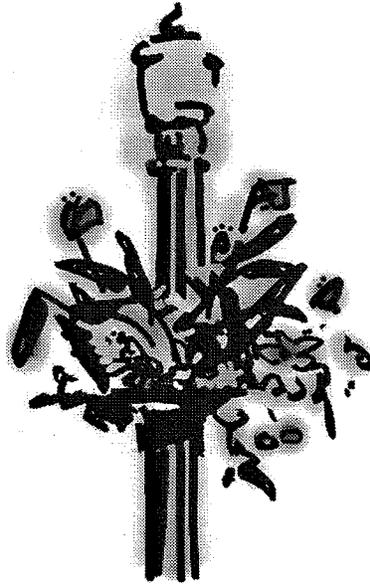


**CITY OF ALLENTOWN**  
Pennsylvania

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**



**LARRY HILLIARD**  
**DIRECTOR OF FINANCE**

For the year ended  
December 31, 2007

**CITY OF ALLENTOWN, PENNSYLVANIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2007**



Ed Pawlowski

Mayor

David M. Howells, Sr.  
Julio A. Guridy  
David K. Bausch  
Michael D'Amore  
Louis J. Hershman  
Tony Phillips  
Martin Velazquez, III

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

Frank J. Concannon

City Controller

Jerry Snyder, Esq.

City Solicitor

Lawrence F. Hilliard  
Beth A. Mohylsky

Director of Finance  
Manager of Treasury and Accounting Operations

Reinsel Kuntz Leshner, LLP

Independent Auditors

**This Report was prepared by  
The Department of Finance  
Lawrence F. Hilliard, Director of Finance  
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., Olympus, LSI 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.

### **AMENITIES**

The City of Allentown is home to a variety of cultural and educational facilities including two colleges, multiple museums, theater companies, orchestras, and bands. 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.

# Introduction

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OF ALLENTOWN  
DECEMBER 31, 2007**

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# *Discover* *the city* **Allentown**

**Larry Hilliard**  
Director of Finance  
610.437.7500 fax 610.437.7675  
hilliard@allentowncity.org

July 10, 2008

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, 2007 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 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 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 accounting principles generally accepted in the United States of America. The internal control 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 2007.

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 at the fund level.

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 Reinsel Kuntz Leshner LLP was selected by City Council in 2006 to perform the annual audit for fiscal years 2005 through 2007. 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.

Initiatives for the Year: The administration placed its 2007 focus on the continued revitalization of the city. A significant effort was made to bolster confidence in public safety by implementing strategies to effectively and efficiently utilize the police force and to further reduce crime. The city began the rebuilding of the police department, following numerous retirements in late 2005 and in 2006. The city began to employ technology, such as cameras, to assist the department. The fire department continued its leadership over emergency management training, establishing Allentown as a pacesetter in emergency certified employees and management practices.

In addition to continuing efforts in public safety, Allentown has maintained an aggressive redevelopment effort under the guidance of the Department of Community and Economic Development. The work of the department, supported by numerous legislative and civic leaders has resulted in several distinct economic development projects, including a AAA level minor league baseball stadium, that are now underway in Allentown. Other initiatives are in motion, particularly in the downtown area and the Arts District, with more prospective development in the planning stages.

The city's financial condition continued to improve in 2007. In 2006, the city administration presented a balanced 2007 budget with cost containment and revenue initiatives. As demonstrated in

this 2007 Comprehensive Annual Financial Report (CAFR), the City performed very favorably to the 2007 budget.

During 2006 and continuing in 2007, the new city administration undertook cost containment measures and revenue generating efforts to achieve positive ongoing finances, addressing several years of unfavorable budget variances and a negative General Fund balance. In 2006 the City also, implemented a lease/sublease transaction (in effect a loan) to eliminate the accumulated negative fund balance.

In 2007, the city continued the effort to achieve positive financial sustainability. The city's debt was restructured to eliminate a huge debt service spike beginning in 2009. The city also, approved a balanced 2008 budget and expects to achieve or better that budget.

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, Daniel B. Eddinger, Melody A. Sajeski, and Maria T. Quigney.

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,



Lawrence F. Hilliard  
Director of Finance



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, 2006

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.



