380,589</u>	<u> </u>
Total	2,232,281	3,780,573
Community Development Block Grant Fund		687,145
Capital Projects Fund	5,084,559	1,771,207
Business type activities:		
Water Fund		1,302,986
Sewer Fund	5,516,945	
Golf Fund		165,547
Internal Service Fund		3,745,738
Fiduciary Fund Type, Trexler Park Fund	<u> </u>	<u>1,380,589</u>
Total	<u>\$12,833,785</u>	<u>\$12,833,785</u>

6. INDIVIDUAL FUND INTERFUND TRANSFERS

The composition of interfund balances as of December 31, 2004 is as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
Governmental activities:		
General Fund	\$3,430,959	\$6,457,838
Debt Service Fund	6,473,923	
Internal Service Fund		43,181
Capital projects	75,000	51,000
Business type activities:		
Water Fund		1,550,885
Sewer Fund		1,249,833
Solid Waste Fund		436,883
Golf Fund		<u>190,262</u>
Total	<u>\$9,979,882</u>	<u>\$9,979,882</u>

Transfers out were made from the General Fund to the Debt Service Fund (\$6,382,838) for debt payments.

Transfers to Debt Service were also made from the Water Fund (\$5,206), Sewer Fund (\$10,411), Solid Waste Fund (\$5,206), and Golf Fund (\$70,262) for Debt Service payments.

Transfers In were made to the General Fund for reimbursement of services rendered by the General Fund for other operating funds, i.e. Water, Sewer, Risk, Solid Waste, and Golf Funds. These General City Charges totaled \$3,379,959.

CAPITAL FUND

A \$75,000 transfer was made to the Capital Project from the General Fund. This transfer represents a portion of the Trexler Grant earmarked to enhance the park system through capital improvements.

A \$51,000 transfer was made from the Capital Fund to the General Fund to allocate excess 2004 General Obligation Bond proceeds.

7. PENSION PLANS

PLAN DESCRIPTIONS

The City has three single employer defined benefit pension plans covering Policemen, Firemen, and certain non-uniformed employees (Officers and Employees Plan). The plans provide for retirement, disability, vested and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the Police, Firemen and Officers and Employees Retirement Boards. All full-time City employees hired prior to June 9, 1976 are eligible to participate in these plans. The City also participates in a pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). The full-time non-uniformed City employees hired after June 8, 1976 are eligible to participate in the PMRS plan. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR) which may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968. The following is a statement of fiduciary net assets and statement of changes in fiduciary net assets for the City's three single employer defined benefit plans.

	Officers and Employees' <u>Pension Fund</u>	Policemen's <u>Pension Fund</u>	Firemen's <u>Pension Fund</u>	Total Pension Trust <u>Funds</u>
<u>ASSETS</u>				
INTEREST RECEIVABLE	\$ 267,606	\$ 550,591	\$ 388,762	\$ 1,206,959
INVESTMENTS, At fair value	<u>28,688,638</u>	<u>60,946,117</u>	<u>41,219,987</u>	<u>130,854,742</u>
TOTAL	<u>\$28,956,244</u>	<u>\$61,496,708</u>	<u>\$41,608,749</u>	<u>\$132,061,701</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
Accounts payable	\$ 1,574,208			\$ 1,574,208
Due to other governments	<u>1,517,758</u>			<u>1,517,758</u>
Total liabilities	3,091,966			3,091,966
NET ASSETS,				
Reserved for pension benefits	<u>25,864,278</u>	<u>\$61,496,708</u>	<u>\$41,608,749</u>	<u>128,969,735</u>
TOTAL	<u>\$28,956,244</u>	<u>\$61,496,708</u>	<u>\$41,608,749</u>	<u>\$132,061,701</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

	<u>Officers and Employees' Pension Fund</u>	<u>Policemen's Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Total Pension Trust Funds</u>
ADDITIONS:				
Contributions:				
Employer		\$ 2,576,421	\$ 933,502	\$ 3,509,923
Plan members	<u>\$ 25,208</u>	<u>1,127,728</u>	<u>622,098</u>	<u>1,775,034</u>
Total contributions	<u>25,208</u>	<u>3,704,149</u>	<u>1,555,600</u>	<u>5,284,957</u>
Investment earnings:				
Net appreciation in fair value of investments	1,740,307	3,377,291	2,301,735	7,419,333
Interest and dividends	1,096,048	2,267,245	1,590,564	4,953,857
Less investment expenses	<u>(92,102)</u>	<u>(153,433)</u>	<u>(116,081)</u>	<u>(361,616)</u>
Net investment earnings	<u>2,744,253</u>	<u>5,491,103</u>	<u>3,776,218</u>	<u>12,011,574</u>
Other income,				
Miscellaneous	<u>16,320</u>	<u>19,864</u>	<u>18,940</u>	<u>55,124</u>
Total additions	<u>2,785,871</u>	<u>9,215,116</u>	<u>5,350,758</u>	<u>17,351,655</u>
DEDUCTIONS:				
Benefits paid to recipients	3,344,657	4,498,482	3,342,511	11,185,650
Administrative and other fees	<u>149,692</u>	<u>8,191</u>	<u>5,433</u>	<u>163,316</u>
Total deductions	<u>3,494,349</u>	<u>4,506,673</u>	<u>3,347,944</u>	<u>11,348,966</u>
CHANGE IN NET ASSETS	(708,478)	4,708,443	2,002,814	6,002,689
NET ASSETS, BEGINNING	<u>26,572,846</u>	<u>56,788,265</u>	<u>39,605,935</u>	<u>122,967,046</u>
NET ASSETS, ENDING	<u>\$25,864,368</u>	<u>\$61,496,708</u>	<u>\$41,608,749</u>	<u>\$128,969,735</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

The following table provides information concerning types of covered employees and benefit provision for each of the Plans. Benefit provisions and their amendments are authorized by the separate Pension Boards for the Policemen, Firemen and Officers and Employees plans and by Pennsylvania State Act 15 for the PMRS plan:

	Policemen	Firemen	Officers and Employees	PMRS
<u>Covered Employees</u>	All full-time members of the Police <u>Force</u>	All full-time members of the Fire <u>Department</u>	Closed <u>6/8/76</u>	All full-time employees not previously <u>covered</u>
Number of active plan members	215	145	12	560
Number of retirees and beneficiaries receiving benefits	189	158	285	136
Terminated employees entitled to deferred benefits	-	-	-	21

CONTRIBUTIONS

Pennsylvania Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act of the Commonwealth of Pennsylvania (as amended) (Act 205) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plans' biannually actuarial valuation. According to Act 205, actuarial valuations may be made biennial and the most recent valuation for all of the City's plans was completed as of January 2003. The MMO includes the normal cost, estimated administrative expenses and an amortization of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds state and member contributions must be funded by the employer.

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Policemen and Firemen are required to contribute 8% of covered payroll to their respective pension plans. The Officers' and Employees' plan requires 3.5% of covered payroll for single coverage. The PMRS plan requires contributions of 7.5% from plan participants. These contributions are governed by the Plans' governing ordinances and collective bargaining agreements. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or investment earnings.

Annual Pension Cost and Net Pension Asset – The City's annual pension cost (APC), and net pension asset for the City's Policemen, Firemen and Officers and Employees Defined Benefit Pension Plans for the current year were as follows:

	<u>Policemen</u>	<u>Firemen</u>	<u>Officers and Employees</u>
Annual Required Contribution (MMO)	\$2,576,421	\$952,192	\$ -
Interest on net pension asset	(14,593)	(9,239)	(2,724)
Adjustment to annual required contribution	<u>18,242</u>	<u>11,549</u>	<u>3,405</u>
Annual Pension Cost	2,580,070	954,502	681
Contributions made	<u>2,576,421</u>	<u>933,503</u>	<u>-</u>
Decrease in net pension asset	3,649	20,999	681
Net pension asset, beginning of year	<u>(182,416)</u>	<u>(115,489)</u>	<u>(34,051)</u>
Net pension asset, end of year	<u>\$ (178,767)</u>	<u>\$ (94,490)</u>	<u>\$ (33,370)</u>

.....Three Year Trend Information.....

	<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
Policemen	12/31/02	\$1,197,583	99.7%	\$186,139
	12/31/03	1,247,972	99.7%	182,416
	12/31/04	2,580,070	99.9%	178,767
Firemen	12/31/02	190,323	98.7%	117,846
	12/31/03	421,655	99.4%	115,489
	12/31/04	954,502	97.8%	94,490
Officers and Employees	12/31/02	710	100%	34,746
	12/31/03	695	100%	34,051
	12/31/04	681	100%	33,370
Pennsylvania Municipal Retirement Plan	12/31/02	1,271,102	100%	-
	12/31/03	329,361	100%	-
	12/31/04	345,520	100%	-

The annual required contribution for each of the Plans for the current year were determined as part of the January 1, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) investment rate of return of 8% for the three City Plans and 6.5% for the State (PMRS) Plan (b) projected salary increases of 5% per year for City Plans and 5.2% for PMRS plan including, an inflation component of 3.5%, for the PMRS Plan. The actuarial value of assets was based on market value plus end of the year accrual adjustments, if any. The PMRS Plan's unfunded actuarial accrued liability was fully funded at January 1, 2004.

INVESTMENTS THAT REPRESENT FIVE PERCENT OR MORE OF PLAN NET ASSETS

At December 31, 2004, none of the Plans had investments in any one organization which represented five percent or more of the Plan net assets.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT

The City issues notes payable and general obligation bonds to finance the capital projects of the City. At December 31, 2004, general long-term debt obligations of the City's governmental activities were as follows:

<u>General Obligation Notes and Bonds</u>	<u>Balance Outstanding January 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding December 31, 2004</u>	<u>Current Portion</u>
Notes payable,					
HUD 108 Series 1997-A term notes, 4.50%-6.70% interest payable in increasing annual installments of \$400,000 in 2005 to \$500,000 in 2007	\$ 1,800,000		\$ 400,000	\$ 1,400,000	\$ 400,000
	<u>1,800,000</u>		<u>400,000</u>	<u>1,400,000</u>	<u>400,000</u>
Bonds payable:					
1993 General Obligation Bonds, 5.70% interest, due in 2010	325,000			325,000	-
1993 General Obligation Refunding Bonds 5.65% interest, due in 2010	1,525,000			1,525,000	-
1995 General Obligation Refunding Bonds, 4.85% to 5.50% interest, serial portion payable in varying annual installments of \$190,000 in 2007 to \$280,000 in 2014	3,735,000		1,885,000	1,850,000	-
1996 General Obligation Bonds, Refunded in 2004	30,810,000		30,810,000	-	-
1997 General Obligation Bonds, 4.45% to 5.00% interest, payable in increasing annual installments of \$315,000 in 2009 to \$365,000 in 2012	7,550,000		6,190,000	1,360,000	-
1997 General Obligation Refunding Bonds, 4.55% interest, due in 2005	3,040,000		1,490,000	1,550,000	1,550,000
1998 General Obligation Bonds, 4.00% to 5.00% interest, payable in varying annual installments of \$420,000 in 2009 to \$290,000 in 2021	7,590,000		2,540,000	5,050,000	-
2000 General Obligation Bonds, Refunded in 2004	3,330,000		3,330,000	-	-

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

General Obligation Notes and Bonds	Balance Outstanding January 1, 2004	Additions	Reductions	Balance Outstanding December 31, 2004	Current Portion
2001 General Obligation Bond, 2.80% to 5.00% interest, serial portion payable in varying annual installments of \$355,000 in 2009 to \$290,000 in 2021	\$ 7,170,000		\$ 2,810,000	\$ 4,360,000	\$ -
2003 General Obligation Bond, 2.0% to 5.5% interest, serial portion payable in increasing annual installments of \$535,000 in 2009 to \$725,000 in 2022	16,850,000		6,830,000	10,020,000	-
2004 General Obligation Pension Bond, 1.31% to 5.25% interest, serial portion payable in increasing annual installments of \$650,000 in 2005 to \$2,260,000 in 2034	-	\$36,865,000	880,000	35,985,000	650,000
2004 Taxable General Obligation Bond, 1.31% to 4.44% interest, serial portion payable in increasing annual installments of \$1,800,000 in 2005 to \$2,405,000 in 2014	-	21,935,000	1,425,000	20,510,000	1,800,000
2004 Tax-Exempt General Obligation Bond, 1.0% to 5.0% interest, serial portion payable in increasing annual installments of \$230,000 in 2005 to \$490,000 in 2024	<u>-</u>	<u>6,900,000</u>	<u>105,000</u>	<u>6,795,000</u>	<u>230,000</u>
	<u>81,925,000</u>	<u>65,700,000</u>	<u>58,295,000</u>	<u>89,330,000</u>	<u>4,230,000</u>
Total Notes and General Obligation Bonds	83,725,000	65,700,000	58,695,000	90,730,000	<u>\$4,630,000</u>
Premium on bond issuance	<u>1,356,306</u>	<u>215,853</u>	<u>-</u>	<u>1,572,159</u>	
Total	<u>\$85,081,306</u>	<u>\$65,915,853</u>	<u>\$58,695,000</u>	<u>\$92,302,159</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

At December 31, 2004, the business-type activities' long-term debt consisted of the following:

Revenue Notes And Bonds	Balance Outstanding January 1, 2004	Additions	Reductions	Balance Outstanding December 31, 2004	Current Portion
Notes payable, 1989 Guaranteed Water Revenue Note, 4.93% interest, \$129,764 due in 2005	\$ 266,581		\$ 136,817	\$ 129,764	\$ 129,764
Bonds payable:					
1993 Guaranteed Water Revenue Bonds, 5.65% interest, one installment of \$775,000 due in 2010	775,000			775,000	-
1993 Guaranteed Water Revenue Refunding Bonds, 5.65% interest, one installment of \$330,000 due in 2010	330,000			330,000	-
1993 Guaranteed Sewer Revenue Bonds, 5.65% interest, one installment of \$645,000 due in 2010	645,000			645,000	-
1995 Guaranteed Water Revenue Refunding Bonds, 4.75% to 5.50% interest, serial portion payable in varying annual installments of \$480,000 in 2005 to \$425,000 in 2014	4,300,000		460,000	3,840,000	480,000
1997 Guaranteed Water Revenue Bonds, Second Series, 4.55% to 5.00% interest, serial portion payable in varying annual installments of \$210,000 in 2005 to \$200,000 in 2012	2,920,000		155,000	2,765,000	210,000
1997 Guaranteed Water Revenue Refunding Bonds, 4.55% interest, \$1,365,000 due in 2005	2,680,000		1,315,000	1,365,000	1,365,000
1997 Guaranteed Sewer Revenue Refunding Bonds, 4.55% interest, \$375,000 due in 2005	740,000		365,000	375,000	375,000
1997 Guaranteed Sewer Revenue Refunding Bonds, Second Series, 4.45% to 5.00% interest, serial portion payable in increasing annual installments of \$60,000 in 2005 to \$80,000 in 2012	585,000		55,000	530,000	60,000
1998 Guaranteed Water Revenue Bonds, 4.00% to 5.00% interest, serial portion payable in varying annual installments of \$455,000 in 2005 to \$30,000 in 2018	5,150,000		430,000	4,720,000	455,000

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

Revenue Notes And Bonds	Balance Outstanding January 1, 2004	Additions	Reductions	Balance Outstanding December 31, 2004	Current Portion
1998 Guaranteed Sewer Revenue Bonds, 4.00% to 5.00% interest, serial portion payable in varying annual installments of \$1,010,000 in 2005 to \$485,000 in 2018	\$ 9,280,000		\$ 970,000	\$ 8,310,000	\$ 1,010,000
1999 Guaranteed Sewer Revenue Bonds, 4.50% interest, \$95,000 due in 2005	185,000		90,000	95,000	95,000
1999 Guaranteed Water Revenue Bonds, Refunded in 2004	345,000		345,000	-	-
2000 Guaranteed Water Revenue Bonds, Refunded in 2004	1,200,000		1,200,000	-	-
2001 Guaranteed Water Revenue Bonds, 2.80% to 5.00% interest, serial portion payable in varying annual installments of \$1,270,000 in 2005 to \$110,000 in 2021	14,385,000		1,225,000	13,160,000	1,270,000
2001 Guaranteed Sewer Revenue Bonds, 2.80% to 5.00% interest, serial portion payable in increasing annual installments of \$70,000 in 2005 to \$135,000 in 2021	1,715,000		70,000	1,645,000	70,000
2003 Guaranteed Water Revenue Refunding Bonds, 2.0% to 4.375% interest, serial portion payable in varying annual installments of \$350,000 in 2005 to \$110,000 in 2019	2,480,000		340,000	2,140,000	350,000
2003 Guaranteed Sewer Revenue Refunding Bonds, 2.0% to 4.4% interest, serial portion payable in increasing annual installments of \$240,000 in 2005 to \$255,000 in 2020	5,680,000		235,000	5,445,000	240,000
2004 Guaranteed Water Revenue Bonds, 1.0% to 4.4% interest, serial portion payable in varying annual installments of \$180,000 in 2005 to \$95,000 in 2024	-	\$3,075,000	130,000	2,945,000	180,000
2004 Guaranteed Sewer Revenue Bonds, 1.0% to 4.0% interest, serial portion payable in increasing annual installments of \$25,000 in 2005 to \$35,000 in 2018	-	395,000	10,000	385,000	25,000
Total	<u>\$53,661,581</u>	<u>\$3,470,000</u>	<u>\$7,531,817</u>	<u>\$49,599,764</u>	<u>\$6,314,764</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

Debt service requirements to maturity, including interest of \$67,661,911, are as follows:

<u>Year Ending</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Total</u>
2005	\$ 8,324,741	\$ 8,236,773	\$ 16,561,514
2006	7,779,865	6,615,858	14,395,723
2007	5,611,473	6,805,931	12,417,404
2008	5,273,473	6,806,963	12,080,436
2009	4,762,184	9,335,656	14,097,840
2010-2014	21,654,597	42,793,457	64,448,054
2015-2019	9,022,394	22,690,987	31,713,381
2020-2024	1,391,032	17,132,165	18,523,197
2025-2029	-	11,869,350	11,869,350
2030-2034	-	11,884,776	11,884,776
Total	<u>\$63,819,759</u>	<u>\$144,171,916</u>	<u>\$207,991,675</u>

During 2004, the City issued general obligation bonds of \$6,900,000 with variable interest rates ranging from 1.0% to 5.0% to advance refund portions of the outstanding principal amounts of its General Obligation Bonds Series of 2000. On the date of issuance, the City deposited a portion of the 2004 proceeds in escrow to purchase U.S. government securities to effect the advance refunding of the portions of the 2000 bonds. As a result of the above transaction, portions of the 2000 bonds are considered to be defeased in the amount of \$3,330,000 and the liability for that debt has been removed from the statement of net assets. This advance refunding decreased the City's total debt service payments and provided an economic gain (difference between the present value of the debt service payment on the old and new debt) of approximately \$212,600.

During 2004, the City issued guaranteed water revenue bonds of \$3,075,000 with variable interest rates ranging from 1.0% to 4.4% to advance refund the outstanding principal amounts of its Guaranteed Water Bonds Series 1999 and 2000. On the date of issuance, the City deposited a portion of the 2004 proceeds in escrow to purchase U.S. government securities to effect the advance refunding of the portions of 1999 and 2000 bonds. As a result of the above transaction, portions of the Water Revenue bonds are considered to be defeased in the amount of \$1,545,000 and the liability has been removed from the statement of net assets. This advance refunding decreased the City's total debt service payments and provided an economic gain of approximately \$100,500.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

The following represents changes in long-term liabilities, other than bond and note issues:

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2004</u>
Accrued vacation:				
Governmental activities	\$1,514,020	\$2,695,051	\$2,526,877	\$1,682,194
Business-type activities	<u>580,957</u>	<u>598,957</u>	<u>577,478</u>	<u>602,436</u>
Total accrued vacation	<u>\$2,094,977</u>	<u>\$3,294,008</u>	<u>\$3,104,355</u>	<u>\$2,284,630</u>
Capital leases:				
Governmental activities	\$1,676,681	\$ 406,540	\$ 419,606	\$1,663,615
Business-type activities	<u>388,815</u>	<u>3,094,814</u>	<u>184,965</u>	<u>3,298,664</u>
Total capital leases	<u>\$2,065,496</u>	<u>\$3,501,354</u>	<u>\$ 604,571</u>	<u>\$4,962,279</u>

Debt service requirements for capital lease obligations are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
2005	\$ 456,690	\$ 739,444	\$1,196,134
2006	341,504	626,250	967,754
2007	312,147	590,590	902,737
2008	235,620	590,590	826,210
2009	216,873	514,680	731,553
Thereafter	<u>319,525</u>	<u>686,239</u>	<u>1,005,764</u>
	1,882,359	3,747,793	5,630,152
Less interest	<u>218,744</u>	<u>449,128</u>	<u>667,872</u>
	<u>\$1,663,615</u>	<u>\$3,298,665</u>	<u>\$4,962,280</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS

DISCRETELY PRESENTED COMPONENT UNITS' LONG-TERM DEBT:

At the December 31, 2004, the long-term debt of the discretely presented component units consisted of the following:

	Balance Outstanding January 1, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2004</u>
1999 Guaranteed Parking Revenue Refunding Bonds, refunded in 2004	\$ 5,445,000		\$ 5,445,000	
2003 Parking Revenue Bonds, 2.0% to 3.9% interest, serial portion payable in increasing annual installments of \$440,000 in 2005 to \$355,000 in 2016	4,970,000		375,000	\$4,595,000
2004 Guaranteed Parking Revenue Refunding Bonds, 1.75% to 3.5% interest, serial portion payable in increasing annual installments of \$555,000 in 2005 to \$695,000 in 2013		\$ 5,565,000		5,565,000
Mortgage payable to Pennsylvania Industrial Development Authority, secured by second-lien mortgage on land and buildings of Industrial Center Project, payable in monthly installments of \$2,740 including principal and interest at 3.00% through November 2010	218,402		26,695	191,707
Mortgage payable to Pennsylvania Industrial Development Authority, secured by participating first mortgage on land and buildings of Industrial Center Project, payable in monthly installments of \$12,758 including principal and interest at 3.00% through November 2010	1,016,901		124,292	892,609

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

	Balance Outstanding January 1, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2004</u>
Mortgage payable to Pennsylvania Power and Light Company, secured by tract of land in Industrial Center Project, payable without interest in 120 monthly installments of \$2,084 through December 2005	\$ 62,440		\$ 25,008	\$ 37,432
Mortgage payable to a bank, secured by land and buildings of Industrial Center and Business Incubator and guaranteed by the City of Allentown, payable in 240 monthly installments of \$24,650 including principal and interest at 8.16% through July 2017; loan agreement required the establishment of certain escrow accounts subject to specified withdrawal restrictions; AEDC is also required to comply with certain continuing loan provisions	<u>2,361,142</u>	<u> </u>	<u>103,802</u>	<u>2,257,340</u>
Total long-term debt	14,073,885	5,565,000	6,099,797	13,539,088
Less unamortized deferred costs of refunding	<u>386,445</u>	<u>89,307</u>	<u>33,444</u>	<u>442,308</u>
	<u>\$13,687,440</u>	<u>\$5,475,693</u>	<u>\$6,066,353</u>	<u>\$13,096,780</u>

The City guarantees the obligations of the Allentown Parking Authority parking revenue bonds and the installment debt of AEDC.