*Oliver S. Cox*

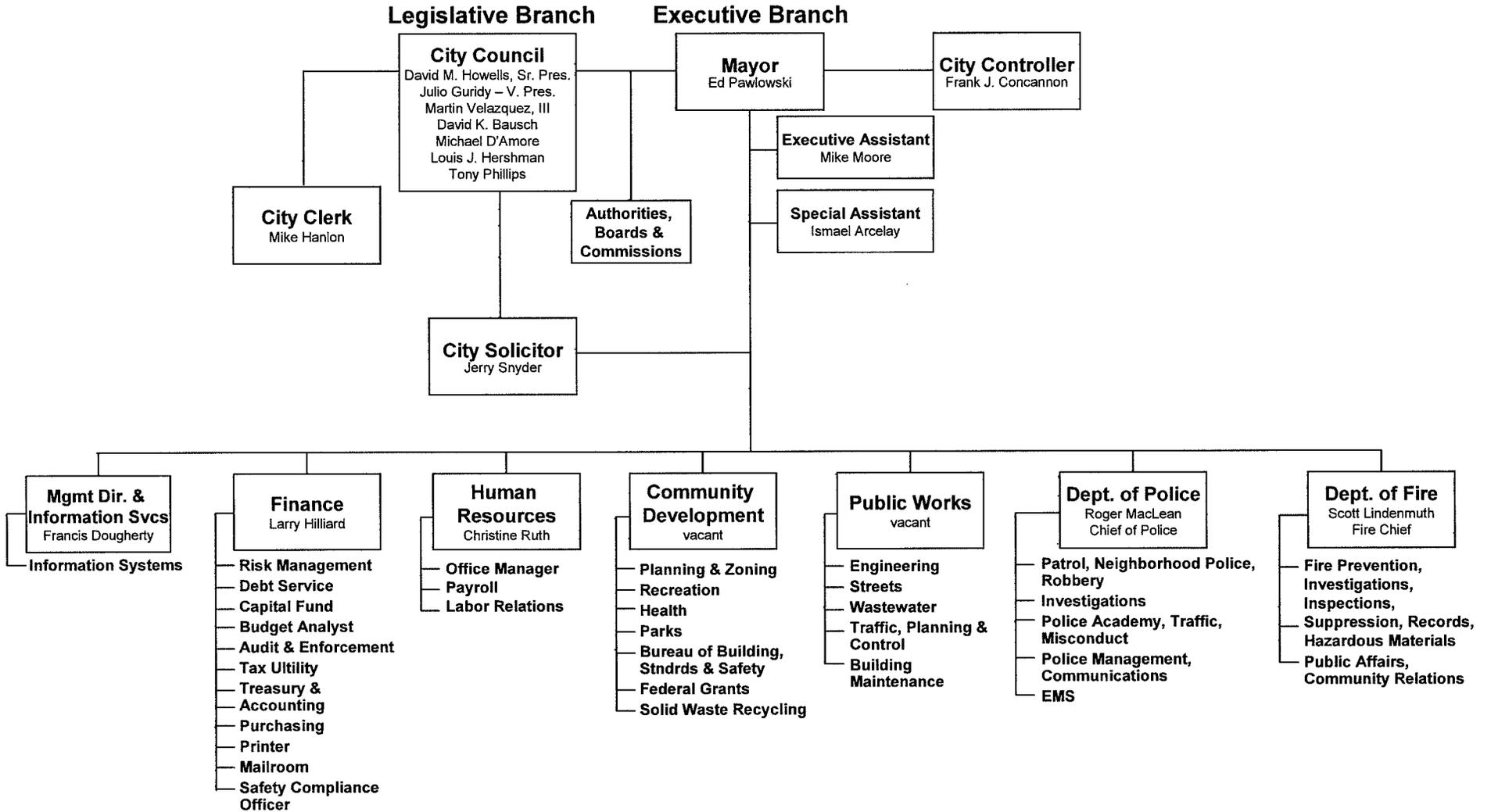
President

*Jeffrey R. Emer*

Executive Director

# City of Allentown

## The Voters of Allentown



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Financial

## INDEPENDENT AUDITOR'S REPORT

### **To 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 and each major fund of the City of Allentown, Pennsylvania, as of and for the year ended December 31, 2007, which collectively comprise the City of Allentown'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, 2007 and December 31, 2007, respectively, which represent 99 percent of the assets of the discretely presented component units column and 93 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 provide a reasonable basis for our opinions.

In our opinion, 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, 2007, 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 July 10, 2008 on our consideration of the City of Allentown's internal control over financial reporting and 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 required supplementary information, such as Management's Discussion and Analysis ("MD&A"), budgetary comparison information and pension information 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 required 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's basic financial statements. The introductory section, combining and individual fund financial statements, and 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 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 and statistical sections 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.

*Reinsel Kuntz Lesher LLP*

**Wyomissing, Pennsylvania  
July 10, 2008**

**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, 2007. 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, 2007. 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 2007, the City's total net assets increased by \$8,375,820. Net assets of governmental activities increased \$9,068,281 and net assets of business-type activities decreased \$692,461. The increase in the governmental net assets was due to the implementation of the Local Services Tax and increased transfers to the Capital Projects fund.

Property tax rates remained at 17.52 mills in 2007.

**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.

The basic financial statements present two different views of the City.

- *Government-wide financial statements*, the first two statements, provide a broad overview of the City's overall financial status as well as the financial status of the City's component units, in a manner similar to private-sector business.
- *Fund financial statements*, the remaining statements, focus on individual parts of City government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
  - *Governmental funds statements* show how general government services such as public safety were financed in the short term, as well as what remains for future spending.
  - *Proprietary funds statements* offer short-term and long-term financial information about the activities the City operates like a business, such as the Water Fund.
  - *Fiduciary funds statements* reflect activities involving resources that are held by the City as a trustee or agent for the benefit of others, including the City's retirement plans. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the City's programs.