Debt service requirements to maturity, including interest of \$3,274,333 are as follows for the Allentown Parking Authority and AEDC:

<u>Year Ending</u>	<u>Allentown Parking Authority</u>	<u>Allentown Economic Development Authority</u>	<u>Total</u>
2005	\$ 1,309,674	\$ 506,789	\$ 1,816,463
2006	1,310,423	494,205	1,804,628
2007	1,306,647	481,781	1,788,428
2008	1,309,847	481,780	1,791,627
2009	1,310,048	481,780	1,791,828
Thereafter	<u>5,455,280</u>	<u>2,365,167</u>	<u>7,820,447</u>
Total	<u>\$12,001,919</u>	<u>\$4,811,502</u>	<u>\$16,813,421</u>

PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2004, \$51,150,000 of bonds outstanding are considered defeased.

9. RISK MANAGEMENT, ACCRUED CLAIMS LIABILITY

Changes in the accrued claims liability during the past two fiscal years are as follows:

	<u>2004</u>	<u>2003</u>
Accrued claims liability, January 1,	\$2,990,486	\$3,085,689
Incurring claims (including estimated claims incurred but not reported as of December 31):		
Provision for current year events	616,962	1,371,985
Payments	<u>(1,028,352)</u>	<u>(1,467,188)</u>
Accrued claims liability, December 31	<u>\$2,579,096</u>	<u>\$2,990,486</u>

The City uses an internal service fund to account for its risk financing activities. The fund accounts for the risk financing activities of the City, but does not constitute a transfer of risk from the City. The basis for reporting an estimated loss from a claim as an expenditure/expense and as a liability is if both the loss is probable and can be reasonably estimated.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the City provides optional postemployment health care to retired employees, who are participants in one of the three City pension plans or the PMRS Plan and are age 55 to 65, and their dependents. Currently, 153 retirees plus their dependents meet those eligibility requirements. Such benefits are provided in accordance with various union contracts. The retirees contribute 25 percent of a predetermined annual charge for such health care benefits.

Expenditures for postemployment health care are recognized on a pay-as-you-go basis. During the year ended December 31, 2004, expenditures of approximately \$1,024,000 were recognized for such postemployment healthcare benefits.

11. COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

SUPPORT FROM GOVERNMENTAL UNITS

OTHER

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2004, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

12. FUND DEFICIT

The general fund has an accumulated deficit of \$3,312,208 and is the result of general fund expenditures in excess of revenues of \$1,960,990 in 2004. The internal service fund has an accumulated deficit of \$5,296,449 and is the result of health insurance and workers compensation costs in excess of amounts contributed by other funds. In 2005, the City plans to reduce the deficit by controlling expenditures, not filling vacant personnel positions, economic development in the City's downtown, and raising taxes.

13. NEW ACCOUNTING PRONOUNCEMENT

In March 2003, the GASB issued its Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. The Statement requires specific disclosures for credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. It also modifies GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. One of those modifications limits the required disclosure of custodial credit risk to "category 3" deposits and investments. GASB Statement No. 40 is effective for financial statements for periods beginning after June 15, 2004. Management is still evaluating the impact of adopting GASB 40 on the financial statements.

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CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

General Fund				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Taxes	\$ 41,795,082	\$ 41,795,082	\$ 39,566,960	\$ (2,228,122)
Licenses and permits	3,153,950	3,153,950	3,226,492	72,542
Charges for services	8,246,174	8,246,174	7,873,871	(372,303)
Fines and forfeits	832,985	832,985	701,001	(131,984)
Investment earnings	861,997	861,997	610,053	(251,944)
Intergovernmental revenues	9,894,094	10,121,273	8,975,244	(1,146,029)
Other	3,949,005	3,999,362	4,048,083	48,721
Total revenues	68,733,287	69,010,823	65,001,704	(4,009,119)
EXPENDITURES:				
Current:				
General government	8,068,507	8,229,912	7,381,111	848,801
Public safety	36,649,092	37,006,867	35,931,327	1,075,540
Community development	4,093,417	6,174,103	5,131,455	1,042,648
Public works	8,230,676	8,328,872	7,239,667	1,089,205
Health and sanitation	3,807,378	3,821,946	3,421,914	400,032
Parks and recreation	2,938,406	2,945,398	2,628,131	317,267
Capital outlay	1,387,902	1,487,661	839,255	648,406
Debt service-principal				
Debt service-interest				
Total expenditures	65,175,378	67,994,759	62,572,860	5,421,899
Excess (deficiency) of revenues over (under) expenditures	3,557,909	1,016,064	2,428,844	1,412,780
OTHER FINANCING SOURCES (USES):				
Operating transfers-out	(9,633,083)	(9,631,741)	(6,767,295)	2,864,446
Operating transfers-in	1,350,000	1,350,000	-	(1,350,000)
Total other financing sources (uses), net	(8,283,083)	(8,281,741)	(6,767,295)	1,514,446
Net change in fund balances	\$ (4,725,174)	\$ (7,265,677)	(4,338,451)	\$ (101,666)
Add back reserve for encumbrances			1,372,494	
Net effect of other income, and expenditure accruals			<u>1,004,967</u>	
Net change in fund balances			(1,960,990)	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR			<u>(1,351,218)</u>	
FUND BALANCES (DEFICIT), END OF YEAR			<u>\$ (3,312,208)</u>	

See notes to financial statements.

Schedule consists of both facing pages

Pennsylvania Motor Fund

Original and Final Budget	Actual	Variance
\$ 20,000	\$ 11,510	\$ (8,490)
1,646,247	1,656,293	10,046
<u>1,666,247</u>	<u>1,667,803</u>	<u>1,556</u>
1,692,921	1,297,722	(395,199)
<u>1,692,921</u>	<u>1,297,722</u>	<u>(395,199)</u>
<u>(26,674)</u>	<u>370,081</u>	<u>396,755</u>
<u>\$ (26,674)</u>	<u>370,081</u>	<u>\$ 396,755</u>
	<u>370,081</u>	
	<u>120,728</u>	
	<u>\$ 490,809</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULES OF FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

Pennsylvania Municipal Retirement System Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a Percentage of Covered Payroll ((b-a)/c)
January 1, 1998	\$40,366,604	\$40,402,712	\$ 36,108	99.00 %	\$16,628,284	0.22 %
January 1, 1999	48,608,924	47,747,224	(861,700)	101.80 %	17,769,722	(4.85) %
January 1, 2000	57,645,876	56,805,996	(839,880)	101.48 %	16,168,829	(5.19) %
January 1, 2001	67,360,712	59,043,584	(8,317,128)	114.09 %	18,749,436	(44.36) %
January 1, 2002	73,084,104	64,146,120	(8,937,984)	113.93 %	19,239,748	(46.46) %
January 1, 2003	79,340,400	69,586,042	(9,754,358)	114.02 %	21,112,606	(46.20) %

City Plans:

Officers and Employees Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a Percentage of Covered Payroll ((b-a)/c)
January 1, 1998	\$40,693,608	\$32,430,239	\$(8,263,369)	125.48 %	\$ 1,045,176	(790.62) %
January 1, 1999	40,439,309	32,638,415	(7,800,894)	123.90 %	989,949	(788.01) %
January 1, 2000	39,890,607	32,173,842	(7,716,765)	123.98 %	927,282	(832.19) %
January 1, 2001	37,574,288	33,554,083	(4,020,205)	111.98 %	595,344	(675.27) %
January 1, 2002	36,402,916	31,835,405	(4,567,511)	114.35 %	472,548	(966.57) %
January 1, 2003	31,333,904	30,797,310	(536,594)	101.74 %	470,781	(113.98) %

See Notes to Financial Statements

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULES OF FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

Policemen's Pension Fund Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OALL/(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
January 1, 1998	\$57,212,307	\$52,715,904	\$(4,496,403)	108.53 %	\$8,462,248	(53.13) %
January 1, 1999	60,553,563	57,567,560	(2,986,003)	105.19 %	9,113,346	(32.77) %
January 1, 2000	61,818,971	59,902,388	(1,916,583)	103.19 %	9,696,816	(19.76) %
January 1, 2001	63,396,650	63,468,506	71,856	99.88 %	9,952,257	0.72 %
January 1, 2002	65,730,802	66,294,526	563,724	99.15 %	9,899,590	5.69 %
January 1, 2003	61,509,524	73,777,267	12,267,743	83.37 %	11,245,540	1.09 %

Firemen's Pension Fund Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OALL/(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
January 1, 1998	\$45,039,101	\$38,444,560	\$(6,594,541)	117.15 %	\$5,679,515	(116.11) %
January 1, 1999	45,628,564	40,815,897	(4,812,667)	111.79 %	6,179,447	(77.88) %
January 1, 2000	47,350,722	40,324,911	(7,025,811)	117.42 %	6,436,701	(109.15) %
January 1, 2001	47,590,139	43,478,153	(4,111,986)	109.46 %	6,460,681	(63.64) %
January 1, 2002	48,132,346	45,736,813	(2,395,533)	105.24 %	6,416,622	(37.33) %
January 1, 2003	44,135,042	47,822,940	3,687,898	92.29 %	7,227,193	(51.03) %

See Notes to Financial Statements

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS (UNAUDITED)
FOR THE SIX YEARS ENDED DECEMBER 31, 2004

City of Allentown Plans								
Year Ended	Officers and Employees		Policemen		Firemen		Pennsylvania Municipal Retirement System	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
December 31, 1999	-	N/A	\$ 442,677	100 %	\$ -	N/A %	\$ 948,264	100 %
December 31, 2000	-	N/A	791,507	100 %	30,181	100 %	899,913	100 %
December 31, 2001	-	N/A	927,478	100 %	-	N/A %	1,184,416	100 %
December 31, 2002	-	N/A	1,193,784	100 %	187,918	100 %	1,196,266	100 %
December 31, 2003	-	N/A	1,244,249	100 %	419,298	100 %	1,271,102	100 %
December 31, 2004	-	N/A	2,576,421	100 %	933,502	100 %	329,361	100 %

See Notes to Financial Statements

CITY OF ALLENTOWN, PENNSYLVANIA

**COMBINING BALANCE SHEET
NON-MAJOR AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Earned Income Tax Escrow	Payroll Withholding Fund	Tax Collection Fund	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,637,886	\$ 994,408	\$ 1,183,072	\$ 5,815,366
TOTAL	<u>\$ 3,637,886</u>	<u>\$ 994,408</u>	<u>\$ 1,183,072</u>	<u>\$ 5,815,366</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
Payroll tax liabilities		\$ 994,408		\$ 994,408
Due to other governments	\$ 3,637,886		\$ 1,183,072	4,820,958
Total liabilities	<u>3,637,886</u>	<u>994,408</u>	<u>1,183,072</u>	<u>5,815,366</u>
NET ASSETS:				
Held in trust for other purposes	-	-	-	-
TOTAL	<u>\$ 3,637,886</u>	<u>\$ 994,408</u>	<u>\$ 1,183,072</u>	<u>\$ 5,815,366</u>

CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
NON-MAJOR AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
EARNED INCOME TAX ESCROW:				
Assets:				
Cash and cash equivalents	3,565,593	29,961,428	29,889,135	3,637,886
Due from other funds	-	237,862	237,862	-
Total assets	3,565,593	30,199,290	30,126,997	3,637,886
Liabilities:				
Due to other funds	-	9,598,237	9,598,237	-
Due to other governments	3,565,593	20,468,548	20,396,255	3,637,886
Total liabilities	3,565,593	30,066,785	29,994,492	3,637,886
PAYROLL WITHHOLDING FUNDS:				
Cash and cash equivalents	893,197	13,803,888	13,702,677	994,408
Total assets	893,197	13,803,888	13,702,677	994,408
Liabilities:				
Payroll tax liability	893,197	13,577,009	13,475,798	994,408
Due to other funds	-	401,655	401,655	-
Total liabilities	893,197	13,978,664	13,877,453	994,408
TAX COLLECTION FUND:				
Cash and cash equivalents	3,216,984	85,826,724	87,860,636	1,183,072
Total assets	3,216,984	85,826,724	87,860,636	1,183,072
Liabilities:				
Due to other funds	-	26,162,344	26,162,344	-
Due to other governments	3,216,984	64,088,311	66,122,223	1,183,072
Total liabilities	3,216,984	90,250,655	92,284,567	1,183,072
TOTAL ALL AGENCY FUNDS:				
Assets:				
Cash and cash equivalents	7,675,774	129,592,040	131,452,448	5,815,366
Due from other funds	-	237,862	237,862	-
Total assets	7,675,774	129,829,902	131,690,310	5,815,366
Liabilities:				
Payroll tax liability	893,197	13,577,009	13,475,798	994,408
Due to other funds	-	36,162,236	36,162,236	-
Due to other governments	6,782,577	84,556,859	86,518,478	4,820,958
Total liabilities	7,675,774	134,296,104	136,156,512	5,815,366

CITY OF ALLENTOWN, PENNSYLVANIA

GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
 FINANCING SOURCES - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
TAXES:			
Real estate:			
Current	\$ 24,580,839	\$23,411,081	\$ (1,169,758)
Prior year	2,316,743	792,681	(1,524,062)
Lehigh County Tax Claims	23,000	37,269	14,269
Total Real Estate Taxes	26,920,582	24,241,031	(2,679,551)
Act 511 Taxes:			
Earned Income	6,500,000	6,829,147	329,147
Residence	339,000	292,262	(46,738)
Amusement Devices	35,500	27,350	(8,150)
Deed Transfer	1,380,000	1,765,198	385,198
Occupational Privilege	370,000	359,033	(10,967)
Business Privilege	6,250,000	6,052,939	(197,061)
Total Act 511 Taxes	14,874,500	15,325,929	451,429
TOTAL TAXES	41,795,082	39,566,960	(2,228,122)
LICENSES AND PERMITS:			
Business Licenses	385,000	412,185	27,185
Billboard & Sign Permits/Licenses	15,450	9,925	(5,525)
Building Permits & Licenses	632,500	550,246	(82,254)
Liquor Licenses	60,000	55,050	(4,950)
Plumbing Permits & Licenses	220,000	153,586	(66,414)
Health Bureau Permits & Licenses	155,000	146,915	(8,085)
Rental Unit Inspections	365,000	503,103	138,103
Electrical Permits & Licenses	152,000	163,674	11,674
Zoning Permits & Fees	73,000	82,545	9,545
Fire Department Inspection Fees	56,000	51,047	(4,953)
CATV Franchise Fees	900,000	963,251	63,251
Other Permits & Licenses	140,000	134,965	(5,035)
TOTAL LICENSES AND PERMITS	3,153,950	3,226,492	72,542

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<u>FINES AND FORFEITS:</u>			
District Court	\$476,000	\$499,313	\$23,313
Fines & Restitution	170,000	151,834	(18,166)
Parking Authority Reimbursement	186,985	49,854	(137,131)
TOTAL FINES AND FORFEITS	832,985	701,001	(131,984)
<u>INTERGOVERNMENTAL REVENUES:</u>			
Health Grants Acts 315 & 12	800,000	599,805	(200,195)
Health Categorical Grants	1,985,959	1,842,084	(143,875)
Police Training	292,654	344,154	51,500
Snow Control	100,000	11,583	(88,417)
State Aid for Pension	3,328,440	3,792,770	464,330
Police Grants/Reimbursements	905,340	1,198,413	293,073
Other Grants/Miscellaneous	2,708,880	1,186,435	(1,522,445)
TOTAL INTERGOVERNMENTAL REVENUES	10,121,273	8,975,244	(1,146,029)
<u>CHARGES FOR SERVICES:</u>			
Department Earnings:			
Tax/Municipal Certifications	105,000	153,521	48,521
A.S.D. Tax Billing/Reimbursement	58,000	66,937	8,937
Police Extra Duty Jobs	90,000	31,556	(58,444)
Health Bureau Services	60,000	16,842	(43,158)
Street Excavation/Restoration	80,000	64,719	(15,281)
Printing & Copier Fees	82,000	100,780	18,780
Other Charges for Service	155,000	182,176	27,176
Vehicle Towing Agreement	50,000	69,592	19,592
911 Phone Line Service Charges	1,150,000	970,467	(179,533)
EMS Transit Fees	2,675,000	2,637,898	(37,102)
Warrants of Survey	30,000	30,417	417
Total Departmental Earnings	4,535,000	4,324,905	(210,095)

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Municipal Recreation:			
Swimming Pool Fees	\$171,833	\$70,494	(\$101,339)
Recreation Fees	82,000	73,513	(8,487)
Total Municipal Recreation	253,833	144,007	(109,826)
General Fund Service Charges:			
Water Service Charges	1,545,679	1,545,679	
Sewer Service Charges	1,239,422	1,239,422	
Other Service Charges	672,240	619,858	(52,382)
Total General Fund Service Charges	3,457,341	3,404,959	(52,382)
TOTAL CHARGES FOR SERVICE	8,246,174	7,873,871	(372,303)
INVESTMENT INCOME	861,997	610,053	(251,944)
OTHER INCOME:			
Rental of City Property	52,000	47,817	(4,183)
Parking Garage Rents	57,000	58,474	1,474
Workers Compensation Refunds	50,000	-	(50,000)
Contributions	74,725	91,998	17,273
Damage to City Property	45,000	15,802	(29,198)
Lights in the Parkway	235,000	158,733	(76,267)
CD Block Grant Reimbursement	753,355	571,122	(182,233)
Pennsylvania Utility Realty Tax	65,000	52,552	(12,448)
Allentown Housing Authority	90,000	77,384	(12,616)
Recreation/Special Events	95,000	76,460	(18,540)
City Auction Proceeds	10,000	47,825	37,825
Equipment Fund Transfer	1,086,550	1,086,550	-
Miscellaneous	1,385,732	1,763,366	377,634
TOTAL OTHER INCOME	3,999,362	4,048,083	48,721
TOTAL REVENUES	\$69,010,823	\$65,001,704	(\$4,009,119)

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OTHER FINANCING SOURCES:</u>			
Operating Transfers In:			
Trexler Fund			
Maintenance Grant	\$1,350,000	\$0	(\$1,350,000)
TOTAL OTHER FINANCING SOURCES	\$1,350,000	\$0	(\$1,350,000)
<u>TOTAL REVENUES AND OTHER FINANCING</u>			
SOURCES	\$70,360,823	\$65,001,704	(\$5,359,119)

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CITY OF ALLENTOWN, PENNSYLVANIA

GENERAL FUND - SCHEDULE OF APPROPRIATIONS,
EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	Total Expenditures and Encumbrances	Unencumbered Appropriations
GENERAL GOVERNMENT:					
Nondepartmental:					
City Council	\$ 255,344	\$ 235,337	\$ 7,179	\$ 242,516	\$ 12,828
Office of the Mayor	575,867	511,040	13,849	524,889	50,978
City Controller	250,189	224,388	7,023	231,411	18,778
Law	520,950	436,959	19,070	456,029	64,921
General and Civic	1,852,469	1,412,653	435,000	1,847,653	4,816
Total Nondepartmental	3,454,819	2,820,377	482,121	3,302,498	152,321
Department of Finance					
Finance	3,039,093	2,680,250	91,578	2,771,828	267,265
Information Systems	1,197,988	772,945	27,762	800,707	397,281
Total Department of Finance	4,237,081	3,453,195	119,340	3,572,535	664,546
Human Resources	538,012	432,427	73,651	506,078	31,934
Total Human Resources	538,012	432,427	73,651	506,078	31,934
TOTAL GENERAL GOVERNMENT	8,229,912	6,705,999	675,112	7,381,111	848,801
PUBLIC SAFETY:					
Department of Public Safety:					
Police	23,581,988	22,107,955	793,375	22,901,330	680,658
Fire	11,027,352	10,556,046	412,389	10,968,435	58,917
Communications	2,397,527	1,974,808	86,754	2,061,562	335,965
TOTAL PUBLIC SAFETY	37,006,867	34,638,809	1,292,518	35,931,327	1,075,540
PUBLIC WORKS					
Department of Public Works:					
Director's office	110,113	100,387	3,588	103,975	6,138
Engineering	393,440	239,672	72,959	312,631	80,809
Building Maintenance	1,892,952	1,377,856	87,535	1,465,391	427,561
Fleet Maintenance Operation	1,923,404	1,735,240	154,311	1,889,551	33,853
Streets	2,132,379	1,624,002	89,804	1,713,806	418,573
Traffic Planning and Control	903,617	739,253	54,214	793,467	110,150
Street Lighting	972,967	946,562	14,284	960,846	12,121
TOTAL PUBLIC WORKS	8,328,872	6,762,972	476,695	7,239,667	1,089,205

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

GENERAL FUND - SCHEDULE OF APPROPRIATIONS,
EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Unencumbered Appropriations</u>
HEALTH:					
Department of Community Development:					
Health	\$ 3,821,946	\$ 3,282,639	\$ 139,275	\$ 3,421,914	\$ 400,032
TOTAL HEALTH AND SANITATION	3,821,946	3,282,639	139,275	3,421,914	400,032
PARKS AND RECREATION:					
Department of Community Development:					
Park Maintenance	1,804,118	1,545,637	49,951	1,595,588	208,530
Recreation	922,552	833,752	39,752	873,504	49,048
Swimming Pool Operation	218,728	159,039	-	159,039	59,689
TOTAL PARKS AND RECREATION	2,945,398	2,538,428	89,703	2,628,131	317,267
COMMUNITY DEVELOPMENT AND PLANNING:					
Department of Community Development:					
Director's Office	2,882,191	1,803,207	844,325	2,647,532	234,659
Planning and Zoning	897,790	591,149	132,281	723,430	174,360
Building Standards & Safety	2,394,122	1,504,926	255,567	1,760,493	633,629
TOTAL COMMUNITY DEVELOPMENT AND PLANNING	6,174,103	3,899,282	1,232,173	5,131,455	1,042,648
CAPITAL OUTLAYS	1,487,661	697,564	141,691	839,255	648,406
TOTALS	67,994,759	58,525,693	4,047,167	62,572,860	5,421,899
TRANSFERS OUT:					
Debt Service Fund	9,247,284	6,382,838	-	6,382,838	2,864,446
Internal Service Fund	384,457	384,457	-	384,457	-
TOTAL TRANSFERS OUT	9,631,741	6,767,295		6,767,295	2,864,446
TOTAL GENERAL FUND	\$ 77,626,500	\$ 65,292,988	\$ 4,047,167	\$ 69,340,155	\$ 8,286,345

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 BUDGETARY BASIS - CAPITAL PROJECTS AND DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Capital Projects

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Capital Contributions	\$ 1,950,000	\$ 1,950,000	\$ 1,950,000	
Charges for services			407,168	\$ (407,168)
Intergovernmental revenues	4,720,000	4,720,000	1,323,594	3,396,406
Other	305,000	339,024	125,558	213,466
Total revenues	6,975,000	7,009,024	3,806,320	3,202,704
EXPENDITURES:				
Current:				
General government				
Capital outlay	38,693,726	38,538,012	19,184,036	19,353,976
Debt service-principal				
Debt service-interest				
Total expenditures	38,693,726	38,538,012	19,184,036	19,353,976
Excess (deficiency) of revenues over (under) expenditures	<u>(31,718,726)</u>	<u>(31,528,988)</u>	<u>(15,377,716)</u>	<u>(16,151,272)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers-out				
Operating transfers-in	75,000	75,000	75,000	
Bond Issue Proceeds	5,199,000	5,199,000	5,199,000	
Total other financing sources (uses), net	5,274,000	5,274,000	5,274,000	
Net change in fund balances	<u>\$ (26,444,726)</u>	<u>\$ (26,254,988)</u>	(10,103,716)	<u>\$ (16,151,272)</u>
Add back reserve for encumbrances			7,914,818	
Net effect of other income, and expenditure accruals			<u>(828,790)</u>	
Net change in fund balances			(3,017,688)	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR			<u>9,667,827</u>	
FUND BALANCES (DEFICIT), END OF YEAR			<u>\$ 6,650,139</u>	

See notes to financial statements.