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

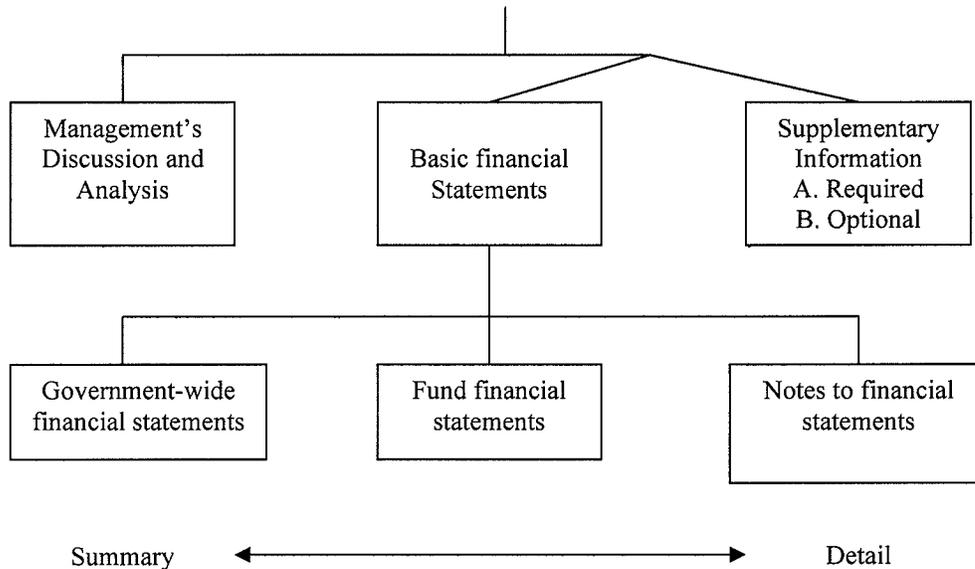


Table A-2 summarizes the major features of the City’s financial statements, including the area of the City’s activities they cover and the types of information they contain.

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

	Government-wide statements	Fund financial statements		
		Governmental	Proprietary	Fiduciary
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement revenues, expenditures and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset and liability information</b>	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
<b>Type of inflow and outflow information</b>	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

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 seven governmental funds that the City maintains (General, Pennsylvania Motor, Community Development Block Grant, Trexler Fund, Capital Projects, E-911 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 \$236.7 million at December 31, 2007. Of this amount, \$175.4 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 2007 financial statements.

City of Allentown, Pennsylvania  
Management Discussion and Analysis

**Table A-3: Condensed statement of net assets**

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other Assets	\$ 33,955,977	\$ 25,169,085	\$ 16,039,014	\$ 17,871,534	\$ 49,994,991	\$ 43,040,619
Capital assets, net	81,393,489	81,265,940	93,940,918	96,890,816	175,334,407	178,156,756
Other non-current Assets	9,325,268	9,542,570	2,036,047	2,148,054	11,361,315	11,690,624
<b>Total assets</b>	<b>\$124,674,734</b>	<b>\$115,977,595</b>	<b>\$112,015,979</b>	<b>\$116,910,404</b>	<b>\$236,690,713</b>	<b>\$232,887,999</b>
Current and other Liabilities	\$ 12,040,949	\$ 14,466,181	\$ 7,015,793	\$ 6,890,128	\$ 19,056,742	\$ 21,356,309
Long-term liabilities	95,074,357	93,020,267	31,559,375	35,887,004	126,633,732	128,907,271
<b>Total liabilities</b>	<b>\$107,115,306</b>	<b>\$107,486,448</b>	<b>\$ 38,575,168</b>	<b>\$ 42,777,132</b>	<b>\$145,690,474</b>	<b>\$150,263,580</b>
Net assets:						
Invested in capital assets, net of debt	\$ 17,098,445	\$ 20,563,347	\$ 58,612,743	\$ 57,148,473	\$ 75,711,188	\$ 77,711,820
Restricted net assets	7,502,310	9,594,133			7,502,310	9,594,133
Unrestricted net (deficit) assets	(7,041,327)	(21,666,333)	14,828,068	16,984,799	7,786,741	(4,681,534)
<b>Total net (deficit) assets</b>	<b>\$ 17,559,428</b>	<b>\$ 8,491,147</b>	<b>\$ 73,440,811</b>	<b>\$ 74,133,272</b>	<b>\$91,000,239</b>	<b>\$82,624,419</b>

During 2007 net assets increased \$8.4 million or 9.3% to \$91.1 million. Of this amount, \$75.7 million represents the net balance of long-term capital assets and long-term debt, while \$7.5 million is restricted for various purposes.

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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, 2007. 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	
	2007	2006	2007	2006	2007	2006
<b>Program revenues:</b>						
Charges for services	\$ 14,646,687	\$ 15,161,944	\$ 41,708,564	\$ 40,642,581	\$ 56,355,251	\$ 55,804,525
Operating grants and contributions	10,645,301	12,512,597	948,666	808,377	11,593,967	13,320,974
Capital grants	1,400,090	2,232,405			1,400,090	2,232,405
<b>General revenues:</b>						
Taxes	52,579,329	48,512,216			52,579,329	48,512,216
Investment earnings	1,490,757	973,003	558,291	479,682	2,049,048	1,452,685
Unrestricted grants	6,028,421	6,146,246			6,028,421	6,146,246
<b>Total revenues</b>	<b>86,790,585</b>	<b>85,538,411</b>	<b>43,215,521</b>	<b>41,930,640</b>	<b>130,006,106</b>	<b>127,469,051</b>
<b>Expenses:</b>						
General government	8,496,511	12,733,820			8,496,511	12,733,820
Public safety	44,659,264	35,746,269			44,659,264	35,746,269
Community development	9,508,856	8,687,031			9,508,856	8,687,031
Public works	11,262,288	11,363,182			11,262,288	11,363,182
Health and sanitation	3,283,888	4,450,785			3,283,888	4,450,785
Parks and recreation	3,527,522	3,392,513			3,527,522	3,392,513
Interest long-term debt	4,373,290	3,996,208			4,373,290	3,996,208
Water fund			10,846,997	10,268,694	10,846,997	10,268,694
Sewer fund			13,047,950	12,376,807	13,047,950	12,376,807
Municipal golf course			1,057,970	735,697	1,057,970	735,697
Solid waste fund			11,565,750	9,530,362	11,565,750	9,530,362
<b>Total expenses</b>	<b>85,111,619</b>	<b>80,369,808</b>	<b>36,518,667</b>	<b>32,911,560</b>	<b>121,630,286</b>	<b>113,281,368</b>
Change in net assets Before transfers	1,678,966	5,168,603	6,696,854	9,019,080	8,375,820	14,187,683
Transfers	7,389,315	4,946,256	(7,389,315)	(4,946,256)		
Change in net assets	9,068,281	10,114,859	(692,461)	4,072,824	8,375,820	14,187,683
Net assets beginning	8,491,147	(1,623,712)	74,133,272	70,060,448	82,624,419	68,436,736
Net assets ending	\$ 17,559,428	\$ 8,491,147	\$ 73,440,811	\$ 74,133,272	\$91,000,239	\$ 82,624,419

Total government-wide revenues of \$130 million came primarily from charges for services of \$56.4 million, representing 44 percent of the total. Property taxes at \$52.6 million made up the second largest source at 41 percent, followed by operating and capital grants, and contributions of \$13 million, or 10 percent, and other revenue sources made up the remaining 5 percent.

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Total expenses for all programs in 2007 were \$121.6 million. The expenses cover a range of services, with the largest being public safety at \$44.7 million or 36.8 percent. The second largest program area was the sewer fund at \$13.1 million or 10.8 percent, followed by solid waste at \$11.6 million or 9.5 percent, the public works at \$11.3 million or 9.3 percent, water fund at \$10.9 million or 9.0 percent, community development at 9.5 million or 7.9 percent, general government at \$8.5 million or 7.0 percent, parks and recreation at \$3.6 million or 2.9 percent, health and sanitation at \$3.3 million or 2.7 percent, and the golf course at \$1.1 million or 0.4 percent. Interest on outstanding debt came to \$4.4 million or 3.6 percent, and other services made up the remaining 0.1 percent.

In 2006, the City implemented the Emergency Municipal Service Tax (EMST). In 2007 this tax contributed to a \$3.6 million increase in program revenues in the Governmental Activities. A \$800,000 increase in collection of the Earned Income Tax is attributed to increased business activity within the City.

The City's purchase of street light's, has had a positive impact, contributing to a savings of \$560,000 in electricity in 2007.

**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 2007, real estate and Act 511 taxes brought in \$51.4 million. Of the \$8.0 million in other general revenues, \$3.9 million were general fund service charges. Table A-5 depicts the net program expenses for the years ended December 31 2007 and 2006.

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

Program:	Total cost of services		Net cost of services	
	2007	2006	2007	2006
General government	\$ 8,496,511	\$ 12,733,820	\$5,262,240	\$6,336,201
Public safety	44,659,264	35,746,269	37,076,411	29,020,244
Community development	9,508,856	8,687,031	3,761,609	1,369,636
Public works	11,262,288	11,363,182	5,494,640	6,480,830
Health and sanitation	3,283,888	4,450,785	569,322	1,832,152
Parks and recreation	3,527,522	3,392,513	1,882,029	1,427,591
Interest on long-term debt	4,373,290	3,996,208	4,373,290	3,996,208
Water fund	10,846,997	10,268,694	(3,363,901)	(4,418,163)
Sewer fund	13,047,950	12,376,807	(1,754,604)	(3,786,567)
Municipal golf course	1,057,970	735,697	(191,988)	(333,092)
Solid waste fund	11,565,750	9,530,362	(828,070)	(1,576)
<b>Total expenses</b>	<b>\$121,630,286</b>	<b>\$113,281,368</b>	<b>\$ 52,280,978</b>	<b>\$ 41,923,464</b>

The City relied on real estate tax, Act 511 taxes and other general revenues to fund 49.5% of its governmental and business-type activities in 2007.

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Property taxes and other general revenues covered 72.1 percent of general government spending with the remainder coming from grants and fees for specific services. Nearly 87.4 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 9.9 percent of community development costs, with the remainder coming from fees, charges for service, and \$4.4 million from Community Development Block Grant (CDBG) funding.

Public works spending was partially funded through Commonwealth fuel tax revenues, with 90.1 percent coming from local property taxes and other general revenues. Health and sanitation received all but 41.5 percent of its revenue from program revenues, 93.5 percent of which was in the form of grants. Property taxes and other general revenues covered 42.5 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 92.5 percent through fees for service, with a grant making up the remainder of revenue.

**Capital Assets**

The City's investment in capital assets at December 31, 2007, net of accumulated depreciation, was \$175.4 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Table A-6 is a summary of capital assets at December 31, 2007 and 2006.