Schedule consists of both facing pages

Debt Service

Original and Final Budget	Actual	Variance
-	-	-
\$ 22,500	\$ 20,594	\$ 1,906
7,195,075	3,900,000	3,295,075
4,013,570	2,553,329	1,460,241
11,231,145	6,473,923	4,757,222
(11,231,145)	(6,473,923)	(4,757,222)
11,231,145	6,473,923	-
11,231,145	6,473,923	-
\$ -	-	\$ (4,757,222)
-	-	-
-	-	-
\$ -	-	-

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CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
DECEMBER 31, 2004

	<u>Total</u>	<u>Land</u>	<u>Property Held for Development</u>	<u>Infrastructure</u>
<u>GENERAL GOVERNMENT:</u>				
Nondepartmental:				
City council	\$58,623			
Office of the Mayor	282,309			
City controller	3,062			
Law	11,627			
Total nondepartmental	355,622			
Department of Finance:				
Director's office	4,525			
Finance	323,533			
Human Resources	8,284			
Information systems	687,768			
Management services	8,047,548	\$436,235		
Total Department of Finance	9,071,658	436,235		
TOTAL GENERAL GOVERNMENT	9,427,280	436,235		
<u>PUBLIC SAFETY:</u>				
Department of Public Safety:				
Police	4,493,240	211,011		
Fire	9,097,885	154,490		
Communications	4,752,442	12,000		
TOTAL PUBLIC SAFETY	18,343,567	377,501		
<u>PUBLIC WORKS:</u>				
Department of Public Works:				
Director's office	5,601			
Engineering	713,736			
Streets	68,426,792	47,341		\$62,439,025
Fleet Maintenance	340,223	71,980		
Traffic planning and control	3,736,137			
Building maintenance	11,027,004	554,101		
TOTAL PUBLIC WORKS	84,249,493	673,422		62,439,025

Schedule consists of both facing pages

<u>Buildings</u>	<u>Land and Building Improvements</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Art</u>
		\$58,623		
		282,309		
		3,062		
		11,627		
		355,621		
\$990		4,525		
		322,543		
		8,284		
40,889		646,879		
4,612,709	\$2,614,856	288,582		\$95,166

4,654,588 2,614,856 1,270,813 95,166

4,654,588 2,614,856 1,626,434 95,166

570,544	260,319	823,963	\$2,627,403
2,725,766	957,260	1,501,586	3,758,783
55,785	275,486	4,382,666	26,505
3,352,095	1,493,065	6,708,215	6,412,691

		5,601	
	515,263	80,958	117,515
857,636		859,318	4,223,472
	111,315	59,833	97,095
	25,471	3,431,925	278,741
9,113,470	724,818	412,761	221,854
9,971,106	1,376,867	4,850,396	4,938,677

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
DECEMBER 31, 2004

	<u>Total</u>	<u>Land</u>	<u>Property Held for Development</u>	<u>Infrastructure</u>
<u>HEALTH:</u>				
Department of Community Development:				
Health	\$1,675,969			
TOTAL HEALTH	1,675,969			
<u>PARKS AND RECREATION:</u>				
Department of Community Development:				
Park maintenance	11,983,220	\$5,388,088		
Swimming pools	2,855,310			
Recreation	4,534,846		113,140	
Trexler Park	4,891,803	1,167,250		
TOTAL PARKS AND RECREATION	24,265,179	6,668,478		
<u>COMMUNITY DEVELOPMENT AND PLANNING:</u>				
Department of Community Development:				
Director of Community Development	505,065			
Planning	529,214	159,309		
Bureau of code enforcement and rehabilitation	1,418,721	95,000	\$744,951	
TOTAL COMMUNITY DEVELOPMENT AND PLANNING	2,453,000	254,309	744,951	
Total capital assets allocated to functions	140,414,488	8,409,945	744,951	62,439,025
CONSTRUCTION IN PROGRESS	4,135,640			
TOTAL CAPITAL ASSETS	144,550,128			

Schedule consists of both facing pages

<u>Buildings</u>	<u>Land and Building Improvements</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Art</u>
\$4,382	\$1,005,870	\$524,372	\$141,345	
4,382	1,005,870	524,372	141,345	
1,910,816	2,772,275	1,120,297	791,744	
1,131,143	1,595,562	128,605		
816,429	2,937,076	516,603	151,598	
345,577	2,375,437	174,074	829,465	
4,203,965	9,680,350	1,939,579	1,772,807	
205,000		269,962	30,103	
282,855		59,724	27,326	
238,985	10,598	112,048	217,139	
726,840	10,598	441,734	274,568	
22,912,976	16,181,606	16,090,730	13,540,088	95,166

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fixed Assets at Beginning of Year	Transfers in and Additions	Transfers out and Disposals	General Fixed Assets at End of Year
GENERAL GOVERNMENT:				
Nondepartmental:				
City council	\$62,237		(\$3,613)	\$58,624
Office of the Mayor	9,309	\$273,000		282,309
Information and services				
City controller	3,062			3,062
City treasurer				
Law	11,882		(255)	11,627
Total nondepartmental	86,490		(3,868)	355,622
Department of Finance:				
Director's office	5,526		(1,001)	4,525
Finance	338,674	13,876	(29,017)	323,533
Human Resources	8,770		(486)	8,284
Information systems	660,336	45,317	(17,885)	687,768
Management services	8,050,384		(2,836)	8,047,548
Total Department of Finance	9,063,690	59,193	(51,225)	9,071,658
TOTAL GENERAL GOVERNMENT	9,150,180	59,193	(55,093)	9,427,280
PUBLIC SAFETY:				
Department of Public Safety:				
Police	4,132,594	499,375	(138,729)	4,493,240
Fire	9,050,682	122,630	(75,427)	9,097,885
Communications	4,755,065	13,117	(15,740)	4,752,442
TOTAL PUBLIC SAFETY	17,938,341	635,122	(229,896)	18,343,567
PUBLIC WORKS:				
Department of Public Works:				
Director's office	7,099		(1,498)	5,601
Engineering	733,423		(19,687)	713,736
Streets	67,310,800	1,429,367	(313,375)	68,426,792
Fleet Maintenance	341,095		(872)	340,223
Traffic planning and control	3,719,226	26,170	(9,259)	3,736,137
Building maintenance	9,722,677	1,320,078	(15,751)	11,027,004
TOTAL PUBLIC WORKS	81,834,320	2,775,615	(360,442)	84,249,493

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fixed Assets at Beginning of Year	Transfers in and Additions	Transfers out and Disposals	General Fixed Assets at End of Year
<u>HEALTH:</u>				
Department of Community Development: Health	\$1,697,362	\$7,766	(\$29,159)	\$1,675,969
TOTAL HEALTH	1,697,362	7,766	(29,159)	1,675,969
<u>PARKS AND RECREATION:</u>				
Department of Community Development: Park maintenance	10,914,524	1,139,126	(70,430)	11,983,220
Swimming pools	2,860,210		(4,903)	2,855,307
Recreation	4,562,238	20,752	(48,143)	4,534,847
Trexler Park	4,898,237		(6,432)	4,891,805
TOTAL PARKS AND RECREATION	23,235,209	1,159,878	(129,908)	24,265,179
<u>COMMUNITY DEVELOPMENT AND PLANNING:</u>				
Department of Community Development: Director of Community Development	477,130	30,103	(2,168)	505,065
Planning	424,922	106,724	(2,432)	529,214
Bureau of building standards and safety	1,987,290		(568,569)	1,418,721
TOTAL COMMUNITY DEVELOPMENT AND PLANNING	2,889,342	136,827	(573,169)	2,453,000
Total capital assets allocated to functions	136,744,754	4,774,401	(1,377,667)	140,414,488
CONSTRUCTION IN PROGRESS	1,643,518	6,275,094	(3,782,972)	4,135,640
TOTAL CAPITAL ASSETS	\$138,388,272	\$11,049,495	(\$5,160,639)	\$144,550,128

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CITY OF ALLENTOWN, PENNSYLVANIA
GOVERNMENT-WIDE EXPENSES BY FUNCTION

Last Ten Years

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Sanitation</u>	<u>Parks and Recreation</u>
1995	\$6,966,266	\$23,277,401	\$5,640,715	\$3,283,000	\$2,751,147
1996	\$7,227,790	\$20,289,050	\$6,138,373	\$3,243,057	\$2,083,646
1997	\$5,897,113	\$23,052,336	\$5,519,542	\$3,183,922	\$1,786,206
1998	\$5,349,043	\$25,586,657	\$5,707,544	\$3,445,911	\$1,953,834
1999	\$4,372,912	\$27,246,715	\$5,959,544	\$3,567,167	\$1,986,004
2000	\$4,172,741	\$28,977,988	\$5,871,877	\$3,691,308	\$1,966,966
2001	\$4,235,327	\$30,164,406	\$5,983,850	\$4,086,983	\$1,863,154
2002	\$3,096,579	\$34,285,980	\$7,727,514	\$5,186,895	\$1,992,820
2003	\$5,654,308	\$32,869,199	\$8,879,470	\$3,492,039	\$1,877,648
2004	\$6,025,189	\$35,623,754	\$8,432,129	\$3,401,766	\$1,497,280

Note: General government expenditures are presented using the modified accrual basis of accounting and include expenditures of the governmental funds.

TABLE 1

<u>Community Development</u>	<u>Debt Service</u>	<u>Capital Outlays</u>	<u>Bond Issuance Costs</u>	<u>Total</u>
\$5,311,724	\$13,801,176	\$6,043,369	\$ -	\$67,074,798
\$6,103,498	\$7,038,316	\$4,009,402	\$ -	\$56,133,132
\$7,339,551	\$7,349,891	\$8,492,810	\$ -	\$62,621,371
\$7,435,123	\$7,816,285	\$5,597,688	\$ -	\$62,892,085
\$8,360,102	\$9,337,356	\$5,756,460	\$ -	\$66,586,260
\$7,840,448	\$9,693,519	\$7,977,897	\$ -	\$70,192,744
\$6,368,147	\$10,175,603	\$6,568,739	\$ -	\$69,446,209
\$5,686,181	\$11,570,189	\$4,556,516	\$ -	\$74,102,674
\$6,638,437	\$10,411,400	\$6,534,655	\$ -	\$76,357,156
\$8,816,554	\$6,853,329	\$9,031,443	\$932,830	\$80,614,274

CITY OF ALLENTOWN, PENNSYLVANIA

GENERAL GOVERNMENT REVENUES BY SOURCE

Last Ten Years

<u>Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeits</u>	<u>Inter- Governmental Revenues</u>	<u>Charges for Services</u>
1995	\$31,068,534	\$1,605,759	\$424,054	\$11,662,472	\$2,131,606
1996	\$30,334,955	\$2,042,596	\$403,633	\$15,269,908	\$2,101,855
1997	\$31,872,767	\$1,769,371	\$451,748	\$14,027,316	\$2,064,717
1998	\$32,059,558	\$2,221,622	\$492,710	\$11,883,251	\$2,598,128
1999	\$33,653,807	\$2,191,454	\$448,828	\$13,097,035	\$2,236,231
2000	\$35,842,284	\$2,094,929	\$538,265	\$13,078,062	\$2,479,899
2001	\$36,457,784	\$2,438,559	\$465,853	\$13,943,490	\$2,438,672
2002	\$36,314,207	\$2,543,809	\$548,383	\$16,372,149	\$3,151,332
2003	\$38,926,651	\$2,805,947	\$735,416	\$15,093,944	\$4,442,950
2004	\$39,413,259	\$3,226,492	\$701,001	\$14,946,143	\$5,674,904

Note: General government revenues are presented using the modified accrual basis of accounting and include revenues of the governmental funds.

TABLE 2

<u>Investment Income</u>	<u>Other Income</u>	<u>Total</u>
\$1,954,924	\$4,225,304	\$53,072,653
\$1,574,428	\$4,172,836	\$55,900,211
\$1,720,289	\$4,246,579	\$56,152,787
\$1,921,451	\$4,429,884	\$55,606,604
\$ 915,255	\$4,738,836	\$57,281,446
\$1,886,658	\$5,369,951	\$61,290,048
\$1,246,390	\$5,885,982	\$62,876,730
\$1,056,030	\$6,591,076	\$66,576,986
\$403,808	\$2,398,988	\$64,807,704
\$573,184	\$2,205,131	\$66,740,114

CITY OF ALLENTOWN, PENNSYLVANIA

TAX REVENUES BY SOURCE

Last Ten Years

<u>Year</u>	<u>Total Taxes</u>	<u>General Property Tax</u>	<u>Earned Income Tax</u>	<u>Business Privilege Tax</u>	<u>Other Local Taxes</u>
1995	\$31,068,534	\$19,932,945	\$5,536,114	\$4,488,191	\$1,111,284
1996	\$30,334,955	\$19,676,956	\$5,012,237	\$4,247,720	\$1,398,042
1997	\$31,872,767	\$20,117,434	\$6,167,510	\$4,263,095	\$1,324,728
1998	\$32,059,558	\$20,061,180	\$5,763,353	\$4,691,543	\$1,543,482
1999	\$33,653,807	\$20,008,280	\$6,991,399	\$4,897,810	\$1,756,318
2000	\$35,842,284	\$21,460,876	\$7,198,352	\$5,155,281	\$2,027,775
2001	\$36,457,784	\$22,048,441	\$7,304,427	\$5,250,934	\$1,853,982
2002	\$36,314,207	\$21,636,395	\$7,245,325	\$5,525,667	\$1,906,820
2003	\$38,926,651	\$24,343,349	\$6,277,135	\$6,207,494	\$2,098,673
2004	\$39,413,259	\$24,310,225	\$6,620,027	\$6,052,939	\$2,430,068

Note: Amounts are presented using the modified accrual basis of accounting

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CITY OF ALLENTOWN, PENNSYLVANIA
REAL ESTATE TAX LEVIES AND COLLECTIONS

Last Ten Years

<u>Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections (1)</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections (2)</u>	<u>Total Tax Collections</u>
1995	\$19,986,842	\$18,794,766	94.0%	\$1,224,129	\$20,018,895
1996	\$19,833,176	\$18,589,514	93.7%	\$1,278,092	\$19,867,606
1997	\$19,891,622	\$18,682,899	93.9%	\$1,262,825	\$19,945,724
1998	\$19,858,203	\$18,702,668	94.2%	\$1,324,465	\$20,027,133
1999	\$19,797,578	\$18,633,201	94.1%	\$1,391,241	\$20,024,442
2000	\$21,485,711	\$20,149,832	93.8%	\$1,406,608	\$21,556,440
2001	\$21,515,846	\$20,545,834	95.5%	\$1,497,234	\$22,043,068
2002	\$20,894,638	\$20,383,118	97.6%	\$1,196,489	\$21,579,607
2003	\$24,224,660	\$23,238,105	95.9%	\$1,064,786	\$24,302,891
2004	\$24,331,537	\$23,411,081	96.2%	\$829,950	\$24,241,031

Notes: Data is presented on the cash basis.

- (1) Includes Interim Taxes
- (2) Prior Years and Tax Claim Collection

TABLE 4

Total Collections as Percent of Current <u>Levy</u>	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current <u>Levy</u>
100.2%	\$2,082,031	10.4%
100.2%	\$2,092,551	10.6%
100.3%	\$2,103,470	10.6%
100.9%	\$2,020,136	10.2%
101.1%	\$1,992,713	10.1%
100.3%	\$1,959,941	9.1%
102.5%	\$1,699,508	7.9%
103.3%	\$1,437,251	6.9%
100.3%	\$1,604,289	6.6%
99.6%	\$1,554,566	6.4%

CITY OF ALLENTOWN, PENNSYLVANIA

ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY

Last Ten Years

Real Property

<u>Year</u>	<u>Assessed</u>	<u>Appraised</u>	<u>Ratio of Assessed to Appraised</u>	<u>Market</u>	<u>Assessed Valuation as Percent of Market</u>
1995	\$1,628,031,000	\$3,256,062,000	50.0	\$3,256,062,000	50.0
1996	\$1,629,578,200	\$3,259,156,400	50.0	\$3,259,156,400	50.0
1997	\$1,627,314,750	\$3,254,629,500	50.0	\$3,254,629,500	50.0
1998	\$1,626,530,000	\$3,253,060,000	50.0	\$3,253,060,000	50.0
1999	\$1,626,659,600	\$3,253,319,200	50.0	\$3,253,319,200	50.0
2000	\$1,632,649,200	\$3,265,298,400	50.0	\$3,265,298,400	50.0
2001	\$1,642,578,150	\$3,285,156,300	50.0	\$3,285,156,300	50.0
2002	\$1,653,682,750	\$3,307,365,500	50.0	\$3,307,365,500	50.0
2003	\$1,681,170,950	\$3,362,341,900	50.0	\$3,362,314,900	50.0
2004	\$1,687,383,150	\$3,374,766,300	50.0	\$3,374,766,300	50.0

Notes: Based on 1990 County Reassessment

CITY OF ALLENTOWN, PENNSYLVANIA

PROPERTY TAX RATES AND TAX LEVIES - DIRECT AND OVERLAPPING

Last Ten Years

Tax Rates
(Mills per \$1 of Assessment)

<u>Year</u>	<u>City</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
1995	12.22	31.270	7.31	50.80
1996	12.22	31.270	7.31	50.80
1997	12.22	31.270	7.31	50.80
1998	12.22	31.270	7.31	50.80
1999	12.22	31.270	7.31	50.80
2000	13.22	31.270	7.31	51.80
2001	13.22	33.311	7.31	53.84
2002	12.72	34.194	7.31	54.22
2003	14.72	37.490	12.39	79.32
2004	14.72*	39.490	10.75	64.96

Tax Levies

<u>Year</u>	<u>City</u>	<u>School District</u>	<u>County</u>	<u>Total</u>
1995	\$19,986,842	\$50,475,423	\$11,938,494	\$82,400,759
1996	\$19,833,176	\$50,109,624	\$11,900,912	\$81,843,712
1997	\$19,891,622	\$50,188,855	\$11,912,222	\$81,992,699
1998	\$19,858,203	\$49,975,221	\$11,895,679	\$81,729,103
1999	\$19,797,578	\$49,639,281	\$11,889,071	\$81,325,930
2000	\$21,485,711	\$49,586,699	\$11,890,890	\$82,963,300
2001	\$21,515,846	\$52,849,010	\$11,926,175	\$86,291,031
2002	\$20,894,638	\$54,283,777	\$12,002,981	\$87,181,396
2003	\$24,224,660	\$59,488,098	\$20,426,030	\$104,138,788
2004	\$24,331,537	\$62,682,359	\$17,830,610	\$104,844,506

Notes:

City real estate taxes are payable on June 5 with a 2% discount available if paid prior to April 6.

Taxes can also be paid in four equal installments on April 15, May 15, June 15, and July 15.

Delinquent taxes are certified to a private collector for collection on January 1 of the following year.

The City's property tax rate limitation for general revenue purposes is 25 mills on market value with an additional 5 mills allowable with specific court approval and an unlimited amount for bonded debt.

* 14.72 is the base on which the land value tax is calculated (41.95 - land and 8.93 - improvements)

CITY OF ALLENTOWN, PENNSYLVANIA

RATIO OF OUTSTANDING BONDED DEBT TO ASSESSED VALUE

Last Ten Years

<u>Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Bonded Debt</u>	<u>Bonded Debt as a Percentage of Assessed Value</u>	<u>Bonded Debt Per Capita</u>	<u>Debt Per Capita as a % of Per Capita Income</u>
1995	105,550	\$1,628,031,000	\$43,465,000	2.7%	\$411.80	2.8%
1996	105,550	\$1,629,578,200	\$82,240,000	5.0%	\$779.16	5.1%
1997	105,550	\$1,627,314,750	\$85,300,000	5.2%	\$808.15	5.2%
1998	105,550	\$1,626,530,000	\$87,015,000	5.3%	\$824.40	5.1%
1999	105,550	\$1,626,659,600	\$85,715,000	5.3%	\$812.08	4.9%
2000	106,632	\$1,632,649,200	\$84,810,000	5.2%	\$795.35	4.7%
2001	106,632	\$1,642,578,150	\$84,000,000	5.1%	\$787.76	4.5%
2002	106,632	\$1,653,682,750	\$78,505,000	4.7%	\$736.22	4.2%
2003	106,632	\$1,681,170,950	\$81,925,000	4.9%	\$768.30	4.3%
2004	106,632	\$1,687,383,150	\$89,330,000	5.3%	\$837.74	3.4%

CITY OF ALLENTOWN, PENNSYLVANIA

LEGAL DEBT MARGIN

As of December 31, 2004

Net Nonelectoral General Obligation Debt Limit:

Borrowing base (1)	\$53,004,612
Percentage limitation	<u>250%</u>
Net nonelectoral debt limit	132,511,530
Less Net nonelectoral debt outstanding (2)	<u>53,345,000</u>

REMAINING BORROWING CAPACITY AS OF DECEMBER 31, 2004 **\$79,166,530**

Net Nonelectoral Plus Lease Rental Debt Limit:

Borrowing base (1)	\$53,004,612
Percentage limitation	<u>350%</u>
Net nonelectoral plus lease rental debt limit	185,516,142
Less net nonelectoral debt plus lease rental debt outstanding (2)	<u>53,345,000</u>

REMAINING BORROWING CAPACITY AS OF DECEMBER 31, 2004 **\$132,171,142**

(1) The Commonwealth of Pennsylvania has enacted the "Local Government Unit Debt Act" which limits debt to revenues. Briefly, revenues of the last three years are adjusted for various nonrecurring and excludable items. The average of the adjusted revenues for the respective years is then the borrowing base. Certain percentages are applied to the borrowing base to determine the debt limitations.

(2) For computation purposes, this amount has been reduced by \$35,985,000, which is the outstanding balance of the 2004 GO Bond Issue used to finance City's pension funding liability as allowed by statute.

CITY OF ALLENTOWN, PENNSYLVANIA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of December 31, 2004

TABLE 9

	<u>Net Debt Outstanding</u>	<u>City of Allentown Pro-Rata Share</u>	<u>City of Allentown Share of Debt</u>
<u>DIRECT DEBT</u>			
City General Obligation Bonds:			
1993 General Obligation Bonds	1,850,000	100%	1,850,000
1995 General Obligation Bonds	1,850,000	100%	1,850,000
1997 General Obligation Bonds	2,910,000	100%	2,910,000
1998 General Obligation Bonds	5,050,000	100%	5,050,000
2001 General Obligation Bonds	4,360,000	100%	4,360,000
2003 General Obligation Bonds	10,020,000	100%	10,020,000
2004 General Obligation Bonds	<u>63,290,000</u>	<u>100%</u>	<u>63,290,000</u>
SUB TOTAL	89,330,000	100%	89,330,000
Water Revenue Bonds:			
1993 Water Revenue Bonds	1,105,000	100%	1,105,000
1995 Water Revenue Bonds	3,840,000	100%	3,840,000
1997 Water Revenue Bonds	4,130,000	100%	4,130,000
1998 Water Revenue Bonds	4,720,000	100%	4,720,000
2001 Water Revenue Bonds	13,160,000	100%	13,160,000
2003 Water Revenue Bonds	2,140,000	100%	2,140,000
2004 Water Revenue Bonds	<u>2,945,000</u>	<u>100%</u>	<u>2,945,000</u>
SUB TOTAL	32,040,000	100%	32,040,000
Sewer Revenue Bonds:			
1993 Sewer Revenue Bonds	645,000	100%	645,000
1997 Sewer Revenue Bonds	905,000	100%	905,000
1998 Sewer Revenue Bonds	8,310,000	100%	8,310,000
1999 Sewer Revenue Bonds	95,000	100%	95,000
2001 Sewer Revenue Bonds	1,645,000	100%	1,645,000
2003 Sewer Revenue Bonds	5,445,000	100%	5,445,000
2004 Sewer Revenue Bonds	<u>385,000</u>	<u>100%</u>	<u>385,000</u>
SUB TOTAL	17,430,000	100%	17,430,000
Allentown Parking Authority Bonds of 2003	4,595,000	100%	4,595,000
Allentown Parking Authority Bonds of 2004	5,565,000	100%	5,565,000
Allentown Economic Development Corporation	3,379,088	100%	3,379,088
CDBG Section 108 HUD Notes	<u>1,400,000</u>	<u>100%</u>	<u>1,400,000</u>
GROSS DIRECT DEBT	153,739,088	100%	153,739,088

CITY OF ALLENTOWN, PENNSYLVANIA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of December 31, 2004

TABLE 9

	<u>Net Debt</u> <u>Outstanding</u>	<u>City of</u> <u>Allentown</u> <u>Pro-Rata Share</u>	<u>City of</u> <u>Allentown</u> <u>Share of Debt</u>
LESS:			
SELF-SUPPORTING DEBT			
Water Revenue Bonds:			
1993 Water Revenue Bonds	1,105,000	100%	1,105,000
1995 Water Revenue Bonds	3,840,000	100%	3,840,000
1997 Water Revenue Bonds	4,130,000	100%	4,130,000
1998 Water Revenue Bonds	4,720,000	100%	4,720,000
2001 Water Revenue Bonds	13,160,000	100%	13,160,000
2003 Water Revenue Bonds	2,140,000	100%	2,140,000
2004 Water Revenue Bonds	2,945,000	100%	2,945,000
Sewer Revenue Bonds:			
1993 Sewer Revenue Bonds	645,000	100%	645,000
1997 Sewer Revenue Bonds	905,000	100%	905,000
1998 Sewer Revenue Bonds	8,310,000	100%	8,310,000
1999 Sewer Revenue Bonds	95,000	100%	95,000
2001 Sewer Revenue Bonds	1,645,000	100%	1,645,000
2003 Sewer Revenue Bonds	5,445,000	100%	5,445,000
2004 Sewer Revenue Bonds	385,000	100%	385,000
Allentown Parking Authority Bonds of 2003	4,595,000	100%	4,595,000
Allentown Parking Authority Bonds of 2004	5,565,000	100%	5,565,000
Allentown Economic Development Corporation	<u>3,379,088</u>	100%	<u>3,379,088</u>
TOTAL SELF SUPPORTING DEBT	<u>63,009,088</u>	100%	<u>63,009,088</u>
TOTAL DIRECT DEBT	<u>90,730,000</u>	100%	<u>90,730,000</u>
 <u>OVERLAPPING DEBT</u>			
Allentown School District	48,229,177	100%	48,229,177
Lehigh County General Obligation Bonds	<u>127,974,054</u>	21.5%	<u>27,514,422</u>
TOTAL OVERLAPPING DEBT	<u>176,203,231</u>		<u>75,743,599</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>266,933,231</u>		<u>166,473,599</u>

CITY OF ALLENTOWN, PENNSYLVANIA

RATIO OF ANNUAL DEBT EXPENDITURES FOR GENERAL DEBT
TO TOTAL GENERAL EXPENDITURES

Last Ten Years

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Lease Rental</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Percentage of Debt Service to General Expenditures</u>
1995	\$11,203,623	\$2,532,553	-----	\$13,736,176	\$67,074,798	20.5%
1996	\$2,765,000	\$4,208,316	-----	\$6,973,316	\$56,133,132	12.4%
1997	\$2,450,000	\$4,434,891	-----	\$6,884,891	\$62,621,372	11.0%
1998	\$2,705,000	\$4,637,760	-----	\$7,342,760	\$62,892,085	11.7%
1999	\$4,335,000	\$4,687,356	-----	\$9,022,356	\$66,586,260	13.5%
2000	\$4,585,000	\$4,743,519	-----	\$9,328,519	\$70,192,774	13.3%
2001	\$5,000,000	\$4,725,143	-----	\$9,725,143	\$69,134,407	14.1%
2002	\$5,910,000	\$4,556,516	-----	\$10,466,516	\$73,748,874	14.2%
2003	\$5,955,000	\$4,456,400	-----	\$10,411,400	\$76,357,156	13.6%
2004	\$4,300,000	\$2,553,329	-----	\$6,853,329	\$80,614,274	8.5%

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER FUNDS (1)

Last Ten Years

<u>Year</u>	<u>Gross Revenues</u>	<u>(2) Expenses</u>	<u>Net Revenues Available For Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
<u>Water Fund</u>							
1995	\$11,681,749	\$8,144,528	\$3,537,221	\$1,715,000	\$2,188,849	\$3,903,849	0.91
1996	\$12,368,843	\$7,594,185	\$4,774,658	\$2,075,000	\$3,024,623	\$5,099,623	0.94
1997	\$14,410,455	\$7,215,967	\$7,194,488	\$2,230,000	\$2,707,945	\$4,937,945	1.46
1998	\$13,946,972	\$7,077,386	\$6,869,586	\$2,715,000	\$2,400,231	\$5,115,231	1.34
1999	\$13,270,956	\$6,982,013	\$6,288,943	\$2,935,000	\$2,170,545	\$5,105,545	1.23
2000	\$13,571,764	\$7,567,332	\$6,004,432	\$3,135,000	\$2,213,786	\$5,348,786	1.12
2001	\$12,504,275	\$7,632,582	\$4,871,693	\$3,310,000	\$2,042,145	\$5,352,145	0.91
2002	\$12,576,057	\$7,875,504	\$4,700,553	\$3,385,524	\$1,820,249	\$5,205,773	0.90
2003	\$15,086,442	\$7,909,525	\$7,176,917	\$3,932,351	\$1,636,014	\$5,568,365	1.29
2004	\$14,360,225	\$7,775,500	\$6,584,725	\$4,191,817	\$1,509,059	\$5,700,876	1.16
<u>Sewer Fund</u>							
1995	\$9,844,641	\$8,577,134	\$1,267,507	\$730,000	\$774,436	\$1,504,436	0.84
1996	\$11,113,298	\$9,805,982	\$1,307,316	\$767,500	\$735,725	\$1,503,225	0.87
1997	\$10,487,645	\$9,414,140	\$1,073,505	\$762,500	\$596,811	\$1,359,311	0.79
1998	\$10,150,191	\$8,805,301	\$1,344,890	\$895,000	\$581,694	\$1,476,694	0.91
1999	\$10,198,259	\$8,600,508	\$1,597,751	\$1,200,000	\$770,858	\$1,970,858	0.81
2000	\$11,187,682	\$8,484,754	\$2,702,928	\$1,325,000	\$885,030	\$2,210,030	1.22
2001	\$10,272,891	\$9,117,327	\$1,155,564	\$1,485,000	\$979,865	\$2,464,865	0.47
2002	\$12,450,614	\$9,525,592	\$2,925,022	\$1,600,000	\$989,132	\$2,589,132	1.13
2003	\$15,344,641	\$9,322,780	\$6,021,861	\$1,630,000	\$827,134	\$2,457,134	2.45
2004	\$14,477,827	\$10,136,126	\$4,341,701	\$1,795,000	\$768,286	\$2,563,286	1.69

Notes:

- (1) Revenues, expenses and interest are presented using the accrual basis of accounting.
- (2) Expenses do not include interest expense, loss on disposition of assets and depreciation charges but include operating transfers out.

CITY OF ALLENTOWN, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>
1995	105,550	14,963
1996	105,550	15,357
1997	105,550	15,629
1998	105,550	15,629
1999	105,550	16,243
2000	106,632	16,424
2001	106,632	16,174
2002	106,632	16,693
2003	106,632	16,969
2004	106,632	17,521

Data Sources:

- (1) 1995-99, estimated figure from the Lehigh-Northampton County Joint Planning Commission and the Planning Bureau of the City of Allentown. 2000-04, U.S. Department of Commerce, Bureau of the Census.
- (2) Allentown School District. Figures represent public school enrollment only.

CITY OF ALLENTOWN, PENNSYLVANIA

CONSTRUCTION, PROPERTY VALUES, AND BANK DEPOSITS

Last Ten Years

Year	Commercial Construction (1)		Residential Construction (1)	Building Permits	
	Units	Value	Units	Permits Issued	Value of Buildings
1995	5	\$969,107	25	1710	\$24,065,955
1996	41	\$11,751,250	24	1917	\$48,550,935
1997	21	\$1,159,620	28	1660	\$25,118,985
1998	28	\$10,330,070	54	1405	\$23,327,314
1999	24	\$9,382,258	105	1323	\$18,282,179
2000	62	\$17,688,453	75	1158	\$24,881,403
2001	33	\$38,230,024	77	1113	\$42,735,900
2002	35	\$50,917,418	67	967	\$15,075,966
2003	34	\$18,940,850	79	1242	\$36,732,950
2004	35	\$167,317,409	109	1113	\$14,343,464

Property Assessed Valuation (2)

Year	Commercial	Residential	Nontaxable	Combination	Vacant Lots
1995	\$352,331,150	\$970,232,600	\$401,059,050	\$55,572,450	\$16,811,200
1996	\$355,391,500	\$970,643,700	\$403,766,550	\$55,553,850	\$16,242,750
1997	\$355,984,150	\$971,419,100	\$416,655,450	\$55,170,450	\$15,511,400
1998	\$355,661,200	\$975,080,400	\$416,323,150	\$54,543,550	\$15,289,950
1999	\$354,684,500	\$979,154,250	\$420,827,750	\$53,798,000	\$16,129,600
2000	\$351,249,500	\$989,697,750	\$413,700,500	\$53,549,650	\$16,153,050
2001	\$351,892,550	\$999,322,550	\$416,363,400	\$53,503,650	\$15,869,600
2002	\$355,698,650	\$1,006,473,450	\$414,514,750	\$54,074,200	\$15,174,000
2003	\$379,636,300	\$1,010,110,220	\$420,408,200	\$52,664,950	\$15,259,550
2004	\$374,465,250	\$1,021,530,450	\$424,079,700	\$53,293,100	\$14,601,500

Notes:

- (1) Based on building permits for new construction issued by the City Bureau of Code Enforcement and Rehabilitation.
- (2) Assessed valuations provided by the Pennsylvania STEB and the County Assessor's Office.

TABLE 14

CITY OF ALLENTOWN, PENNSYLVANIA

PRINCIPAL TAXPAYERS

2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Valuation</u>
Agere Systems, Inc.	Electronic Manufacturing	14,337,350	0.85%
Congress Associates/ South Mountain Assoc. DePaul Realty	Apartments	9,574,250	0.57%
The Morning Call, Inc.	Newspaper	7,247,250	0.43%
Mack Trucks Inc.	Truck Manufacturing	6,581,500	0.39%
The Lakes	Apartments	5,961,050	0.35%
Eastern Retail Holdings LTD Partnership	Apartments	5,753,700	0.34%
Lehigh Valley Hospital, Inc.	Hospital	5,372,750	0.32%
Westmount LP	Apartments	5,141,850	0.31%
Allentown Commerce Park Corp	Real Estate Investment	4,900,000	0.29%
Home Properties Trexler Park LLC	Apartments	<u>4,773,900</u>	0.28%
Total		<u>\$ 69,643,600</u>	<u>4.13%</u>

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CITY OF ALLENTOWN, PENNSYLVANIA

RISK MANAGEMENT PROGRAM

As of December 31, 2004

<u>Name of Company</u> <u>Type of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>		<u>Deductible</u> <u>Co-Insurance</u>	
		<u>From</u>	<u>To</u>		
City of Allentown Self-Insured Retention	N/A	7/1/2004	6/30/2005		
Public Official Workers' Compensation	Bill No. 43-1990	7/18/1990	Until Amended	None	
Midwest Employers Casulty Company Excess Workers' Compensation	EWC 007067	10/1/2004	10/1/2005	\$450,000	
Lexington Insurance Company (\$7.5 million part of \$10 million primary and \$90 million excess of \$10 million) Commercial Property Machinery Breakdown	1460996	9/15/2004	9/15/2005	\$100,000	Per occurrence except (1) Flood (2) Flood hazard
Allied World Assurance Company, Inc. (\$2.5 million part of \$10 million primary) Commercial Property Machinery Breakdown	AW1460996	9/15/2004	9/15/2005		

(1) Minimum of \$100,000 per occurrence

(2) 5% of TIV at each location with a minimum of
\$500,000 building / \$500,000 contents
(Zone A, V)

<u>Liability Limits</u>	<u>Annual Premium</u>
\$500,000 aggregate limit of liability for causes of action arising out of same transaction and are within provisions of Political Subdivision Tort Claims Act 330 of 1978. <u>Unlimited</u> for claims brought in Federal jurisdiction or outside Commonwealth of Pennsylvania.	
\$450,000 per occurrence for workers' compensation	
\$100,000 per occurrence for property loss	
\$100,000 for boiler and machinery	
\$ 1,000,000 for Public Employees' Blanket Bond	
Job injury, illness, and disability coverage for Elected Officials (Mayor & City Controller only)	None
Statutory excess of underlying self-insured retention	\$85,922
\$100,000,000 per occurrence excess of underlying self-insured retention of real and personal property and subject to the following limits (Includes terrorism):	\$136,788 Total
\$50,000,000 - for Earthquake	Property
50,000,000 - for Flood (except Zone A, V)	(Included above)
25,000,000 - for Flood (Zone A, V)	
10,000,000 - for Motor Vehicles and Mobile Equipment	
5,000,000 - for Valuable Papers	
5,000,000 - for Newly Acquired Property	
5,000,000 - for Unnamed Location	
5,000,000 - for EDP Equipment and Media	
1,000,000 - while in transit	
1,000,000 - for Fine Arts	
500,000 - for Pollutant Clean-Up	
Sublimits for Boiler and Machinery:	
\$500,000 - for Expediting Expense	
500,000 - for Hazardous Substance	
500,000 - for CFC Refrigerants	
500,000 - for EDP including data restoration	

CITY OF ALLENTOWN, PENNSYLVANIA
SALARIES AND SURETY BONDING OF PRINCIPAL OFFICERS
2004

<u>Name and Title</u>	<u>Salary</u>
Roy C. Afflerbach, Mayor	\$61,493
David M. Howells, Sr., President, City Council	\$6,649
Martin Velazquez, III., Vice-President, City Council	\$6,149
David K. Bausch, Councilperson	\$6,149
Louis J. Hershman, Councilperson	\$6,149
Gail M. Hoover, Councilperson	\$6,149
Julio A. Guridy, Councilperson	\$6,149
Tom Burke, Councilperson	\$6,149
Robert W. Brown, City Solicitor	\$45,594
Frank J. Concannon, City Controller	\$49,892
Michael P. Hanlon, City Clerk	\$64,759
Edwin Pawlowski, Director - Community & Economic Development	\$84,499
Neal E. Kern, Director - Public Works	\$84,962
Barbara W. Bigelow, Director - Finance and Human Resources	\$82,009
D. Craig Long, Fire Chief	\$68,763
Joseph C. Blackburn, Police Chief	\$97,344

Employees are bonded by a general employee honesty blanket, position bond.

CITY OF ALLENTOWN, PENNSYLVANIA

LABOR FORCE

2004

(000's)

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1995	51.8	48.2	3.7	7.1%
1996	51.9	48.5	3.4	6.5%
1997	51.5	48.2	3.3	6.4%
1998	51.6	48.3	3.3	5.5%
1999	50.0	47.5	2.5	4.9%
2000	50.5	48.4	2.1	4.2%
2001	52.4	49.5	2.8	5.4%
2002	54.7	50.7	3.9	7.2%
2003	57.7	54.1	3.6	6.3%
2004	53.7	51.1	2.6	4.8%

Source:

Pennsylvania Department of Labor and Industry

UNEMPLOYMENTAverage Unemployment Rates

<u>Year</u>	<u>City of Allentown</u>	<u>Lehigh County</u>	<u>Commonwealth of Pennsylvania</u>	<u>United States</u>
1995	7.1%	5.4%	5.9%	5.6%
1996	6.5%	5.2%	5.3%	5.6%
1997	6.4%	4.7%	5.2%	4.9%
1998	5.5%	4.3%	4.6%	4.5%
1999	4.9%	4.9%	4.4%	4.2%
2000	4.2%	3.4%	4.2%	4.0%
2001	5.4%	4.2%	4.7%	4.8%
2002	7.2%	5.7%	5.7%	5.8%
2003	6.3%	5.6%	5.6%	6.0%
2004	5.6%	5.4%	5.4%	5.5%

Source:

Pennsylvania Department of Labor and Industry

CITY OF ALLENTOWN, PENNSYLVANIA

MISCELLANEOUS STATISTICAL DATA

2004

Founded		1762
Date of original incorporation		1867
Date of first charter adoption		April, 1867
Date of present charter adoption		April, 1996
Form of government		Home Rule Charter and Optional Plans Law
Area - Square Miles	-1995	18.30
	-1971	17.89
Miles of Streets	- Paved	264.5
	- Unpaved	11
	- Alleys, Paved	133
	- Alleys, Unpaved	19
Miles of Sewers	- Sanitary	293.0
	- Storm	185.0
Miles of Water Pipe		300.00

(continued)

CITY OF ALLENTOWN, PENNSYLVANIA

MISCELLANEOUS STATISTICAL DATA

2004

Fire Protection:

Six (6) stations
147 fire fighting employees

Police Protection

92 vehicular patrol units
220 police officers
18,103 law violations

Recreation:

2,020 acres of park land
19 playgrounds (9 city, 10 school)
One (1) municipal golf course
Five (5) swimming pools
Twenty-eight (28) parks and other facilities maintained

Education:

Schools:	Elementary	17
	Middle	4
	Senior High School	2
	Administrative personnel and principals	62
	Teachers	1,279
	Students	17,521

Streetlights 7,762

City Employees 1,026

(continued)

CITY OF ALLENTOWN, PENNSYLVANIA

MISCELLANEOUS STATISTICAL DATA

2004

Elections

Registered voters

Last general election	61,373
Last primary election	51,516

Votes cast in:

Last general election	38,586
Last primary election	11,001

Percentage of registered voters voting in:

Last general election	62.9%
Last primary election	21.4%

Population:

1980 census	103,758
1990 census	105,090
2000 census	106,632

Retail sales:

1995	\$766,159,773
1996	\$756,075,960
1997	\$838,567,127
1998	\$843,035,813
1999	\$912,752,453
2000	\$900,186,660
2001	\$961,553,947
2002	\$1,042,925,347
2003	\$1,082,576,980
2004	\$1,086,832,060

**CITY OF ALLENTOWN
FINANCIAL MANAGEMENT POLICIES**

OPERATING MANAGEMENT

- General Fund revenues are sensitive to local and regional economic activity. Accordingly, revenue estimates prepared by the Administration and adopted by City Council should be conservative.
- The annual budget should continue to show fiscal restraint. An integral part of this restraint is the creation of a positive cash balance (surplus) in the General Fund at the end of the fiscal year. If necessary, spending during the fiscal year should be reduced sufficiently to create such a cash surplus.
- The annual budget should continue to be prepared, adopted and maintained in such a manner as to avoid the following situations:
 - 1) Two consecutive years of operating fund deficits.
 - 2) A current operating fund deficit greater than the previous year.
 - 3) An operating fund deficit in two or more of the last five years.
 - 4) An abnormally large deficit in any one year of more than 5 to 10 percent of net operating revenues.
- The City liquidity position (the extent to which cash and other assets are available to pay short-term obligations) should show a working capital surplus; i.e., cash and short-term investments should exceed current liabilities.
- When deficits appear to be forthcoming, the City should avoid the use of "fiscal mirrors" in order to balance the budget. Only three alternatives are available: reduce appropriations, increase revenues, or a combination of the two techniques.
- The City should continue to pursue a prudent but aggressive cash management and investment program, in order to meet daily cash requirements, increase the amount available for investment, and earn the maximum rate of return on invested funds.
- All retirement plans should continue to be funded and administered in accordance with the City's Pension Recovery Ordinance and State Act 205 of 1984.
- Contingency reserves should be maintained at a level sufficient to provide for unanticipated expenditures of a nonrecurring nature. The City will strive to maintain a fund balance at a level at least equal to five percent (5%) of budgeted expenditures.
- Insurance reserves should be maintained at a level which, together with purchased insurance policies, adequately indemnifies the City's assets and officers/employees against loss.
- The City should minimize the financial burden on the City's taxpayers through periodic systematic program reviews and evaluations aimed at improving the efficiency and effectiveness of City programs. These periodic reviews should consider past trends and experiences elsewhere, and revisions to annual policy guidelines should be based on current need and program efficiency. Such

information should be crucial to the preparation of the annual budget.