**Table A-6: Capital assets at December 31, 2007 and 2006**

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land and land improvements	\$ 9,115,376	\$ 9,115,376	\$ 3,759,048	\$ 3,759,048	\$ 12,874,424	\$ 12,874,424
Buildings and improvements	29,717,731	28,225,539	38,165,480	39,696,022	67,883,211	67,921,561
Vehicles, machinery and equipment	5,856,309	6,219,512	13,807,305	14,694,115	19,663,614	20,913,627
Distribution and collection systems			38,209,085	38,741,631	38,209,085	38,741,631
Infrastructure	36,704,073	37,705,513			36,704,073	37,705,513
<b>Total</b>	<b>\$ 81,393,489</b>	<b>\$ 81,265,940</b>	<b>\$ 93,940,918</b>	<b>\$ 96,890,816</b>	<b>\$175,334,407</b>	<b>\$178,156,756</b>

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, 2007, the City had \$131.7 million of debt outstanding, including bonds, notes, and capital leases. This was a decrease of \$3.5 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	
	2007	2006	2007	2006	2007	2006
Capital lease	\$ 838,471	\$ 1,024,181	\$ 1,725,575	\$ 2,172,144	\$ 2,564,046	\$ 3,196,325
Bonds and notes	63,456,573	59,678,416	33,602,600	37,570,200	97,059,173	97,248,616
Pension obligation bonds	32,020,000	34,675,000			32,020,000	34,675,000
<b>Total</b>	<b>\$96,315,044</b>	<b>\$95,377,597</b>	<b>\$35,328,175</b>	<b>\$39,742,344</b>	<b>\$131,643,219</b>	<b>\$135,119,941</b>

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, 2007 was approximately \$195.1 million, and the total debt outstanding was \$63.5 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2007 was approximately \$257.4 million and the total debt outstanding was \$33.6 million. For computation purposes, these amounts have been reduced by \$32.1 million 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**

In May 2008 Standard & Poor's rating group indicated a positive outlook to the city's bond rating. This is the second outlook boost for the city in the last nine months.

**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

City of Allentown, Pennsylvania  
Management Discussion and Analysis

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, 2007 and December 31, 2006 were as follows. Table A-8 also presents changes from 2006 to 2007.

**Table A-8: Revenues by source, governmental funds**

	2007	2006	Changes from 2006 to 2007	Percent change
Revenues:				
Taxes	\$51,368,491	\$47,342,430	\$4,026,061	7.8
Licenses and permits	3,477,297	3,248,191	229,106	6.6
Charges for services	6,613,544	4,612,567	2,000,977	30.3
Fines and forfeits	580,737	578,363	2,374	.5
Investment earnings	1,471,916	961,195	510,721	34.7
Intergovernmental revenues	17,152,512	19,846,232	(2,693,720)	(15.71)
Other	4,177,786	4,131,305	46,481	1.1
Total revenues	\$84,842,283	\$80,720,283	\$4,122,000	4.9

Governmental fund revenues totaled \$84.9 million for the year ended December 31, 2007. This is an increase of \$4.1 million from 2006, primarily due to increases in taxes and charges for services.

**Governmental fund expenditures**

Governmental fund expenditures by function for the years ended December 31, 2007 and December 31, 2006 were as follows. Table A-9 also presents changes from 2006 to 2007.

**Table A-9: Expenditures by function, governmental funds**

	2007	2006	Changes from 2006 to 2007	Percent change
Expenses:				
General government	\$ 7,806,908	\$ 11,112,672	\$ (3,305,764)	(29.8)
Public safety	43,639,004	34,632,057	9,006,947	20.6
Community development	9,442,326	8,614,385	827,941	8.8
Public works	9,339,687	9,267,279	72,408	.8
Health and sanitation	3,240,066	4,402,484	(1,162,418)	(26.4)
Parks and recreation	2,925,564	2,734,768	190,796	6.5
Debt service:				
Principal	3,618,900	5,134,432	(1,515,532)	(29.5)
Interest	4,395,128	3,894,144	500,984	11.4
Capital outlay	4,595,871	7,245,177	(2,649,306)	(36.6)
Payment of bond/loan issue cost	1,379,020	251,525	1,127,495	81.8
Total expenses	\$ 90,382,474	\$ 87,288,923	\$ 3,093,551	3.5

City of Allentown, Pennsylvania  
 Management Discussion and Analysis

The City maintains seven 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 Trexler fund, the debt service fund, the 911 Fund and the Pennsylvania motor fund, all of which are considered to be major funds.

Governmental fund expenditures totaled \$90.4 million for the year ended December 31, 2007, an increase of 3.7 percent from 2006.

The \$9 million increase in public safety reflects a continuing emphasis on community policing and the necessity to respond to demands for service.

**Governmental fund balances**

Table A-10 reflects ending balances for governmental funds and net assets for proprietary funds at December 31, 2007 and 2006.

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

	2007		2006	
	Governmental funds	Proprietary funds	Governmental funds	Proprietary funds
General	\$ 14,137,580		\$ 9,128,441	
Pennsylvania Motor Fund	804,927		651,888	
Community Development Block Grant	7,166,576		8,622,679	
Trexler	(318,902)		221,229	
Capital Projects	5,201,007		1,419,250	
E-911	(146,493)		99,455	
Water fund		\$ 42,695,136		\$ 41,880,656
Sewer fund		22,878,483		24,859,270
Municipal golf course		3,229,737		3,245,043
Solid waste fund		4,637,455		4,148,303
<b>Total</b>	<b>\$26,844,695</b>	<b>\$73,440,811</b>	<b>\$20,142,942</b>	<b>\$74,133,272</b>

The City's governmental funds reported a combined fund balance of \$26.9 million at December 31, 2007. Of the total, \$7.2 million is restricted for CDBG projects, \$5.2 million is restricted for capital projects, and the general fund shows a profit of \$14.1 million,

The general fund balance increased by \$5 million, this is the third consecutive year that the general fund operated at a surplus. The general fund is the chief operating fund of the City. At December 31, 2007 the total general fund balance was \$14.1 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.