- The City should maintain a budget that provides for adequate maintenance of the City's infrastructure and equipment stock and for their timely repair and/or replacement.
- Grant applications to fund new service programs with State or Federal funds should be reviewed by the City, with significant consideration given to whether locally-generated funds will be required to support these programs when original funding is no longer available.
- The City will continually oppose and discourage programs and actions by the State Legislature which would mandate cost increases to City government without providing an equal amount of state supplied revenue to offset such mandated increases.
- All fee schedules and enterprise/user charges should be reviewed and adjusted periodically to ensure that rates are equitable and cover the total cost of the service or that portion of the total cost deemed appropriate by the City.
- The Allentown Parking Authority should prepare an annual budget that is self-supporting. An integral part of that budget is the payment of debt service by current revenues, and the establishment of a revenue structure that ensures such payment without the assistance of City funds.

CAPITAL AND DEBT MANAGEMENT

- Any capital project financed through the issuance of general obligation bonds should be financed for a period not to exceed the expected life of the project up to a maximum of twenty years.
- The Comprehensive Plan of the City of Allentown should be used to help evaluate the projects in the Capital Improvements Program.
- The Capital Improvements Program should reflect the relationship between the City's planning and budgeting processes, wherein the planning effort defines the City's anticipated capital facility needs and the budgeting effort defines the financial parameters of sound capital expenditure policies to meet those needs.
- Bond sales should be planned and structured in order to maintain or improve the City's bond rating and to obtain interest rates at or below the published bond yield averages for bonds of similar ratings.
- The schedule of capital facility improvements should be developed in such a manner as to level the City's annual debt service payments to the maximum extent possible and to minimize fluctuations in tax rates caused by debt-financed capital improvements. An attempt should be made to restrict annual general obligation bond issues to \$3-\$3.5 million.
- Short-term debt outstanding at the end of the fiscal year should not exceed five percent (5%) of operating revenues.
- The City should use short-term financing such as revenue and bond anticipation notes to provide temporary financing for improvement projects or land acquisition, only when market conditions warrant such action.

- Net direct debt should be maintained below \$1,000 per capita.
- Net direct debt per capita should not exceed ten percent (10%) of per capita personal income.
- The level of net direct debt should not exceed fifty percent (50%) of the State mandated legal debt limit for the City.
- Debt service payments should not exceed ten percent (10%) of governmental fund expenditures, in order to minimize the impact on tax rates while providing for the normal replacement of public facilities.
- A portion of the Capital Improvements Program should be supplemented with City provided services ("IN-KIND").
- The City will establish water and sewer rates and charges to provide net operating revenues at least equal to 1.3 times debt service on the City's water and sewer bonds.

ACCOUNTING, AUDITING AND FINANCIAL PLANNING

- The City should maintain the highest level accounting practices. Accounting systems should be maintained in order to facilitate financial reporting in conformance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and the Financial Accounting Standards Board (FASB).
- An annual audit should be performed as required by various bond indentures by an independent public accounting firm in accordance with generally accepted auditing standards.
- Full disclosure should be provided in the Comprehensive Annual Financial Report, Official Statements and all other financial reports.
- Financial systems should be maintained to monitor expenditures, revenues and performance of all municipal programs on an ongoing basis.
- Operating expenditures should be programmed to include the cost of implementing capital improvements.
- The City should institute a "trained-observer" Capital Plant Assessment process, in order to evaluate and monitor the condition of its major physical assets.

COMMUNITY NEEDS AND RESOURCES

- The City should continue to diversify and stabilize its economic base in order to protect the community against economic downturns and to take advantage of economic upswings.
- The City should continue its joint private/public economic development efforts to "market" Allentown as a desirable place to do business.

- The City should continue to encourage economic development activities that provide growth in the City's tax base and employment opportunities for City residents. In those cases where it is not realistic to locate the activity within Allentown, the City will work with other economic development organizations to find an appropriate location in Lehigh County or the Lehigh Valley.

ALLENTOWN PARKING AUTHORITY

FINANCIAL REPORT

December 31, 2004

Buckno Lisicky & Company

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

Buckno Lisicky & Company

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Allentown Parking Authority
Allentown, Pennsylvania

We have audited the accompanying financial statements of the Allentown Parking Authority (a component unit of the City of Allentown) as of December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Allentown Parking Authority as of December 31, 2004 and 2003, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and pension data on pages 2 through 8 and page 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Allentown, Pennsylvania
March 25, 2005

Buckno Lisicky + Company

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**ALLENTOWN PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Year Ended December 31, 2004

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, 2004. Readers are encouraged to consider information presented here in conjunction with the following audited financial statements and notes.

Financial Highlights

- Total operating revenue increased \$130,677 or 3.2% compared to 2003.
- Total operating expenses increased \$160,483 or 5.4% compared to 2003.
- Renovations totaling \$1.5 million were completed to the ground floor level of the Hess's parking garage completing a portion of the City Centre Project. Grants from the Commonwealth of Pennsylvania and private donations of approximately \$679,500 for interior renovations and remediation were received to help defray costs. Leasing of this space to the Grace Montessori School commenced January 1, 2005.
- Outstanding bond debt of \$5.5 million was refinanced on September 15, 2004, resulting in the savings of \$251,100 over the pre-existing nine years of debt.
- Contributing to the economic revival of the Downtown, the Authority disposed of two parking lots to enhance projects in the 800 block of Hamilton Street. These disposals resulted in a book loss of approximately \$400,900.
- Outstanding liabilities of the APA increased \$453,746 or 4.3% as compared to fiscal 2003.
- Total assets of the APA increased 1,169,563 or 7.8% as compared to fiscal 2003.
- The fund balance (difference between the assets and liabilities) of the APA increased \$715,817 or 16.3% as compared to 2003.

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 APA's financial condition and performance.

Required Financial Statements

The financial statements of the APA report information about the APA's 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 balance sheet; a statement of revenues, expenses and changes in net assets; a statement of cash flows; notes to the financial statements; and both required and other supplementary information.

**ALLENTOWN PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Year Ended December 31, 2004

The **balance sheet** includes all of the APA's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the APA's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure and assessing the liquidity and financial flexibility of the APA.

While the balance sheet provides financial information regarding the nature and amount of resources and obligations at year-end, the **statement of revenues, expenses and changes in net assets** presents the results of the business activities over the course of the past year and can be used to determine whether the APA has successfully recovered all its costs through parking fines and parking fees.

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

Finally, **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 APA's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. **Supplementary information** comparing budget to actual expenses is also provided.

Summary of Organization and Business

The APA 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 on-street operation of the APA 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 APA administers a residential parking permit program which allows residents to park in their respective neighborhood without having to "feed" a meter 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 operation of three parking garages in downtown Allentown comprises the majority of the off-street department. These three garages total approximately 1,600 parking spaces. In addition, the APA owns and operates 29 surface parking lots and one parking ramp, which total another 1,350 parking spaces.

The APA receives no financial support from the City and has no taxing power. All revenues are derived from the collections of parking fines, meter revenue and user fees from the parking garages and lots. The APA, since its inception, has been self-supporting and has never needed any outside financial funding. The APA has actually returned monies to the City in the form of collected police and fire tickets and in other in-kind or cash contributions. These monies total over \$1.5 million.

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 Balance Sheet and the Statement of

**ALLENTOWN PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Year Ended December 31, 2004

Revenues, Expenses and Changes in Net Assets report information about the APA's fiscal year activities, which can then be used to determine whether the APA is better or worse off as a result of these activities.

Net Assets

**Condensed Statements of Net Assets
(Balance Sheet)**

	2004	2003	\$ Change	% Change
Current and other assets	\$ 2,332,274	\$ 1,518,937	\$ 813,337	53.5%
Capital assets	13,805,897	13,449,671	356,226	2.6%
Total assets	<u>16,138,171</u>	<u>14,968,608</u>	<u>1,169,563</u>	<u>7.8%</u>
Current liabilities	2,301,205	1,427,964	873,241	61.2%
Long-term debt	8,729,771	9,149,266	(419,495)	(4.6%)
Total liabilities	<u>11,030,976</u>	<u>10,577,230</u>	<u>453,746</u>	<u>4.3%</u>
Invested in capital assets, net of related debt	3,286,291	3,242,457	43,834	1.4%
Unrestricted	1,820,904	1,148,921	671,983	58.5%
Total net assets	<u>\$ 5,107,195</u>	<u>\$ 4,391,378</u>	<u>\$ 715,817</u>	<u>16.3%</u>

Referencing the above table, the increase of both current assets and current liabilities offset each other as the result of borrowing funds through our line of credit to complete the Hess's Garage lower level renovations versus funding this project from our operating cash. The capitalization of the Hess's Garage Project along with the sale and disposition of two metered parking lots in the Downtown, have caused a net increase in capital assets of \$356,226. Our long-term debt decreased due to bond principal payments during 2004 and restructured debt amortization resulting from a bond refinancing. Overall the APA increased its total net assets (assets available to finance both capital and day-to-day operations) for the year by \$715,817.

**Condensed Statements of Revenues, Expenses
And Changes in Net Assets**

	2004	2003	\$ Change	% Change
Revenues:				
Operating revenues	\$ 4,162,031	\$ 4,031,354	\$ 130,677	3.2%
Non-operating revenues	34,328	42,737	(8,409)	(19.7%)
Capital grant revenue	679,493	427,178	252,315	59.1%
Total revenues	<u>4,875,852</u>	<u>4,501,269</u>	<u>374,583</u>	<u>8.3%</u>
Expenses:				
Depreciation expense	687,517	644,968	42,549	6.6%
Other operating expense	2,419,704	2,301,770	117,934	5.1%
Non-operating expense	828,336	532,574	295,762	55.5%
Contributions to city	224,478	211,950	12,528	5.9%
Total expenses	<u>4,160,035</u>	<u>3,691,262</u>	<u>468,773</u>	<u>12.7%</u>

**ALLENTOWN PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Year Ended December 31, 2004

	2004	2003	\$ Change	% Change
Change in net assets	715,817	810,007	(94,190)	(11.6%)
Beginning net assets	4,391,378	3,581,371	810,007	22.6%
Ending net assets	<u>\$ 5,107,195</u>	<u>\$ 4,391,378</u>	<u>\$ 715,817</u>	<u>16.3%</u>

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of the changes in the Balance Sheets. The above table reconciles total revenue of \$4,875,852 less total expenses of \$4,160,035 as the difference or positive change of \$715,817 in net assets for the year. The following narrative will explain the individual accounts that affect these changes.

Revenues:

Overall total revenues increased by \$374,583 to \$4,875,852 in 2004 up from \$4,501,269 in 2003. An obvious component of this increase (\$252,315) includes the receipt of capital grant funds from both the Commonwealth of Pennsylvania and the Montessori School to complete the Hess's garage project. These grant receipts are one-time payments, which somewhat skew our total revenue analysis. Actual operating revenue increased \$130,677 or a 3.2% change. On-street operations contributed \$191,096 of this increase with the off-street operations reflecting a decline of \$60,419.

Off-street revenue is comprised of basically three categories. Transient revenue which is generated from parkers that pay a daily rate; contract parkers that pay a monthly rate (usually downtown employees); and Crowne Plaza Hotel parking, which includes parking paid by hotel guests or by the hotel directly at our Walnut at Ninth Garage. Contract revenue from all of our parking garages and lots decreased \$69,463 from 2003 as PPL employees finalized their parking selections with PPL owned or leased facilities. The Authority did, however, obtain a contract with the County of Lehigh to provide contract parking to its employees at our Community Lot and 600 Linden Garage. Hotel parking at our Walnut at Ninth Parking Garage increased over \$22,500 or 35.4% from last year as the hotel completed both capital renovations and their management team transition. Transient revenue cumulative for all lots and facilities decreased by \$15,918.

On-street revenue includes the revenue collected from parking meters, payments for parking tickets and parking permits. Parking meter revenue increased \$19,678 due to the addition of several metered spaces in the government area of the City. Full staffing of our enforcement department contributed to the effectiveness and collection of \$172,401 more in 2004. In 2004 a total of 101,300 valid tickets were written versus 99,000 in 2003 before County Court adjudication.

The two components of non-operating revenues are investment earnings and realty rentals. Non-operating revenue was \$8,410 less than that of 2003 predominately as a result of decreased investment earnings.

Capital Contribution Revenue

All grant funds received in 2004 were allocated to the Hess's garage project. These funds totaled \$679,493 and are detailed below.

- Department of Community and Economic Development - Child Care Challenge Grant in the amount of \$492,125

**ALLENTOWN PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Year Ended December 31, 2004

- Industrial Sites Reuse Grant - \$118,155
- Grace Montessori School Capital Pledges - \$69,213

Expenses:

Total Expenses increased to \$4,160,035 in 2004, which is a \$468,773 increase from 2003. The following narrative explains the effect that the various expenses had on the operation of the Authority for 2004.

Operating Expenses:

The direct costs associated with the overall administration and operation of the APA is included in "operating expenses." Three expense categories that comprise operating expenses are personnel wages and benefits, services and charges and material and supplies.

Personnel costs make up over 79% of the costs associated with operating expenses. These costs increased \$160,123 to \$1,912,998 as compared to 2003. The largest single component of this increase concerns health care expenses. These costs increased \$112,969 as a result of a 42% premium increased charged by Capital Blue Cross. Additional expenses affecting this increase include wage increases totaling \$59,000 and decreases in workers' compensation insurance premiums and pension contributions, \$4,955 and \$13,062 respectively. Overall these costs increased 9.1% as compared to 2003.

Services and charges, the second largest component of operating expenses, decreased \$40,052 to \$473,387. Snow removal costs for 2004 were \$21,877 less than 2003. Obviously these expenses were weather-related with 2004 having less snow plowing, no snow removal and less salting than occurred in 2003. Training and professional development expenses were \$13,114 less in 2004 as our staff and Board of Directors did not attend as many training and educational sessions as in 2003. Increase legal expenses of \$8,728 were incurred due to costs associated with our union contract renewal.

Materials and supplies, the third and smallest component of operating expenses decreased \$2,137 to \$33,319 for 2004. These costs include an increase of \$4,700 in gasoline expenses with a decrease of \$7,224 in office and computer supply expenses.

Depreciation Expense

Depreciation expense reflects the annual cost associated with an assets reduction (wear and tear) in value. Expenses associated with depreciation increased \$42,549 to \$687,517 for 2004. Annual depreciation for the Arts Walk Project totaled \$53,424, which comprises the largest increased depreciation component. Compared to 2003, depreciation for 2004 increased 6.6%. Parking meter equipment has become fully depreciated as of the 2004. This resulted in a reduction of \$16,575 for 2004.

Non-operating Expense

For 2004 non-operating expenses increased \$295,762 to \$828,336. As a result of the disposition and sale of two metered parking lots, the APA realized a \$400,852 book loss. This amount coupled with a reduction in interest borrowing costs of \$102,988 due to bond issue refinancing explains this increase.

**ALLENTOWN PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Year Ended December 31, 2004

Contribution Expense

Annually, with the mutual consent of both the City and the APA, monies collected by the APA for police issued parking tickets are remitted to the City in the form of a contribution. This amount for 2004 totaled \$224,500, which was \$12,500 more than last year. Payments are made each quarter with the APA deducting administrative costs associated with the collections process.

Capital Assets

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

Capital Assets

	2004	2003	\$ Change	% Change
Land	\$ 4,711,072	\$ 4,651,586	\$ 59,486	1.3%
Lot improvements	1,997,622	2,002,283	(4,661)	(0.2%)
Buildings and improvements	790,889	803,032	(12,143)	(1.5%)
Leasehold improvements	1,519,764	-	1,519,764	-
Parking garages and lots	8,465,491	9,412,446	(946,955)	(10.1%)
Vehicles and equipment	1,098,593	1,027,746	70,847	6.9%
Construction in progress	60,277	126,072	(65,795)	(52.2%)
Subtotal	18,643,708	18,023,165	620,543	3.4%
Less accumulated depreciation	4,979,126	4,709,415	269,711	5.7%
Net capital assets	\$ 13,664,582	\$ 13,313,750	\$ 350,832	2.6%

As of December 31, 2004, the APA had invested \$13,664,582 in capital assets net of accumulated depreciation. This figure increased from 2003 by \$350,832 as a result of the following acquisitions, dispositions, sales, project completions and adjustments to assets during the year.

- \$1,519,764 for the completion of the City Centre located on the ground floor level of our Hess's Parking Garage.
- \$71,852 write-off for the disposition of the 8th Street metered lot improvements.
- \$329,000 realized loss for the sale of the 9th Street metered lot.
- \$29,572 for the purchase of a 2004 Jeep Wrangler and a 2004 Chevrolet Cavalier for on-street enforcement.
- \$32,912 for the purchase of eight multi-space parking meters.
- \$8,362 for the acquisition of two additional handheld ticket writers.
- The total of \$60,277 for construction in progress represents initial architectural and engineering fees for a new one level elevator for our Hess's Parking Garage and costs incurred for the proposed Allentown Transportation Center.
- A transfer of properties between the APA and the Allentown Economic Development Corporation was completed in December 2004. This "swap" of properties has resulted in the reclassification of assets. There was no gain or loss realized by either party.

**ALLENTOWN PARKING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Year Ended December 31, 2004

Debt Administration

Total outstanding debt of the APA as of December 31, 2004, totaled \$10,820,599, which is \$362,861 more than 2003. This increase in debt was due to principal payments made during the year and a draw of \$640,853 on the APA's line-of-credit. More specific information regarding this debt may be viewed in the financial statements in Notes 5 and 6.

Both bond issues are secured by a pledge of APA's revenues. Additionally, each issue is secured by a City of Allentown guarantee with a further commitment of bond insurance through Ambac Assurance Corporation or Financial Security Assurance, Inc. All issues carry an Aaa and AAA ratings from Moody's and Standard & Poor's respectively based upon their municipal bond insurance policy.

In addition to restrictions placed on additional debt issuance by bond covenants, the APA 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 APA less operating expenses exceeds debt service by at least 20.0%. The following chart depicts the compliance of the APA to this policy over the past two years.

Debt Coverage Ratio

	2004	2003	% Change
Gross revenue	\$ 4,196,359	\$ 4,074,091	3.0%
Total operating expenses (less depreciation)	2,419,704	2,301,770	5.1%
Net revenue	1,776,655	1,772,321	0.2%
Annual debt service	1,342,511	1,370,985	(2.1%)
Debt service coverage	<u>1.32%</u>	<u>1.29%</u>	<u>0.03%</u>

Contacting the APA's Financial Management

This financial report is designed to provide our bondholders, patrons, creditors and other interested parties with a general overview of the APA's finances and demonstrates the APA's accountability for the funds it receives. If you have any questions about this report or require additional financial information, contact the Allentown Parking Authority's Executive Director or Finance Director, 1005 Hamilton Street, P.O. Box 4466, Allentown, PA 18105-4466.

	<u>2004</u>	<u>2003</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable, bank	\$ 640,853	\$ -
Accounts payable	429,953	266,464
Accrued expenses	138,784	196,123
Bonds payable	995,000	899,037
Capital lease obligations	12,667	22,990
Other current liabilities	<u>83,948</u>	<u>43,350</u>
Total current liabilities	<u>2,301,205</u>	<u>1,427,964</u>
NONCURRENT LIABILITIES		
Bonds payable	8,722,692	9,129,518
Capital lease obligations	<u>7,079</u>	<u>19,748</u>
Total noncurrent liabilities	<u>8,729,771</u>	<u>9,149,266</u>
Total liabilities	<u>11,030,976</u>	<u>10,577,230</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,286,291	3,242,457
Unrestricted	<u>1,820,904</u>	<u>1,148,921</u>
Total net assets	<u>5,107,195</u>	<u>4,391,378</u>
Total liabilities and net assets	<u>\$ 16,138,171</u>	<u>\$ 14,968,608</u>

ALLENTOWN PARKING AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS**

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUE		
On-street parking	\$ 2,996,482	\$ 2,805,386
Garages and lots	<u>1,165,549</u>	<u>1,225,968</u>
Total operating revenue	<u>4,162,031</u>	<u>4,031,354</u>
OPERATING EXPENSES		
Wages and benefits	1,912,998	1,752,875
Services and charges	473,387	513,439
Materials and supplies	33,319	35,456
Depreciation and amortization	<u>687,517</u>	<u>644,968</u>
Total operating expenses	<u>3,107,221</u>	<u>2,946,738</u>
Operating income	<u>1,054,810</u>	<u>1,084,616</u>
NONOPERATING REVENUE (EXPENSES)		
Interest income	19,304	26,517
Interest expense	(423,371)	(526,359)
Trustee fees	(4,113)	(3,565)
Realty income	15,024	16,220
Loss on disposal of assets	<u>(400,852)</u>	<u>(2,650)</u>
Total nonoperating revenue (expenses)	<u>(794,008)</u>	<u>(489,837)</u>
Income before contributions	260,802	594,779
CAPITAL CONTRIBUTIONS		
Capital contributions	679,493	427,178
Contributions to City of Allentown	<u>(224,478)</u>	<u>(211,950)</u>
Change in net assets	715,817	810,007
NET ASSETS, beginning of year	<u>4,391,378</u>	<u>3,581,371</u>
NET ASSETS, end of year	<u>\$ 5,107,195</u>	<u>\$ 4,391,378</u>

See Notes to Financial Statements.

ALLENTOWN PARKING AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,146,522	\$ 4,031,263
Payments to employees	(1,925,657)	(1,767,449)
Payments to suppliers	<u>(479,089)</u>	<u>(577,904)</u>
Net cash provided by operating activities	<u>1,741,776</u>	<u>1,685,910</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions to City of Allentown	<u>(55,290)</u>	<u>(197,082)</u>
Net cash used in noncapital financing activities	<u>(55,290)</u>	<u>(197,082)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,564,461)	(1,285,730)
Proceeds from sale of capital assets	100,000	801
Capital contributions	648,029	327,178
Principal payments on bond payable	(5,820,000)	(5,123,868)
Borrowings (payments) on short-term notes payable	640,853	(660,368)
Principal payments on capital lease obligations	(22,992)	(15,912)
Proceeds from bonds payable	5,565,000	4,970,000
Financing costs	(109,064)	(38,489)
Interest paid	(409,607)	(510,574)
Trustee fees	<u>(6,238)</u>	<u>(6,190)</u>
Net cash used in capital and related financing activities	<u>(978,480)</u>	<u>(2,343,152)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of certificates of deposit	600,000	1,300,000
Purchase of certificates of deposit	(679,000)	(1,100,000)
Investment income	15,445	27,220
Realty income	<u>15,024</u>	<u>16,220</u>
Net cash provided by (used in) investing activities	<u>(48,531)</u>	<u>243,440</u>

See Notes to Financial Statements.