The General Fund change in fund balance is attributed to the revenue received from the refunding of debt. The proprietary fund activity change of \$1 million is due to a change in the Sewer Fund debt.

Savings in personnel costs were incurred through the delay in filling City positions as they became vacant.

### **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 \$1.9 million during the year from the original budget of \$75.5 million to the final budget of \$77.4 million. Actual revenues were \$4.4 million above the final budget. Intergovernmental revenues were \$405 thousand lower than estimated due to timing of receipts. Tax receipts decreased above final budget by \$366 thousand.

The general fund budget for expenditures increased \$5.7 million during the year from the original budget of \$69.4 million to the final budget of \$75.1 million. Actual expenditures were \$3 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.

## **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 10-to-15 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 2007, Allentown's economy continued to rebound. A number of new development projects were initiated, particularly downtown on Hamilton Street. In 2007, two new parking decks were completed adding to the downtown business attractiveness. Construction began in 2007 on a 10,000 seat Class AAA minor league baseball stadium on the East Side. It began hosting large crowds in the spring of 2008. The downtown arts district continued to be a focus of successful revitalization with the opening of the new Arts Park, the planned expansion of the Allentown Art Museum and the early 2008 opening of the America on Wheels transportation museum.

Fiscally, city expenses continue to increase at rates above the Consumer Price Index, primarily as a result of previously negotiated or arbitrator-mandated multi-year labor contracts, increasing health care insurance costs, pension contribution costs, and debt service payments. Revenue initiatives and cost control measures are being implemented to counter this squeeze.

Both Standard & Poor's (S&P) and Moody's Investor Services (Moody's), two of the financial and investment community's most respected and influential rating agencies, announced significant positive changes in their outlook of how they viewed the city's fiscal condition in 2007.

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 apparel, food, electrical/electronic equipment, industrial machinery and printing and publishing areas are strong components of the overall employment picture. Mack Trucks, Air Products, Lehigh Portland Cement, Nestle, Olympus and Agere (now LSI) have selected the area as their headquarters or as the location of principal facilities

#### **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.

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**CITY OF ALLENTOWN, PENNSYLVANIA**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 28,709,856	\$ 10,062,006	\$ 38,771,862	\$ 7,580,049
Receivables (net of allowance for uncollectibles):				
Taxes	1,091,661	-	1,091,661	-
Loans	-	-	-	5,193,845
Accounts	91,016	7,588,158	7,679,174	-
Grants	2,452,294	-	2,452,294	-
Other current assets	-	-	-	300,463
Internal balances	1,611,150	(1,611,150)	-	-
<b>Total current assets</b>	<b>33,955,977</b>	<b>16,039,014</b>	<b>49,994,991</b>	<b>13,074,357</b>
<b>NONCURRENT ASSETS:</b>				
Capital assets, net:				
Land	8,409,945	3,759,049	12,168,994	9,030,842
Property held for development	705,431	-	705,431	223,053
Buildings	7,780,916	20,598,055	28,378,971	17,514,642
Land and building improvements	10,084,172	16,507,132	26,591,304	41,037,825
Machinery and equipment	3,957,518	12,472,944	16,430,462	67,337
Vehicles	1,898,791	1,334,358	3,233,149	1,283,488
Distribution and collection systems	-	38,209,086	38,209,086	-
Construction in progress	11,852,643	1,060,294	12,912,937	18,471
Infrastructure	36,704,073	-	36,704,073	-
<b>Total capital assets, net</b>	<b>81,393,489</b>	<b>93,940,918</b>	<b>175,334,407</b>	<b>69,175,658</b>
Cash and cash equivalents, restricted	-	-	-	96,527
Net pension asset	821,666	-	821,666	-
Loans receivable	6,335,672	-	6,335,672	-
Other assets	2,167,930	2,036,047	4,203,977	1,374,744
<b>Total noncurrent assets</b>	<b>90,718,757</b>	<b>95,976,965</b>	<b>186,695,722</b>	<b>70,646,929</b>
<b>TOTAL ASSETS</b>	<b>\$ 124,674,734</b>	<b>\$ 112,015,979</b>	<b>\$ 236,690,713</b>	<b>\$ 83,721,286</b>
<b>CURRENT LIABILITIES:</b>				
Accounts payable and other current liabilities	\$ 3,009,854	\$ 1,685,864	\$ 4,695,718	\$ 8,256,648
Wages payable	1,504,151	336,903	1,841,054	-
Accrued interest payable	1,137,607	457,977	1,595,584	-
Claims liability	1,728,538	-	1,728,538	-
Other liabilities	1,243,477	126,288	1,369,765	243,360
Due to other governments	119,582	-	119,582	-
Accrued vacation	1,388,628	486,370	1,874,998	-
Unearned revenue	375,000	-	375,000	-
Capital leases payable	295,312	585,154	880,466	-
Notes and bonds payable	1,238,800	3,775,200	5,014,000	2,278,305
<b>Total current liabilities</b>	<b>12,040,949</b>	<b>7,453,756</b>	<b>19,494,705</b>	<b>10,778,313</b>
<b>NONCURRENT LIABILITIES:</b>				
Capital leases payable	543,159	1,140,421	1,683,580	-
Accrued vacation	293,425	153,591	447,016	-
Unearned revenue	-	-	-	11,181,156
Notes and bonds payable	94,237,773	29,827,400	124,065,173	25,246,222
<b>Total noncurrent liabilities</b>	<b>95,074,357</b>	<b>31,121,412</b>	<b>126,195,769</b>	<b>36,427,378</b>
<b>TOTAL LIABILITIES</b>	<b>107,115,306</b>	<b>38,575,168</b>	<b>145,690,474</b>	<b>47,205,691</b>
<b>NET ASSETS :</b>				
Invested in capital assets, net of related debt	17,098,445	58,612,743	75,711,188	39,926,301
Restricted for roads	804,927	-	804,927	-
Restricted for CD Block Grants	7,166,576	-	7,166,576	-
Unrestricted(deficit)	(7,510,520)	14,828,068	7,317,548	(3,410,706)
<b>Total net assets :</b>	<b>17,559,428</b>	<b>73,440,811</b>	<b>91,000,239</b>	<b>36,515,595</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 124,674,734</b>	<b>\$ 112,015,979</b>	<b>\$ 236,690,713</b>	<b>\$ 83,721,286</b>

See Notes to Financial Statements

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS:</b>				
Primary government:				
Governmental activities:				
General government	\$ 8,496,511	\$ 3,100,711	\$ 133,560	\$ -
Public safety	44,659,264	6,678,609	728,784	175,460
Community development	9,508,856	1,607,840	4,139,407	-
Public works	11,262,288	2,668,591	1,874,427	1,224,630
Health and sanitation	3,283,888	224,221	2,490,345	-
Parks and recreation	3,527,522	366,715	1,278,778	-
Interest on long-term debt	4,373,290	-	-	-
Total governmental activities	85,111,619	14,646,687	10,645,301	1,400,090
Business-type activities:				
Water fund	10,846,997	14,167,850	43,048	-
Sewer fund	13,047,950	14,752,734	49,820	-
Municipal golf course	1,057,970	1,249,958	-	-
Solid waste fund	11,565,750	11,538,022	855,798	-
Total business-type activities	36,518,667	41,708,564	948,666	-
Total primary government	\$121,630,286	\$ 56,355,251	\$ 11,593,967	\$ 1,400,090
<b>COMPONENT UNITS</b>				
Allentown Redevelopment Authority	\$ 788,506	\$ -	\$ 1,181,137	-
Allentown Economic Development Corporation	1,392,840	900,780	7,813,383	-
Allentown Parking Authority	4,516,332	5,555,372	779,331	-
Total component units	\$ 6,697,678	\$ 6,456,152	\$ 9,773,851	\$ -
General Revenues:				
Property and other taxes				
Grants and charges not restricted to specific programs				
Investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
Net assets - beginning, as restated				
Net assets - ending				

See Notes to Financial Statements

Statement consists of both facing pages

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (5,262,240)		\$ (5,262,240)	
(37,076,411)		(37,076,411)	
(3,761,609)		(3,761,609)	
(5,494,640)		(5,494,640)	
(569,322)		(569,322)	
(1,882,029)		(1,882,029)	
<u>(4,373,290)</u>		<u>(4,373,290)</u>	
(58,419,541)		(58,419,541)	
-	\$ 3,363,901	3,363,901	
-	1,754,604	1,754,604	
-	191,988	191,988	
-	<u>828,070</u>	<u>828,070</u>	
<u>(58,419,541)</u>	<u>6,138,563</u>	<u>(52,280,978)</u>	
			\$ 392,631
			7,321,323
			<u>1,818,371</u>
			<u>\$ 9,532,325</u>
52,579,329	-	52,579,329	-
6,028,421	-	6,028,421	-
1,490,757	558,291	2,049,048	747,756
<u>7,389,315</u>	<u>(7,389,315)</u>	<u>-</u>	<u>-</u>
<u>67,487,822</u>	<u>(6,831,024)</u>	<u>60,656,798</u>	<u>747,756</u>
<u>9,068,281</u>	<u>(692,461)</u>	<u>8,375,820</u>	<u>10,280,081</u>
<u>8,491,147</u>	<u>74,133,272</u>	<u>82,624,419</u>	<u>27,748,083</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,512,569)</u>
<u>8,491,147</u>	<u>74,133,272</u>	<u>82,624,419</u>	<u>26,235,514</u>
<u>\$ 17,559,428</u>	<u>\$ 73,440,811</u>	<u>\$ 91,000,239</u>	<u>\$ 36,515,595</u>

CITY OF ALLENTOWN, PENNSYLVANIA

BALANCE SHEETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	General	Pennsylvania Motor
<u>ASSETS</u>		
Cash and cash equivalents	\$ 15,476,556	\$ 935,869
Receivables:		
Taxes	1,091,661	-
Loans	-	-
Accounts	-	-
Grants	724,077	-
Due from other funds	<u>1,507,471</u>	<u>-</u>
TOTAL	<u>\$ 18,799,765</u>	<u>\$ 935,869</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>		
LIABILITIES		
Accounts payable	1,174,199	82,364
Accrued wages payable	1,410,619	48,578
Due to other funds	-	-
Due to other governments	4,236	-
Deferred revenues	1,027,220	-
Other liabilities	<u>1,045,911</u>	<u>-</u>
Total liabilities	<u>4,662,185</u>	<u>130,942</u>
FUND BALANCES:		
Reserved for encumbrances	1,571,640	-
Reserved for specific fund balances	-	804,927
Unreserved (deficits), undesignated	<u>12,565,940</u>	<u>-</u>
Total fund balances (deficits)	<u>14,137,580</u>	<u>804,927</u>
TOTAL	<u>\$ 18,799,765</u>	<u>\$ 935,869</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  
Statement consists of both facing pages