ALLENTOWN PARKING AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Net increase (decrease) in cash and cash equivalents	659,475	(610,884)
CASH AND CASH EQUIVALENTS, beginning of year	<u>541,610</u>	<u>1,152,494</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,201,085</u>	<u>\$ 541,610</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,054,810	\$ 1,084,616
Adjustments to reconcile operating income to net cash provided by operating activities		
Amortization	14,363	27,545
Depreciation	673,154	617,423
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(28,395)	9,025
Inventory	2,805	(7,425)
Prepaid expenses	22,254	(44,136)
Increase (decrease) in liabilities:		
Accounts payable	(3,539)	19,409
Accrued expenses	(34,274)	1,169
Other current liabilities	<u>40,598</u>	<u>(21,716)</u>
 Net cash provided by operating activities	 <u>\$ 1,741,776</u>	 <u>\$ 1,685,910</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of vehicles through capital lease obligations	<u>\$ -</u>	<u>\$ 33,607</u>

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. 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.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into "invested in capital assets, net of related liabilities" and "unrestricted" components.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 and is classified as cash and cash equivalents on the balance sheet. 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.

Inventory:

Inventory consists of parking meters and their related components and is stated at cost (first-in, first-out).

Property and equipment:

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:

Land improvements	10-44 years
Parking garages and components	5-45 years
Equipment and vehicles	3-20 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 charges:

Bond issuance costs have been deferred and are amortized using the straight-line method over the term of the related debt.

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 for the years ended December 31, 2004

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

and 2003. The compensation policy includes a buy back provision for unused sick days as of December 31 of any calendar year. Provisions for vacation and sick pay are recorded on the accrual basis.

Net assets:

Net assets are comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified into two components: invested in capital assets, net of related liabilities and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Unrestricted consists of all other net assets not included in the above category.

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.

Capital contributions:

Contributions, which include capital grants, are recognized in the Statement of Revenues, Expenses and Changes in Net Assets when earned.

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.

Note 2. Cash 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.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

There are no deposit or investment transactions during the years ended December 31, 2004 and 2003 that were in violation of state statutes or applicable trust indentures.

Deposits:

The deposits of the Authority as of December 31, 2004 and 2003 are categorized below to indicate the level of risk assumed. With respect to risk, the deposit balances are classified as follows:

- Category 1: Insured or registered, with securities held by Allentown Parking Authority or its agent in the Authority's name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in Allentown Parking Authority's name.
- Category 3: Uninsured and unregistered, with securities held by the counter party's trust department or agent, but not in Allentown Parking Authority's name.

	2004			
	Category		Total Bank	Carrying
	1	3	Balance	Value
Cash, demand and savings deposits	\$ 300,000	\$ 735,582	\$ 1,035,582	\$ 972,415
Certificates of deposit	<u>679,000</u>	<u>-</u>	<u>679,000</u>	<u>679,000</u>
	<u>\$ 979,000</u>	<u>\$ 735,582</u>	<u>\$ 1,714,582</u>	<u>\$ 1,651,415</u>
	2003			
	Category		Total Bank	Carrying
	1	3	Balance	Value
Cash, demand and savings deposits	\$ 200,100	\$ 100,101	\$ 300,201	\$ 244,747
Certificates of deposit	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>
	<u>\$ 800,100</u>	<u>\$ 100,101</u>	<u>\$ 900,201</u>	<u>\$ 844,747</u>

The Category 3 amounts consist of balances in excess of FDIC insurance coverage. Pennsylvania statutes require individual banks to maintain a pool of collateral to cover the amount on deposit by governmental entities in excess of FDIC coverage.

External investment pools:

The Authority is a member of the Cadre Institutional Investors Trust (CIIT), which is a SEC registered municipal external investment pool. The purpose of the pool is to allow municipalities to enhance investment potential through cash pooling while providing security and liquidity.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Pool participants are allocated a pro-rata share of each investment purchased by the pool. U.S. Treasuries, placed in the name of CIIT, serve as collateral and are held in safekeeping at US Bank. Funds in the CIIT money market account are totally liquid with no advance notice required for withdrawal.

The Authority has an agreement with Pennsylvania Treasury Department to pool funds to enhance interest earnings. The INVEST program allows Pennsylvania municipalities to utilize the investment expertise of Treasury personnel to purchase investments with other local governmental units. Because of the large volume of money invested, the longer average investment maturity and low administrative charges; the State is able to provide a high rate of return. Funds deposited in the INVEST program require either one or ten day's notice for withdrawal. The INVEST pool is not SEC regulated. The investment policy of INVEST is guided by Pennsylvania statute for respective shareholder participants. The policy is consistent with investment criteria for a "AAA" rating from the Standard and Poors and Fitch rating agencies. An oversight committee comprised of the State Treasurer, the State Secretary of the Budget and the State House of Representatives Majority and Minority Chairmen together with three independent third party investment experts provide investment advice and strategies to be utilized by the INVEST program. The fair value of the Authority's position in the INVEST pool is the same as the value of the pool shares.

As of December 31, 2004 and 2003, the carrying amounts of external investment pool assets were \$228,669 and \$296,863, respectively. The fair value of external investment pool assets approximate their carrying values as of December 31, 2004 and 2003. 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 preceding tables.

Note 3. Capital Assets

Capital asset activity for the years ended December 31, 2004 and 2003 is as follows:

	Year Ended December 31, 2004			
	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Non-depreciable assets:				
Land	\$ 4,651,586	\$ 563,423	\$ 503,937	\$ 4,711,072
Construction in progress	126,072	60,277	126,072	60,277
	4,777,658	623,700	630,009	4,771,349
Depreciable assets:				
Lot improvements	2,002,283	-	4,661	1,997,622
Building and building improvements	803,032	-	12,143	790,889
Leasehold improvements	-	1,519,764	-	1,519,764
Parking garages and lots	9,412,446	-	946,955	8,465,491

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

	Year Ended December 31, 2004			
	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Vehicles and Equipment	1,027,746	70,847	-	1,098,593
	13,245,507	1,590,611	963,759	13,872,359
	18,023,165	2,214,311	1,593,768	18,643,708
Less accumulated depreciation	4,709,415	673,154	403,443	4,979,126
	<u>\$ 13,313,750</u>	<u>\$ 1,541,157</u>	<u>\$ 1,190,325</u>	<u>\$ 13,664,582</u>
	Year Ended December 31, 2003			
	Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
Non-depreciable assets:				
Land	\$ 4,651,586	\$ -	\$ -	\$ 4,651,586
Construction in progress	317,081	-	191,009	126,072
	4,968,667	-	191,009	4,777,658
Depreciable assets:				
Lot improvements	933,804	1,068,479	-	2,002,283
Building and building improvements	803,032	-	-	803,032
Parking garages and lots	9,079,244	333,202	-	9,412,446
Vehicles and Equipment	934,778	118,404	25,436	1,027,746
	11,750,858	1,520,085	25,436	13,245,507
	16,719,525	1,520,085	216,445	18,023,165
Less accumulated depreciation	4,113,977	617,423	21,985	4,709,415
	<u>\$ 12,605,548</u>	<u>\$ 902,662</u>	<u>\$ 194,460</u>	<u>\$ 13,313,750</u>

Depreciation expense for the years ended December 31, 2004 and 2003 was \$673,154 and \$617,423, respectively.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Deferred Charges

Deferred charge activity for the years ended December 31, 2004 and 2003 consist of the following:

	<u>Year Ended December 31, 2004</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Dec. 31, 2004</u>
Bond issuance costs:				
Guaranteed Parking Revenue Refunding Bonds, Series of 1999	\$ 147,913	\$ -	\$ 147,913	\$ -
Parking Revenue Bond Series of 2003	38,489	-	-	38,489
Parking Revenue Bond Series of 2004	-	<u>109,064</u>	-	<u>109,064</u>
	<u>186,402</u>	<u>109,064</u>	<u>147,913</u>	<u>147,553</u>
Less accumulated amortization	<u>50,481</u>	<u>14,363</u>	<u>58,606</u>	<u>6,238</u>
	<u>\$ 135,921</u>	<u>\$ 94,701</u>	<u>\$ 89,307</u>	<u>\$ 141,315</u>

	<u>Year Ended December 31, 2003</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>Jan. 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Dec. 31, 2003</u>
Bond issuance costs:				
Guaranteed Parking Revenue Refunding Bonds, Series of 1993	\$ 156,640	\$ -	\$ 156,640	\$ -
Guaranteed Parking Revenue Refunding Bonds, Series of 1999	147,913	-	-	147,913
Parking Revenue Bond Series of 2002	12,365	-	12,365	-
Parking Revenue Bond Series of 2003	-	<u>38,489</u>	-	<u>38,489</u>
	<u>316,918</u>	<u>38,489</u>	<u>169,005</u>	<u>186,402</u>
Less accumulated amortization	<u>103,685</u>	<u>27,545</u>	<u>80,479</u>	<u>50,481</u>
	<u>\$ 213,233</u>	<u>\$ 10,944</u>	<u>\$ 88,256</u>	<u>\$ 135,921</u>

Note 5. Notes Payable, Bank

The Authority has established a line of credit with a local bank in the amount of \$1,000,000. The purpose of the line of credit is to provide temporary funding for improvements to the Authority's parking facilities. The interest rate on the line of credit is 70% of the *Wall Street*

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Journal Prime Rate. As of December 31, 2004 and 2003, the rate of this line is 3.375% and 2.80%, respectively. As of December 31, 2004 and 2003, the balance outstanding on the line of credit is \$640,853 and \$0, respectively.

The Authority had issued the Parking Revenue Bond, Series of 2002 in the amount of \$2,000,000 to be used to purchase several properties for the expansion of parking facilities. The Bond interest rate was 68% of the LIBOR rate plus 1%. The Bond matured in November 2003.

Short-term debt activity for the years ended December 31, 2004 and 2003 is as follows:

	<u>Year Ended December 31, 2004</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>Jan 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Dec. 31, 2004</u>
Line of credit	\$ -	\$ 640,853	\$ -	\$ 640,853
	<u>\$ -</u>	<u>\$ 640,853</u>	<u>\$ -</u>	<u>\$ 640,853</u>

	<u>Year Ended December 31, 2003</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>Jan 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Dec. 31, 2003</u>
Line of credit	\$ 175,000	\$ -	\$ 175,000	\$ -
Parking Revenue Bond, Series of 2002	<u>485,368</u>	<u>-</u>	<u>485,368</u>	<u>-</u>
	<u>\$ 660,368</u>	<u>\$ -</u>	<u>\$ 660,368</u>	<u>\$ -</u>

Note 6. Long-Term Debt

Long-term debt activity for the years ended December 31, 2004 and 2003 is as follows:

	<u>Year Ended December 31, 2004</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>Jan 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Dec. 31, 2004</u>
<u>Revenue Bonds Payable:</u>				
Guaranteed Parking Revenue Refunding Bonds, Series of 1999	\$ 5,445,000	-	5,445,000	\$ -
Parking Revenue Bond Series of 2003	4,970,000	-	375,000	4,595,000
Parking Revenue Bond Series of 2004	<u>-</u>	<u>5,565,000</u>	<u>-</u>	<u>5,565,000</u>
	10,415,000	5,565,000	5,820,000	10,160,000
Less unamortized deferred costs of refunding	<u>386,445</u>	<u>89,307</u>	<u>33,444</u>	<u>442,308</u>

ALLENTOWN PARKING AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2004			
Balance Jan 1, 2004	Additions	Retirements	Balance Dec. 31, 2004
\$ 10,028,555	\$ 5,475,693	\$ 5,786,556	\$ 9,717,692

Capital Leases Obligations:

Vehicles	\$ 42,738	\$ -	\$ 22,992	\$ 19,746
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Year Ended December 31, 2003			
Balance Jan 1, 2003	Additions	Retirements	Balance Dec. 31, 2003

Revenue Bonds Payable:

Guaranteed Parking Revenue Refunding Bonds, Series of 1993	\$ 3,225,000	\$ -	\$ 3,225,000	\$ -
Guaranteed Parking Revenue Refunding Bonds, Series of 1999	5,985,000	-	540,000	5,445,000
Parking Revenue Bond Series B of 1999	1,358,868	-	1,358,868	-
Parking Revenue Bond Series of 2003	-	4,970,000	-	4,970,000
	10,568,868	4,970,000	5,123,868	10,415,000
Less unamortized deferred costs of refunding	322,929	88,256	24,740	386,445
	<u>\$ 10,245,939</u>	<u>\$ 4,881,744</u>	<u>\$ 5,099,128</u>	<u>\$ 10,028,555</u>

Capital Leases Obligations:

Vehicles	\$ 25,043	\$ 33,607	\$ 15,912	\$ 42,738
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A summary of each revenue bond payable and lease is provided in the ensuing paragraphs.

Guaranteed Parking Revenue Refunding Bonds, Series of 1993

On November 15, 1993, the Authority issued the Guaranteed Parking Revenue Refunding Bonds, Series of 1993, in the amount of \$4,370,000. The proceeds of the bonds were used to refund the remaining outstanding Guaranteed Parking Revenue Bonds, Series of 1991.

The Bonds were refunded with the issuance of the Guaranteed Parking Revenue Refunding Bonds, Series of 2003 on November 13, 2003.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Guaranteed Parking Revenue Refunding Bonds, Series of 1999

On July 12, 1999, the Authority issued the Guaranteed Parking Revenue Refunding Bonds, Series of 1999, in the amount of \$6,605,000. The proceeds of the Bonds as well as an Authority contribution of \$620,796 were used to currently refund the remaining outstanding Guaranteed Parking Revenue Bonds, Series of 1989 and to pay off the balance due on the Tax Exempt Note, Series 1 of 1994. Bond proceeds were also used to pay the issuance cost of the Bonds.

The Bonds were currently refunded with the issuance of the Guaranteed Parking Revenue Refunding Bonds, Series of 2004 on September 15, 2004.

Parking Revenue Bond, Series B of 1999

On December 15 1999, the Authority issued the Parking Revenue Bond, Series B of 1999, in the amount of \$1,800,000 after entering into a bond purchase agreement with Wachovia Bank N.A. (formally First Union National Bank). The proceeds of the Bond were used to purchase two parking facilities in the City of Allentown.

The Bond was paid off with the issuance of the Guaranteed Parking Revenue Refunding Bonds, Series of 2003 on November 13, 2003.

Guaranteed Parking Revenue Refunding Bonds, Series of 2003

On November 13, 2003, the Authority issued the Guaranteed Parking Revenue Refunding Bonds, Series of 2003, in the amount of \$4,970,000. The proceeds of the bonds were used to currently refund the remaining outstanding Guaranteed Parking Revenue Bonds, Series of 1993 and to pay off the remaining principal and interest due on the Parking Revenue Bond, Series B of 1999, Parking Revenue Bond, Series of 2002 and the Authority's outstanding line of credit. Bond proceeds were also used to pay the issuance costs of the Bonds.

Principal on the Bonds is payable each November 15 with interest payments payable each May 15 and November 15. The schedule of future maturities and total debt service of the Bonds as of December 31, 2004 is as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2005	\$ 440,000	3.00%	\$ 146,022	\$ 586,022
2006	460,000	3.00%	132,823	592,823
2007	470,000	2.00%	119,022	589,022
2008	480,000	3.50%	109,622	589,622
2009	500,000	2.60%	92,823	592,823
2010	290,000	3.00%	79,822	369,822
2011	295,000	3.25%	71,123	366,123
2012	310,000	3.50%	61,535	371,535
2013	320,000	3.60%	50,685	370,685
2014	330,000	3.70%	39,165	369,165
2015	345,000	3.80%	26,955	371,955

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2016	<u>355,000</u>	3.90%	<u>13,845</u>	<u>368,845</u>
	<u>\$ 4,595,000</u>		<u>\$ 943,442</u>	<u>\$ 5,538,442</u>

The Bonds maturing on and after November 15, 2009 are subject to redemption prior to maturity, at the option of the Authority, as a whole, or in part on November 15, 2008 or any date thereafter, as directed by the Authority.

The City of Allentown guarantees the principal and interest on the Bonds. The bonds are secured by a pledge of Authority revenues.

Guaranteed Parking Revenue Refunding Bonds, Series of 2004

On September 15, 2004, the Authority issued the Guaranteed Parking Revenue Refunding Bonds, Series of 2004, in the amount of \$5,565,000. The proceeds of the Bonds were used to currently refund the remaining outstanding Guaranteed Parking Revenue Refunding Bonds, Series of 1999 and to pay the costs of issuing and insuring the Bonds.

Principal on the Bonds is payable each October 1 with interest payments payable each April 1 and October 1. The schedule of future maturities and total debt service of the Bonds as of December 31, 2004 is as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2005	\$ 555,000	2.50%	\$ 168,652	\$ 723,652
2006	570,000	1.75%	147,600	717,600
2007	580,000	3.00%	137,625	717,625
2008	600,000	3.00%	120,225	720,225
2009	615,000	2.75%	102,225	717,225
2010	630,000	3.00%	85,313	715,313
2011	650,000	3.125%	66,412	716,412
2012	670,000	3.25%	46,100	716,100
2013	<u>695,000</u>	3.50%	<u>24,325</u>	<u>719,325</u>
	<u>\$ 5,565,000</u>		<u>\$ 898,477</u>	<u>\$ 6,463,477</u>

The Bonds maturing on and after October 1, 2010 are subject to redemption prior to maturity, at the option of the Authority, as a whole, or in part on October 1, 2009 or any date thereafter, as directed by the Authority.

The City of Allentown guarantees the principal and interest on the Bonds. The bonds are secured by a pledge of Authority revenues.

The current refunding enables the Authority to reduce its total debt service payments by approximately \$93,000 over the next 9 years. The current refunding also enables the Authority

ALLENTOWN PARKING AUTHORITY
NOTES TO FINANCIAL STATEMENTS

to obtain an economic gain (difference between net present value payments on the new and old debt) of approximately \$251,000.

Unamortized Deferred Costs of Refunding

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, 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 cost of refunding is being amortized into interest expense on a straight-line basis over the shorter of the life of the new and old bonds. During the years ended December 31, 2004 and 2003, such amortization amounted to \$33,444 and \$24,174. The unamortized deferred costs of refunding are reported as a reduction of the outstanding bonds payable.

The annual aggregate maturities of long-term debt as of December 31, 2004 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Deferred Refunding Costs</u>
2005	\$ 995,000	\$ 314,674	\$ 1,309,674	\$ 40,886
2006	1,030,000	280,423	1,310,423	40,886
2007	1,050,000	256,647	1,306,647	40,886
2008	1,080,000	229,847	1,309,847	40,886
2009	1,115,000	195,048	1,310,048	40,886
2010	920,000	165,135	1,085,135	40,886
2011	945,000	137,535	1,082,535	40,886
2012	980,000	107,635	1,087,635	40,131
2013	1,015,000	75,010	1,090,010	35,379
2014	330,000	39,165	369,165	27,937
2015	345,000	26,955	371,955	27,937
2016	<u>355,000</u>	<u>13,845</u>	<u>368,845</u>	<u>24,722</u>
	<u>\$10,160,000</u>	<u>\$ 1,841,919</u>	<u>\$12,001,919</u>	<u>\$ 442,308</u>

Capital Leases Obligations – Vehicles

The Authority has entered into capital leases for the purchase of vehicles. The minimum future lease payments under capital leases as of December 31, 2004 are as follows:

<u>Year Ending December 31</u>	
2005	\$ 13,412
2006	<u>7,228</u>
	20,640
Less amounts representing interest	<u>894</u>
	<u>\$ 19,746</u>

ALLENTOWN PARKING AUTHORITY
NOTES TO FINANCIAL STATEMENTS

The cost and accumulated depreciation of vehicles under capital lease is \$75,647 and \$30,790, respectively, as of December 31, 2004. The cost and accumulated depreciation of vehicles under capital lease was \$75,647 and \$15,660, respectively, as of December 31, 2003.

Note 7. Operating Leases

The Authority utilizes operating leases to meet its various equipment and parking lot needs. The minimum future rentals due from these operating leases, which includes the lease of office equipment, as of December 31, 2004 are as follows:

<u>Year Ending</u> <u>December 31</u>	
2005	\$ 3,698
2006	3,698
2007	3,698
2008	<u>370</u>
	<u>\$ 11,464</u>

Lease rental expense for these leases in addition to leases of various parking lots in the City of Allentown amounted to \$2,297 and \$5,974 for the years ended December 31, 2004 and 2003, respectively.

Note 8. Pension Plans

The Authority maintains two 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 4% by the collective bargaining agreement for the years ended December 31, 2004 and 2003. 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 Benefit Pension Plan

The Authority has established the Salaried Employees Defined Benefit Pension Plan, a single employer plan, to provide retirement and death benefits to plan members and beneficiaries of the Authority's eligible salaried employees. All new salaried employees are eligible for membership in the Plan on the first day of the month following employment.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Funding Policy:

The contribution requirements of the plan members and the Authority and the Plan's benefit provisions are established by the plan document and may be amended only by the Authority Board. Plan members are required to contribute 5% of their compensation as a condition of membership. The Authority is required to contribute to the plan to cover the expenses of the plan and to fund all the benefits of the plan on a sound actuarial basis.

Annual Pension Cost and Net Pension Obligation:

The annual required contribution was determined as part of an actuarial valuation dated January 1, 2003 using the Entry Age Normal Cost Valuation Method. The Authority's annual pension cost and net pension obligation to the plan for the plan year ended December 31, 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
Annual required contribution	\$ 181,280	\$ 196,266
Interest on net pension obligation	(1,016)	-
Adjustment to annual required contribution	<u>-</u>	<u>-</u>
Annual pension cost	180,264	196,266
Contributions made	<u>195,993</u>	<u>209,813</u>
(Increase) decrease in net pension obligation (asset)	(15,729)	(13,547)
Net pension obligation (asset), beginning of year	<u>(13,547)</u>	<u>-</u>
Net pension obligation (asset), end of year	<u>\$ (29,276)</u>	<u>\$ (13,547)</u>

Actuarial Assumptions:

The actuarial assumptions of the Plan include the following:

- a) Investment return - 7.5%
- b) Post-retirement costs were estimated using the 1983 Group Mortality Table. Female mortality is assumed equal to that of males six years younger.
- c) Salary increases of 5% compounded annually.
- d) Retirement is assumed at normal retirement age of 55.
- e) Post-retirement benefits assume a life annuity with 120 monthly payments guaranteed.
- f) The unfunded actuarial liability is amortized using the level dollar method over a period of eight years.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

- g) An adjustment for inflation is included in the investment return and salary increase assumptions.

Asset Valuation:

Plan assets are valued using market values, except for insurance holdings, if any, which are valued at reported contract values.

Trend Information:

Trend information for the plan is as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/02	\$ 150,909	100%	\$ -
12/31/03	196,266	107%	(13,547)
12/31/04	180,264	109%	(15,729)

The Authority's pension expense amounted to \$200,319 and \$213,381 for the years ended December 31, 2004 and 2003, respectively.

Note 9. Contributions

The Authority has entered into an agreement with the City of Allentown whereby the Authority remits to the City a contribution equal to the amount collected for tickets written by the Allentown Police Department net of certain Authority expenses on a quarterly basis. The net contribution made to the City of Allentown was \$224,478 and \$211,950 for the years ended December 31, 2004 and 2003, respectively. The agreement is on a year to year basis subject to the consent of both parties.

Note 10. 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 Mutual of America Life Insurance Company. 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 no contributions to the Plan. Eleven employees contributed to the Plan during 2004 and 2003.

ALLENTOWN PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. 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 Lehigh Valley Insurance Cooperative (LVIC), 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 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.

ALLENTOWN PARKING AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for
Defined Benefit Pension Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UALL as a Percentage of Covered Payroll ((b-a)/c)</u>
01/02/02	\$ 403,268	\$ 1,296,750	\$ 893,482	31.10%	\$ 496,059	180.1%
01/01/03	575,341	1,510,592	935,251	38.09%	531,536	176.0%

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ALLENTOWN PARKING AUTHORITY

**SCHEDULE OF OPERATING REVENUES AND EXPENSES,
EXCLUDING DEPRECIATION AND AMORTIZATION
ACTUAL AND BUDGET
Year Ended December 31, 2004**

	<u>Actual</u>		
	<u>Park & Shop</u>	<u>On-street Parking</u>	<u>Surface Lots</u>
OPERATING REVENUES			
On-street parking:			
Parking meter	\$ -	\$ 650,591	\$ -
Parking fines	-	2,307,093	-
Parking permits	-	38,798	-
Total on-street parking	-	2,996,482	-
Garages and lots	332,469	-	88,861
Total operating revenues	<u>332,469</u>	<u>2,996,482</u>	<u>88,861</u>
OPERATING EXPENSES			
Wages and benefits	<u>221,828</u>	<u>811,997</u>	<u>850</u>
Services and charges:			
Utilities	16,577	-	5,064
Postage	-	-	-
Printing	-	-	-
Advertising	-	-	-
Lot rental	-	-	-
Training and professional development	-	-	-
Insurance	16,549	6,736	2,206
Repairs and maintenance	16,020	28,366	6,294
Equipment leasing	-	-	-
Professional fees	-	-	-
Snow removal	7,742	-	1,483
Real estate taxes	3,111	-	-
Bank and coin counting fees	-	6,728	-
Other	253	4,794	384
Total services and charges	<u>60,252</u>	<u>46,624</u>	<u>15,431</u>
Materials and supplies:			
Uniforms	685	5,978	-
Office and operating supplies	-	349	-
Vehicle expense	-	11,599	-
Total materials and supplies	<u>685</u>	<u>17,926</u>	<u>-</u>
Total operating expenses before depreciation and amortization	<u>282,765</u>	<u>876,547</u>	<u>16,281</u>
Operating income (loss) before depreciation and amortization	<u>\$ 49,704</u>	<u>\$ 2,119,935</u>	<u>\$ 72,580</u>

Actual							
Parking Garages				Administrative and General	Total	Budget	Variance Favorable (Unfavorable)
Walnut and Ninth Streets	600 Linden Street	Bon Ton Garage					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,591	\$ 650,000	\$ 591
-	-	-	-	-	2,307,093	2,135,000	172,093
-	-	-	-	-	38,798	35,000	3,798
-	-	-	-	-	2,996,482	2,820,000	176,482
<u>272,917</u>	<u>191,201</u>	<u>280,101</u>	<u>-</u>	<u>-</u>	<u>1,165,549</u>	<u>1,149,000</u>	<u>16,549</u>
<u>272,917</u>	<u>191,201</u>	<u>280,101</u>	<u>-</u>	<u>-</u>	<u>4,162,031</u>	<u>3,969,000</u>	<u>193,031</u>
<u>211,489</u>	<u>63,252</u>	<u>1,204</u>	<u>602,378</u>	<u>-</u>	<u>1,912,998</u>	<u>1,862,310</u>	<u>(50,688)</u>
17,362	12,871	45,792	29,047	126,713	125,200	(1,513)	
-	-	-	23,897	23,897	23,000	(897)	
-	-	-	21,403	21,403	23,000	1,597	
-	-	-	2,059	2,059	6,000	3,941	
-	-	-	-	-	3,500	3,500	
-	-	-	7,620	7,620	18,000	10,380	
12,052	9,377	14,791	11,143	72,854	77,600	4,746	
8,628	8,267	16,234	29,488	113,297	101,000	(12,297)	
-	-	-	4,068	4,068	-	(4,068)	
-	-	-	49,837	49,837	50,000	163	
-	-	-	-	9,225	17,800	8,575	
-	5,845	-	-	8,956	12,000	3,044	
-	-	-	11,927	18,655	13,000	(5,655)	
-	126	-	9,246	14,803	34,300	19,497	
<u>38,042</u>	<u>36,486</u>	<u>76,817</u>	<u>199,735</u>	<u>473,387</u>	<u>504,400</u>	<u>31,013</u>	
518	90	-	-	7,271	11,200	3,929	
1,686	881	-	11,533	14,449	16,400	1,951	
-	-	-	-	11,599	6,500	(5,099)	
<u>2,204</u>	<u>971</u>	<u>-</u>	<u>11,533</u>	<u>33,319</u>	<u>34,100</u>	<u>781</u>	
<u>251,735</u>	<u>100,709</u>	<u>78,021</u>	<u>813,646</u>	<u>2,419,704</u>	<u>2,400,810</u>	<u>(18,894)</u>	
<u>\$ 21,182</u>	<u>\$ 90,492</u>	<u>\$ 202,080</u>	<u>\$ (813,646)</u>	<u>\$ 1,742,327</u>	<u>\$ 1,568,190</u>	<u>\$ 174,137</u>	

ALLENTOWN PARKING AUTHORITY

SCHEDULE OF OPERATING REVENUES AND EXPENSES,
EXCLUDING DEPRECIATION AND AMORTIZATION
ACTUAL AND BUDGET
Year Ended December 31, 2003

	<u>Actual</u>		
	<u>Park & Shop</u>	<u>On-street Parking</u>	<u>Surface Lots</u>
OPERATING REVENUES			
On-street parking:			
Parking meter	\$ -	\$ 630,913	\$ -
Parking fines	-	2,136,133	-
Parking permits	-	38,340	-
Total on-street parking	-	2,805,386	-
Garages and lots	321,389	-	117,011
Total operating revenues	<u>321,389</u>	<u>2,805,386</u>	<u>117,011</u>
OPERATING EXPENSES			
Wages and benefits	<u>213,438</u>	<u>716,148</u>	<u>33,831</u>
Services and charges:			
Utilities	19,233	-	5,952
Postage	-	-	-
Printing	-	-	-
Advertising	-	-	-
Lot rental	-	-	3,751
Training and professional development	-	-	-
Insurance	10,392	13,982	1,511
Repairs and maintenance	8,023	27,624	74
Equipment leasing	-	-	-
Professional fees	-	-	-
Snow removal	18,327	-	3,975
Real estate taxes	2,723	-	-
Bank and coin counting fees	-	6,974	-
Other	165	7,409	204
Total services and charges	<u>58,863</u>	<u>55,989</u>	<u>15,467</u>
Materials and supplies:			
Uniforms	72	5,944	-
Office and operating supplies	-	330	-
Vehicle expense	-	6,899	-
Total materials and supplies	<u>72</u>	<u>13,173</u>	<u>-</u>
Total operating expenses before depreciation and amortization	<u>272,373</u>	<u>785,310</u>	<u>49,298</u>
Operating income (loss) before depreciation and amortization	<u>\$ 49,016</u>	<u>\$ 2,020,076</u>	<u>\$ 67,713</u>

Actual						
Parking Garages						
Walnut and Ninth Streets	600 Linden Street	Bon Ton Garage	Administrative and General	Total	Budget	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ 630,913	\$ 610,000	\$ 20,913
-	-	-	-	2,136,133	1,976,500	159,633
-	-	-	-	38,340	37,000	1,340
-	-	-	-	2,805,386	2,623,500	181,886
<u>274,693</u>	<u>188,588</u>	<u>324,287</u>	<u>-</u>	<u>1,225,968</u>	<u>1,309,200</u>	<u>(83,232)</u>
<u>274,693</u>	<u>188,588</u>	<u>324,287</u>	<u>-</u>	<u>4,031,354</u>	<u>3,932,700</u>	<u>98,654</u>
<u>184,705</u>	<u>52,262</u>	<u>-</u>	<u>552,491</u>	<u>1,752,875</u>	<u>1,762,300</u>	<u>9,425</u>
19,492	11,659	48,689	33,221	138,246	122,050	(16,196)
-	-	-	21,662	21,662	20,000	(1,662)
-	-	-	23,844	23,844	22,000	(1,844)
-	-	-	3,806	3,806	6,000	2,194
-	-	-	-	3,751	3,000	(751)
-	-	-	20,734	20,734	20,000	(734)
13,453	8,970	12,010	6,049	66,367	75,950	9,583
9,320	8,425	26,179	37,307	116,952	99,150	(17,802)
-	-	-	3,841	3,841	-	(3,841)
-	-	-	41,109	41,109	50,000	8,891
3,100	3,300	2,400	-	31,102	17,800	(13,302)
-	6,215	-	-	8,938	11,300	2,362
-	-	-	5,713	12,687	13,000	313
<u>1,771</u>	<u>1,169</u>	<u>158</u>	<u>9,524</u>	<u>20,400</u>	<u>31,500</u>	<u>11,100</u>
<u>47,136</u>	<u>39,738</u>	<u>89,436</u>	<u>206,810</u>	<u>513,439</u>	<u>491,750</u>	<u>(21,689)</u>
843	-	-	-	6,859	11,100	4,241
2,994	906	-	17,468	21,698	16,600	(5,098)
-	-	-	-	6,899	7,500	601
<u>3,837</u>	<u>906</u>	<u>-</u>	<u>17,468</u>	<u>35,456</u>	<u>35,200</u>	<u>(256)</u>
<u>235,678</u>	<u>92,906</u>	<u>89,436</u>	<u>776,769</u>	<u>2,301,770</u>	<u>2,289,250</u>	<u>(12,520)</u>
<u>\$ 39,015</u>	<u>\$ 95,682</u>	<u>\$ 234,851</u>	<u>\$ (776,769)</u>	<u>\$ 1,729,584</u>	<u>\$ 1,643,450</u>	<u>\$ 86,134</u>

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*Allentown Economic
Development Corporation*

June 30, 2004 and 2003

Financial Statements and Auditors' Report



CONCANNON, MILLER & CO., P.C.
Certified Public Accountants & Business Consultants

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CONCANNON, MILLER & CO., P.C.
Certified Public Accountants & Business Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Allentown Economic Development Corporation

We have audited the accompanying statements of financial position of Allentown Economic Development Corporation as of June 30, 2004 and 2003, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Allentown Economic Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Allentown Economic Development Corporation as of June 30, 2004 and 2003, the change in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Concannon, Miller & Co., P.C.

Allentown, PA
January 20, 2005

1515 Martin Luther King Drive, Allentown, Pennsylvania 18102
Phone 610-433-5501 Fax 610-433-5001 Website www.concannonmiller.com

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION

	June 30,	
ASSETS	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	\$ 437,987	\$ 591,915
Cash and cash equivalents - designated (Note 3)	3,066,923	3,626,226
Miscellaneous receivables and prepayments	219,026	208,685
Notes receivable, current maturities		
Revolving loan program receivables (Note 6)	122,249	89,325
Mortgage receivables (Note 8)	84,458	79,585
Total Current Assets	3,930,643	4,595,736
PROPERTY, FURNITURE AND EQUIPMENT (Notes 2 and 4)		
Continuing operations, at cost, net	5,832,106	5,974,937
Project development properties, at cost	8,443,267	8,309,626
Total Property, Furniture and Equipment	14,275,373	14,284,563
OTHER ASSETS		
Notes receivable, net of current maturities		
Revolving loan program receivables (Note 6)	600,454	670,259
Mortgage receivables (Note 8)	640,625	711,346
Deferred costs (Notes 2 and 5)	40,861	44,932
Investment - ADCO	10,000	10,000
Total Other Assets	1,291,940	1,436,537
Total Assets	\$ 19,497,956	\$ 20,316,836
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 80,152	\$ 340,579
Tenant security and deposit fees	126,218	115,088
Deferred support, current portion	153,979	148,201
Notes and mortgages payable, current maturities (Note 10)	293,841	280,328
Total Current Liabilities	654,190	884,196
LONG-TERM LIABILITIES		
Notes and mortgages payable, net of current maturities (Note 10)	3,085,247	3,378,557
Deferred support - UDAG	200,000	200,000
Total Long-Term Liabilities	3,285,247	3,578,557
Total Liabilities	3,939,437	4,462,753
COMMITMENT AND CONTINGENCIES		
(Note 11)		
NET ASSETS (Note 17)		
Unrestricted net assets	14,655,716	14,926,011
Temporarily restricted net assets	11,086	61,086
Permanently restricted net assets	891,717	866,986
Total Net Assets	15,558,519	15,854,083
Total Liabilities and Net Assets	\$ 19,497,956	\$ 20,316,836

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

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES

	Years Ended	
	June 30,	
	2004	2003
SUPPORT AND REVENUE		
Support		
Funding from City of Allentown		
Operations - CDBG	\$ 179,438	\$ 207,790
Project funding	24,836	37,624
Loan and grant funding	75,103	-
Enterprise Zone	8,708	47,676
State and federal funding	-	14,651
Contributions and grants	87,750	75,065
Membership dues	-	40,300
	375,835	423,106
Revenue		
Fees and service charges	57,086	99,973
Interest	71,004	90,786
Management fee income	37,817	24,000
Miscellaneous income	2,212	1,171
Professional services	18,373	32,795
Rental income (Note 15)	910,525	1,319,037
	1,097,017	1,567,762
Total Support and Revenue	1,472,852	1,990,868
EXPENSES		
Administrative services and related costs	393,812	483,380
Advertising, promotion and marketing	2,085	3,899
Commissions	-	1,038
Contributions and grants	242,156	50,000
Depreciation and amortization (Note 2)	220,292	322,955
Dues and subscriptions	1,836	1,498
Insurance	83,845	86,986
Interest	231,934	647,247
Loan packaging	386	1,237
Office supplies and related expenses	25,524	21,653
Professional fees-funded studies and other	180,906	132,907
Program expenses	8,777	126,580
Real estate and other taxes	48,562	78,501
Rent	53,685	26,327
Repair, maintenance and miscellaneous	108,244	111,665
Telephone and utilities	158,913	164,055
Trade associations	1,665	2,790
Training and professional development	1,442	626
Travel and meetings	4,352	4,728
Total Expenses	1,768,416	2,268,072
CHANGES IN NET ASSETS BEFORE LOSS ON SALE OF ASSETS	(295,564)	(277,204)
LOSS ON SALE OF ASSETS	-	(444,029)
CHANGES IN NET ASSETS	(295,564)	(721,233)
NET ASSETS, JULY 1	15,854,083	16,575,316
NET ASSETS, JUNE 30	\$ 15,558,519	\$ 15,854,083

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

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2004 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2004</u>	<u>2003</u>
NET ASSETS, JULY 1	\$ 14,926,011	\$ 61,086	\$ 866,986	\$ 15,854,083	\$ 16,575,316
CHANGES IN NET ASSETS	(270,295)	(50,000)	24,731	(295,564)	(721,233)
NET ASSETS, JUNE 30	<u>\$ 14,655,716</u>	<u>\$ 11,086</u>	<u>\$ 891,717</u>	<u>\$ 15,558,519</u>	<u>\$ 15,854,083</u>

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

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended	
	June 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (295,564)	\$ (721,233)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	220,292	322,955
Loss on sale of assets	-	444,029
	<u>(75,272)</u>	<u>45,751</u>
Changes in operating assets and liabilities		
(Increase) Decrease in miscellaneous receivables and prepayments	(10,341)	51,544
Decrease in accounts payable and accrued expenses	(260,427)	(200,257)
Increase (Decrease) in deferred support	5,778	(37,624)
Increase in tenant security and deposit fees	11,130	27,287
	<u>(253,860)</u>	<u>(159,050)</u>
Net Cash Used in Operating Activities	<u>(329,132)</u>	<u>(113,299)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, furniture and equipment	(73,390)	(6,771)
Additions to project development properties	(133,641)	(31,234)
Proceeds from sale of assets	-	3,697,037
Loans and mortgages made	(106,770)	(418,792)
Collections on loans and mortgages	209,499	242,067
Net Cash (Used in) Provided by Investing Activities	<u>(104,302)</u>	<u>3,482,307</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments of notes and mortgages	(279,797)	(3,681,110)
Net Cash Used in Financing Activities	<u>(279,797)</u>	<u>(3,681,110)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(713,231)	(312,102)
CASH AND CASH EQUIVALENTS, JULY 1	<u>4,218,141</u>	<u>4,530,243</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 3,504,910</u>	<u>\$ 4,218,141</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

NOTE 1 Description of Business

Allentown Economic Development Corporation (AEDC) is a nonprofit corporation, formed to further economic development in Allentown, Pennsylvania. The Corporation provides technical and financial assistance to existing business, while attempting to attract new commerce into the City.

The Corporation provides assistance to any business large or small, whether retail, service or industrial. This assistance may include:

- ◆ Negotiating loans or loan guarantees with commercial lenders.
- ◆ Packaging state or federal loan programs and loan applications or providing financing directly to business.
- ◆ Coordinating local government planning and expenditures for certain city services and public improvements.
- ◆ Encouraging and fostering the development of economic growth through the establishment and maintenance of a small business incubator facility where new and growing businesses operate under one roof with low cost rental, shared services and equipment and access to professional, technical and financial programs.
- ◆ Acting in the capacity of a developer by obtaining and renovating real estate, then leasing or selling it to private industry.
- ◆ Assisting businesses eligible to participate in the City of Allentown's Enterprise Zone Program.

NOTE 2 Summary of Significant Accounting Policies

Contributions

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Corporation considers all certificates of deposit with minimal early withdrawal penalties and money market funds to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 2 Summary of Significant Accounting Policies (Continued)

Pledges

The Corporation encourages participation by the private business sector in planning and decision making, as well as funding.

Legally enforceable pledges are recorded as receivables in the year made. Pledges applicable to current operations are recorded as support in the current period. Pledges related to future operations are recorded as deferred support.

Property, Furniture and Equipment

Property, furniture and equipment are stated at cost and include expenditures for new acquisitions, major betterments and renewals. Repair and maintenance expenditures, which do not extend asset lives, are shown as a current period use of funds. Construction period interest and real estate taxes are capitalized and included in cost of property.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets.

Deferred Costs and Amortization

Financing fees are amortized over the life of the related indebtedness (5 to 21 years).

Taxes on Income

The Internal Revenue Service recognizes the Corporation, a Pennsylvania nonprofit corporation, as exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

NOTE 3 Cash and Cash Equivalents

The Corporation maintains cash balances at financial institutions located in eastern Pennsylvania. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. In addition, funds in a money market account are collateralized by the financial institution in the amount of \$2,644,325 and \$3,114,391 at June 30, 2004 and 2003, respectively. At June 30, 2004 and 2003, the Corporation's uninsured and uncollateralized cash balances totaled \$667,353 and \$1,006,146 respectively.

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 3 Cash and Cash Equivalents (Continued)

The Corporation has cash and cash equivalents designated in accordance with certain grant agreements as follows:

<u>Designated Project/Program</u>	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Bridgeworks Incubator	\$ 64,086	\$ 70,699
Urban Development Action Grant	128,186	229,879
Revolving Loan Programs	883,173	880,315
Project Development Properties		
Lehigh Landing	76,832	119,716
Portland Place	464,114	550,047
Downtown Projects	52,507	64,826
Advance for ULI Study/Artswalk	(69,200)	276,771
Reserve for development projects	1,467,225	1,433,973
	<u>\$3,066,923</u>	<u>\$3,626,226</u>

NOTE 4 Property, Furniture and Equipment

<u>Continuing Operations</u>	<u>Estimated Useful Life (Years)</u>	<u>June 30,</u>	
		<u>2004</u>	<u>2003</u>
Office equipment and furniture	5-10	\$ 93,950	\$ 112,873
Bridgeworks Industrial Center			
Land		291,000	291,000
Building and improvements	45, 30	5,389,705	5,389,705
Bridgeworks Incubator			
Land		66,900	66,900
Building and improvements	45, 30	2,162,358	2,129,658
Portland Place			
Land		61,700	61,700
Building and improvements	30	127,741	87,800
		8,193,354	8,139,636
Less accumulated depreciation		2,361,248	2,164,699
		<u>\$ 5,832,106</u>	<u>\$ 5,974,937</u>

<u>Project Development Properties</u>	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Seventh Street properties	\$ 694,883	\$ 694,883
Riverfront properties	6,699,866	6,699,866
Arts Center (Schoen's)	229,696	229,696
Hamilton Mall properties	818,822	685,181
	<u>\$ 8,443,267</u>	<u>\$ 8,309,626</u>

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 5 Deferred Costs

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Loan fees	\$ 88,750	\$ 88,750
Less accumulated amortization	<u>47,889</u>	<u>43,818</u>
	<u>\$ 40,861</u>	<u>\$ 44,932</u>

NOTE 6 Revolving Loan Program Receivables

Revolving loan program receivables include \$167,598 (\$219,939 at June 30, 2003) on installment direct loans requiring monthly payments of \$1,417 including interest from 5% to 6% with final payments due November 2014 through April 2021. These notes are collateralized primarily by third mortgages on real estate and third liens on equipment, furniture and fixtures.

Revolving loan program receivables also include \$476,167 (\$448,285 at June 30, 2003) from the Neighborhood Business Revitalization Program of City of Allentown ("NBR") and \$78,938 (\$91,360 at June 30, 2003) from a Downtown Façade Program requiring monthly payments in the aggregate of \$8,607 including interest from 0% to 6% with final payments due March 2005 through April 2014. These notes are collateralized primarily by second or third mortgages on real estate and liens on machinery, fixtures, appliances, equipment and leasehold improvements.

Future maturities of revolving loan program receivables at June 30, 2004 are as follows:

2005	\$ 122,249
2006	95,466
2007	91,422
2008	86,352
2009	75,174
Thereafter	<u>252,040</u>
	<u>\$ 722,703</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 7 Small Business Administration Loan Programs

The Corporation administered SBA 503 and 504 Loan Programs through January 31, 2004. In this function, the Corporation assists in loan origination and subsequent monitoring of loans funded through the sale of debentures. All of the Corporation's rights and interests in the notes are signed over to the SBA immediately upon making the loan. These loan balances are not obligations of the Corporation and are not included in the accompanying statements of financial position. The Corporation receives monthly service fees equal to one-half of one percent per annum on the outstanding loan balances. Service fee revenue amounted to \$52,139 and \$89,872 in 2004 and 2003, respectively.

As of February 1, 2004, the Lehigh Valley Economic Development Corporation (LVEDC) took over the administration and regional marketing of the SBA related loan programs. With approval by SBA, AEDC transferred and assigned its existing loan portfolio to LVEDC.

NOTE 8 Mortgage Receivables

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Lehigh Valley Plastics, Inc; a plastics fabricator and wholesaler; secured by second mortgage on property at 1075 N. Gilmore Street, Allentown, PA for facility improvements; in original amount of \$250,000; payable in 120 monthly installments of \$2,502 including principal and interest at 3.75% through August 2010 (b)	\$ 165,914	\$ 189,234
Penn Foam Corporation; a manufacturer and fabricator of foam for various industries; secured by second mortgage on property at 2625 Mitchell Avenue, Allentown, PA for facility expansion; in original amount of \$245,000; payable in 120 monthly installments of \$2,452 including principal and interest at 3.75% through June 2009 (b)	133,932	157,840
Secondary loans issued to three area companies in original amount of \$263,000; payable in monthly installments of \$3,475 including principal and interest at 3% with final payments due March 2010 through July 2010 (b)	225,237	243,857

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 8 Mortgage Receivables (Continued)

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Corporate Plaza Associates Limited Partnership; land; 18-36 North Seventh Street, Allentown, PA; \$200,000 second mortgage note bears no interest and is due upon the sale of the property Principal (a)	\$ 200,000	\$ 200,000
	725,083	790,931
Current maturities	84,458	79,585
	<u>\$ 640,625</u>	<u>\$ 711,346</u>

Future maturities of mortgage receivables as of June 30, 2004 are as follows:

	UDAG		
	Corporate	Enterprise	
	Plaza	Zone	Total
2005	\$	\$ 84,458	\$ 84,458
2006		87,406	87,406
2007		90,458	90,458
2008		93,618	93,618
2009		96,889	96,889
Thereafter	200,000	72,254	272,254
	<u>\$ 200,000</u>	<u>\$ 525,083</u>	<u>\$ 725,083</u>

- (a) The U.S. Department of Housing and Urban Development (HUD) has made several grants available to the City of Allentown, PA for economic development under terms of the Urban Development Action Grant Agreement. The Corporation, acting as agent for the City, lends the grant proceeds to the project developer for construction. The Corporation receives a promissory note and second mortgage on the project. An amount equal to the receivable is recorded as a liability and is classified as deferred support. Based on an agreement with the City, as repayments are received, an equal amount of deferred support is recognized as restricted funding in the year of repayment.
- (b) The state of Pennsylvania has made available a Competitive Grant Loan Program which is an Enterprise Zone incentive, whereby the City of Allentown may make application to the state for a grant to be subsequently passed through an existing agreement to the Corporation, which in turn lends the proceeds to the qualifying business; repayments will accumulate in a revolving loan fund administered by the Corporation, available for additional Enterprise Zone projects. Secondary loans have been issued to three area companies from this fund at June 30, 2004.

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 9 Notes Payable – Interdepartmental

An interdepartmental loan to the Bridgeworks Industrial Center is payable to the UDAG Fund in monthly installments of \$2,062 including principal and interest at 3% for 10 year term ending June 2005. The balance of the loan at June 30, 2004 is \$24,188.

The general division has an interdepartmental loan payable to the Enterprise Zone division for renovations to the Bridgeworks Industrial Center. The loan is payable in monthly installments of \$1,574 including principal and interest at 3% through June 2015. Loan payments, when collected, are classified as part of the Corporation's permanently restricted net assets. The loan balance at June 30, 2004 is \$176,809.

The general division also has an interdepartmental loan payable to the Revolving Loan Fund for roof repairs on a building at Lehigh Landing. The loan is payable in monthly installments of \$1,887 including principal and interest over a five year period commencing upon rental of the building. The loan balance at June 30, 2004 is \$100,000.

All of the above interdepartmental loans and related interest income/expenses have been eliminated in combination.

NOTE 10 Notes and Mortgages Payable

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Mortgage payable to bank, secured by land and buildings of Industrial Center and Business Incubator and guaranteed by the City of Allentown; payable in 240 monthly installments of \$24,650 including principal and interest at 8.16% through July 2017; loan agreement required the establishment of certain escrow accounts subject to specified withdrawal restrictions; Corporation is also required to comply with certain continuing loan provisions	\$ 2,257,340	\$ 2,361,142
Mortgage payable to Pennsylvania Industrial Development Authority, secured by participating first mortgage on land and buildings of Industrial Center Project; payable in monthly installments of \$12,758 including principal and interest at 3% through November 2010	892,609	1,016,901

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 10 Notes and Mortgages Payable (Continued)

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Mortgage payable to Pennsylvania Industrial Development Authority, secured by second-lien mortgage on land and buildings of Industrial Center Project; payable in monthly installments of \$2,740 including principal and interest at 3% through November 2010	\$ 191,707	\$ 218,402
Mortgage payable to Pennsylvania Power and Light Company, secured by tract of land in Industrial Center Project; payable without interest in 120 monthly installments of \$2,084 through December 2005	<u>37,432</u>	<u>62,440</u>
	3,379,088	3,658,885
Current maturities	<u>293,841</u>	<u>280,328</u>
	<u>\$ 3,085,247</u>	<u>\$ 3,378,557</u>

The annual requirements to pay principal and interest on indebtedness outstanding at June 30, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	\$ 293,841	\$ 212,948	\$ 506,789
2006	295,723	198,482	494,205
2007	298,745	183,036	481,781
2008	315,247	166,533	481,780
2009	332,889	148,891	481,780
Thereafter	<u>1,842,643</u>	<u>522,524</u>	<u>2,365,167</u>
	<u>\$3,379,088</u>	<u>\$1,432,414</u>	<u>\$ 4,811,502</u>

NOTE 11 Commitments and Contingencies

Seventh Street Project

The Corporation has agreements with the City of Allentown and the Redevelopment Authority of the City of Allentown (ARA) whereby the Corporation and ARA have purchased several properties along N. 7th Street, Allentown, PA, to develop and market the site for private development. Due to a February 1994 sinkhole disaster on N. 7th Street, several properties were demolished.

A geotechnical investigation concluded that the site can be used for both light building or multi-story buildings. However detailed foundation studies are necessary.

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 11 Commitments and Contingencies (Continued)

Seventh Street Project (Continued)

AEDC's management believes the site's value may be impaired by the disaster. Since the foundation studies have not commenced, the amount of any loss is not yet determinable.

Lehigh Landing Riverfront Project

The Corporation entered into an agreement with the City of Allentown and the Allentown Commercial and Industrial Development Authority (ACIDA) whereby the parties have agreed to purchase, manage and maintain specific properties along the area known as the Riverfront in Allentown, PA. The Corporation and ACIDA have agreed to pursue funding sources to rehabilitate and convert these properties into a transportation museum and visitors' center.

In March 1992, ACIDA purchased and subsequently agreed to lease to the Corporation a building which is included in the project. The lease agreement has been accounted for as a capital acquisition.

During 1992, an area bank assigned a mortgage receivable to the Corporation from an insolvent mortgagee for which the security is another property which is included in the project. Foreclosure proceedings were completed in August 1995. The property securing the mortgage was transferred to ACIDA with a lease to the Corporation. The lease agreement has been accounted for as a capital acquisition.

In May 1994, ACIDA entered into an agreement to acquire real estate for an aggregate purchase price of \$175,000. The acquisition was completed in August 1994 with the purchase funded by the Corporation. The property is leased to the Corporation. The lease agreement has been accounted for as a capital acquisition.

The Corporation has secured federal grant funding through an agreement with the City of Allentown of \$4,000,000 for demolition, remediation, and the design and installation of improvements as part of the Lehigh Landing Project. In addition, the Corporation has received \$2,930,665 of grant funds provided by the City of Allentown and the Commonwealth of Pennsylvania through various state and federal revitalization programs. An additional \$70,000 in state grant funds committed for visitor center exhibitry has been transferred to the Lehigh County Historical Society.

Other Downtown Projects

During the period from March 1997 through November 1998, ACIDA purchased and subsequently leased to the Corporation six properties in the 800 block of Hamilton Street. All lease agreements have been accounted for as capital acquisitions. In January 2003, two properties were conveyed to a private developer with others being held for future development. In January 2004, an additional property on S. 9th Street was purchased for the project by ACIDA.

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 11 Commitments and Contingencies (Continued)

Other Downtown Projects (Continued)

In June 2000, several properties on N. 8th Street were conveyed to ACIDA by the Allentown Parking Authority and the Allentown Redevelopment Authority as part of a site assembly for the Ninth and Hamilton Street Project. They were subsequently leased to AEDC and are being held for future development. A portion of the site is under grant of easement to PPL Energy Plus LLC for utilization in the development of their project.

In March 2001, ACIDA purchased and subsequently leased to the Corporation a property at 612 Hamilton Street (former Schoen's Building). The lease agreement has been accounted for as a capital acquisition. The property is under a site control agreement with a developer at June 30, 2004.

ACIDA

The Allentown Commercial and Industrial Development Authority (ACIDA) was created by Allentown City Council to provide tax-exempt commercial and industrial financing for projects within the City of Allentown.

Through ACIDA's participation with the Allentown Economic Development Corporation (AEDC), a full range of services is available to prospective clients in addition to low-cost financing. AEDC provides the staff for ACIDA and explores all sources of public and private financing for various projects, assists in the structuring and packaging of financing tailored to the specific needs of the project, assists in locating sites, negotiating leases or sales agreements and acts as liaison with state, county, and city regulatory agencies.

In accordance with an agreement, as compensation to AEDC for providing staff services, ACIDA is required to pay AEDC all of the fees received by ACIDA from its operations over and above those funds expended by ACIDA for necessary expenses other than staff services.

For the year ended June 30, 2004, total revenues from operations are \$4,181 less than those funds expended by ACIDA for necessary expenses other than staff services and, accordingly, a subsidy in that amount has been provided to ACIDA.

NOTE 12 Equity Fund Loan Programs

The City of Allentown has provided the Corporation with "revolving" equity funds of \$845,000 for the purpose of financing SBA 502, 503, 504 loans (\$160,000), Neighborhood Business Revitalization loans (\$505,000), and Downtown Renaissance loans (\$180,000).

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 13 Supplemental Disclosures of Cash Flow Information

	Years Ended	
	June 30,	
	2004	2003
Cash Paid during the Year for Interest	<u>\$ 226,992</u>	<u>\$ 661,380</u>

NOTE 14 Revenue Concentrations

The Corporation receives a substantial portion of its revenue from governmental grants from the Commonwealth of Pennsylvania and administered by the City of Allentown. At June 30, 2004 and 2003, the support from the Commonwealth and the City aggregated \$288,085 and \$307,741, respectively.

NOTE 15 Rental Income

The Corporation leases light industrial and warehouse space in its Bridgeworks buildings (Industrial Center and Incubator) under noncancellable operating leases requiring monthly payments with lease terms ending from June 2004 to April 2008 and from August 2004 to November 2008, respectively. Industrial Center rental income is derived from four tenants. Future minimum rentals under leases at June 30, 2004, not including renewal actions, are as follows:

	Industrial		
	Center	Incubator	Total
2005	\$ 282,372	\$ 162,515	\$ 444,887
2006	289,942	111,278	401,220
2007	297,722	37,117	334,839
2008	79,384	15,600	94,984
2009	0	6,500	6,500
	<u>\$ 949,420</u>	<u>\$ 333,010</u>	<u>\$1,282,430</u>

NOTE 16 Retirement Plan

The Company has a qualified retirement plan under Section 403(b) of the Internal Revenue Code. The plan provides that eligible employees of the Company may contribute to the plan a percentage of their annual gross compensation. The Company, at its discretion, may make contributions to the plan. During the years ended June 30, 2004 and 2003, the Company made contributions aggregating \$11,140 and \$15,027, respectively.

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2004 AND 2003

NOTE 17 Restrictions on Net Assets

Net assets include temporarily restricted net assets available for the following purposes.

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Lehigh Landing	\$ 5,372	\$ 55,372
Downtown Partnership	<u>5,714</u>	<u>5,714</u>
	<u>\$ 11,086</u>	<u>\$ 61,086</u>

Also, net assets include City of Allentown grants which are permanently restricted to operating the Enterprise Zone Revolving Loan program.

	<u>June 30,</u>	
	<u>2004</u>	<u>2003</u>
Enterprise Zone Loans (see Note 8)	\$ 525,083	\$ 590,931
AEDC Interfund Loan (see Note 9)	176,651	190,054
Loan Pool and Accounts Receivable	<u>189,983</u>	<u>86,001</u>
	<u>\$ 891,717</u>	<u>\$ 866,986</u>



CONCANNON, MILLER & CO., P.C.
Certified Public Accountants & Business Consultants

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

Board of Directors
Allentown Economic Development Corporation

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole of Allentown Economic Development Corporation for the years ended June 30, 2004 and 2003 which are presented in the preceding section of this report. The following supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Concannon, Miller & Co., P.C.

Allentown, PA
January 20, 2005

1515 Martin Luther King Drive, Allentown, Pennsylvania 18102
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ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION
COMBINING SCHEDULES OF ACTIVITIES AND CHANGE IN NET ASSETS
GENERAL OPERATIONS FUNDING
YEARS ENDED JUNE 30, 2004 AND 2003

	2004 Combined Total	General Division	Finance Division	Bridgeworks Industrial Center	2003 Combined Total	General Division	Finance Division	Bridgeworks Industrial Center
SUPPORT AND REVENUE								
Support								
Funding from City								
Operations - CDBG	\$ 159,444	\$ 159,444			\$ 173,493	\$ 173,493		
Contributions and grants	6,950	6,950			2,690	2,690		
Membership dues	-	-			40,300	33,046	7,254	
	<u>166,394</u>	<u>166,394</u>	<u>-</u>	<u>0</u>	<u>216,483</u>	<u>209,229</u>	<u>7,254</u>	<u>0</u>
Revenue								
Fees and service charges	57,026		57,026		99,963		99,963	
Interest	23,872	23,746		126	35,097	34,548		549
Management fee income	37,817	24,317	13,500		24,000	12,000	12,000	
Miscellaneous income	-				-			
Professional services	18,273		18,273		32,495		32,495	
Rental income	667,263			667,263	862,780			862,780
	<u>804,251</u>	<u>48,063</u>	<u>88,799</u>	<u>667,389</u>	<u>1,054,335</u>	<u>46,548</u>	<u>144,458</u>	<u>863,329</u>
Total Support and Revenue	<u>970,645</u>	<u>214,457</u>	<u>88,799</u>	<u>667,389</u>	<u>1,270,818</u>	<u>255,777</u>	<u>151,712</u>	<u>863,329</u>
EXPENSES								
Administrative services and related costs	252,184	157,329	40,825	54,030	332,314	189,296	79,713	63,305
Advertising, promotion and marketing	195	104	91		2,435	1,252	1,183	
Depreciation and amortization	166,139	4,891		161,248	168,128	3,440	3,440	161,248
Dues and subscriptions	1,647	1,486	161		1,355	794	561	
Insurance	43,947	22,269		21,678	42,675	15,586	3,897	23,192
Interest	232,650			232,650	245,980			245,980
Loan packaging	386		386		1,047		1,047	
Office supplies and related expenses	20,219	18,987	1,221	11	16,640	13,843	2,739	60
Professional fees	52,403	34,352	958	17,093	53,967	36,891	2,144	14,932
Program expense	4,402		4,402		3,739		3,739	
Real estate and other taxes	48,544			48,544	47,323			47,323
Rent	50,685	44,294	6,391		54,545	43,636	10,909	
Repair, maintenance, miscellaneous	41,999	590		41,409	25,524	383	78	25,063
Telephone and utilities	23,675	7,118	117	16,440	16,747	6,095	607	10,045
Trade Associations	1,440	1,065	375		2,565	1,065	1,500	
Training and professional development	545	545			-			
Travel and meetings	4,246	4,060	186		4,351	3,872	479	
Total Expenses	<u>945,306</u>	<u>297,090</u>	<u>55,113</u>	<u>593,103</u>	<u>1,019,335</u>	<u>316,153</u>	<u>112,036</u>	<u>591,148</u>
CHANGE IN NET ASSETS	25,339	<u>\$ (82,633)</u>	<u>\$ 33,686</u>	<u>\$ 74,286</u>	251,483	<u>\$ (60,376)</u>	<u>\$ 39,676</u>	<u>\$ 272,181</u>
NET ASSETS, JULY 1	2,312,403				2,060,920			
NET ASSETS, JUNE 30	<u>\$ 2,337,742</u>				<u>\$ 2,312,403</u>			

ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION
 COMBINING SCHEDULES OF ACTIVITIES AND CHANGE IN NET ASSETS
 PROJECT FUNDING
 YEARS ENDED JUNE 30, 2004 AND 2003

	2004 Combined Total	Business Incubator	Enterprise Zone	Portland Place	Lehigh Landing	Loans and Funded Projects	2003 Combined Total	Business Incubator	Enterprise Zone	Portland Place	Lehigh Landing	Loans and Funded Projects
SUPPORT AND REVENUE												
Support												
Funding from City												
Operations - CDBG	\$ 19,994				\$ 10,069	\$ 9,925	\$ 34,297	\$ 9,497			\$ 12,316	\$ 12,484
Project funding	24,836				19,836	5,000	37,624				9,307	28,317
Loan and grant funding	75,103					75,103						
Enterprise Zone	8,708		8,708			-	47,676	47,676				-
State and federal funding	-					-	14,651				5,051	9,600
Contributions and grants	207,241	20,000				187,241	72,375	20,000				52,375
	<u>335,882</u>	<u>20,000</u>	<u>8,708</u>	<u>-</u>	<u>29,905</u>	<u>277,269</u>	<u>206,623</u>	<u>29,497</u>	<u>47,676</u>	<u>-</u>	<u>26,674</u>	<u>102,776</u>
Revenue												
Fees and service charges	60		60			-						-
Interest	47,848	44	24,731		792	22,281	57,498	222	21,356	1,697	1,899	32,324
Miscellaneous Income	2,212	2,212				-	1,181	1,171	10			-
Professional Services	100		100			-	300		300			-
Rental income	243,262	237,262				6,000	488,075	184,443		291,632		12,000
	<u>293,482</u>	<u>239,518</u>	<u>24,891</u>	<u>-</u>	<u>792</u>	<u>28,281</u>	<u>547,054</u>	<u>185,836</u>	<u>21,666</u>	<u>293,329</u>	<u>1,899</u>	<u>44,324</u>
Total Support and Revenue	<u>629,364</u>	<u>259,518</u>	<u>33,599</u>	<u>-</u>	<u>30,697</u>	<u>305,550</u>	<u>753,677</u>	<u>215,333</u>	<u>69,342</u>	<u>293,329</u>	<u>28,573</u>	<u>147,100</u>
EXPENSES												
Administrative services and related costs	141,628	61,596	18,469	41,167	10,198	10,198	151,066	38,957	40,930	51,611	9,784	9,784
Advertising, promotion and marketing	1,890	1,430	460				1,464	744	720			-
Bad Debts	-						-					-
Commissions	-						1,038	1,038				-
Contributions and grants	368,597				50,000	318,597	50,000				50,000	-
Depreciation and amortization	54,153	53,020	375	758			154,827	51,501	75	103,251		-
Dues and subscriptions	189	189					143	143				-
Insurance	39,898	13,183		727	12,946	13,042	44,311	14,052		6,344	9,969	13,946
Interest	-						403,076	8,492		394,584		-
Loan packaging expense	-						190		190			-
Office supplies and related expenses	5,305	5,242	28			35	5,013	4,669	299		32	13
Professional fees-funded studies and other	128,503	2,420			7,386	118,697	78,940	2,184		4,160	6,698	65,898
Program Expense	4,375	883				3,492	122,841	868	300			121,673
Real estate and other taxes	18					18	31,178			31,160		18
Rent	3,000			3,000			3,600			3,600		-
Repair, maintenance and miscellaneous	66,245	55,252		2,766	5,166	3,061	86,141	52,048		26,478	3,576	4,039
Telephone and utilities	135,238	127,169		214	5,744	2,111	147,308	112,800		21,941	7,292	5,275
Trade Associations	225	225					225	225				-
Training and professional development	897	284	613				626	35	591			-
Travel and meetings	106	106					377	257	53			67
Total Expenses	<u>950,267</u>	<u>320,999</u>	<u>19,945</u>	<u>48,632</u>	<u>91,440</u>	<u>469,251</u>	<u>1,282,364</u>	<u>288,013</u>	<u>43,158</u>	<u>643,129</u>	<u>87,351</u>	<u>220,713</u>
CHANGE IN NET ASSETS BEFORE LOSS ON SALE	(320,903)	(61,481)	13,654	(48,632)	(60,743)	(163,701)	(528,687)	(72,680)	26,184	(349,800)	(58,778)	(73,613)
LOSS ON SALE OF ASSETS							(444,029)			(174,110)		(269,919)
CHANGE IN NET ASSETS	<u>(320,903)</u>	<u>(61,481)</u>	<u>13,654</u>	<u>(48,632)</u>	<u>(60,743)</u>	<u>(163,701)</u>	<u>(972,716)</u>	<u>(72,680)</u>	<u>26,184</u>	<u>(523,910)</u>	<u>(58,778)</u>	<u>(343,532)</u>
NET ASSETS, JULY 1	13,541,680	162,078	875,856	698,626	6,783,279	5,021,841	14,514,396	234,758	849,672	1,222,536	6,842,057	5,365,373
NET ASSETS, JUNE 30	<u>\$ 13,220,777</u>	<u>\$ 100,597</u>	<u>\$ 889,510</u>	<u>\$ 649,994</u>	<u>\$ 6,722,536</u>	<u>\$ 4,858,140</u>	<u>\$ 13,541,680</u>	<u>\$ 162,078</u>	<u>\$ 875,856</u>	<u>\$ 698,626</u>	<u>\$ 6,783,279</u>	<u>\$ 5,021,841</u>