Community Development Block Grant	Capital Projects	Trexler	E-911	Total Governmental Funds
\$ 1,150,888	\$ 1,842,839	\$ 138,017	\$ 1,806,774	\$ 21,350,943
-	-	-	-	1,091,661
6,335,672	-	-	-	6,335,672
-	91,016	-	-	91,016
1,353,217	-	375,000	-	2,452,294
-	4,187,995	-	-	5,695,466
<u>\$ 8,839,777</u>	<u>\$ 6,121,850</u>	<u>\$ 513,017</u>	<u>\$ 1,806,774</u>	<u>\$ 37,017,052</u>
902,933	95,371	8,415	7,014	2,270,296
4,659	-	36,409	-	1,500,265
458,625	825,472	412,095	1,940,325	3,636,517
115,346	-	-	-	119,582
-	-	375,000	-	1,402,220
191,638	-	-	5,928	1,243,477
<u>1,673,201</u>	<u>920,843</u>	<u>831,919</u>	<u>1,953,267</u>	<u>10,172,357</u>
-	5,201,007	3,412	386	6,776,445
7,166,576	-	-	-	7,971,503
-	-	(322,314)	(146,879)	12,096,747
<u>7,166,576</u>	<u>5,201,007</u>	<u>(318,902)</u>	<u>(146,493)</u>	<u>26,844,695</u>
<u>\$ 8,839,777</u>	<u>\$ 6,121,850</u>	<u>\$ 513,017</u>	<u>\$ 1,806,774</u>	
				81,393,489
				1,027,220
				(1,137,607)
				821,666
				4,439,133
				2,167,930
				<u>(97,997,098)</u>
				<u>\$ 17,559,428</u>

**CITY OF ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Pennsylvania Motor	Community Development Block Grant
<b>REVENUES:</b>			
Taxes	\$ 51,368,491	\$ -	\$ -
Licenses and permits	3,477,297	-	-
Charges for services	6,466,546	-	-
Fines and forfeits	580,737	-	-
Investment earnings	1,337,246	20,540	21,633
Intergovernmental revenues	8,618,126	1,883,393	4,139,408
Other	1,525,046	56,956	182,457
Total revenues	<u>73,373,489</u>	<u>1,960,889</u>	<u>4,343,498</u>
<b>EXPENDITURES:</b>			
Current:			
General government	7,781,133	-	-
Public safety	41,591,205	-	-
Community development	4,460,858	-	4,981,468
Public works	7,531,837	1,807,850	-
Health and sanitation	3,240,066	-	-
Parks and recreation	1,481,407	-	-
Debt service:			
Principal	-	-	500,000
Interest	-	-	-
Payment of Debt Issuance Costs	1,379,020	-	-
Capital outlay	1,303,028	-	-
Total expenditures	<u>68,768,554</u>	<u>1,807,850</u>	<u>5,481,468</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,604,935</u>	<u>153,039</u>	<u>(1,137,970)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of Long Term Debt	22,763,981	-	-
Payment to refunded bonds escrow agent	(17,850,000)	-	-
Bond Discount	(379,897)	-	-
Capital Lease Obligations	273,220	-	-
Transfers in	5,278,545	-	-
Transfers out	(9,681,645)	-	(318,133)
Total other financing sources and uses	<u>404,204</u>	<u>-</u>	<u>(318,133)</u>
<b>NET CHANGE IN FUND BALANCES</b>	5,009,139	153,039	(1,456,103)
<b>FUND BALANCE, BEGINNING</b>	<u>9,128,441</u>	<u>651,888</u>	<u>8,622,679</u>
<b>FUND BALANCE (DEFICIT), ENDING</b>	<u>\$ 14,137,580</u>	<u>\$ 804,927</u>	<u>\$ 7,166,576</u>

See Notes to Financial Statements

Statement consists of both facing pages

Debt Service	Capital Projects	Trexler	E-911	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 51,368,491
-	-	-	-	3,477,297
-	146,998	-	-	6,613,544
-	-	-	-	580,737
-	-	248	92,249	1,471,916
-	1,255,145	1,256,440	-	17,152,512
-	53,883	22,338	2,337,106	4,177,786
-	<u>1,456,026</u>	<u>1,279,026</u>	<u>2,429,355</u>	<u>84,842,283</u>
25,775	-	-	-	7,806,908
-	-	-	2,047,799	43,639,004
-	-	-	-	9,442,326
-	-	-	-	9,339,687
-	-	-	-	3,240,066
-	-	1,444,157	-	2,925,564
3,118,900	-	-	-	3,618,900
4,395,128	-	-	-	4,395,128
-	-	-	-	1,379,020
-	3,292,843	-	-	4,595,871
<u>7,539,803</u>	<u>3,292,843</u>	<u>1,444,157</u>	<u>2,047,799</u>	<u>90,382,474</u>
<u>(7,539,803)</u>	<u>(1,836,817)</u>	<u>(165,131)</u>	<u>381,556</u>	<u>(5,540,191)</u>
-	-	-	-	22,763,981
-	-	-	-	(17,850,000)
-	-	-	-	(379,897)
-	-	-	-	273,220
7,539,803	5,618,574	-	329,420	18,766,342
-	-	(375,000)	(956,924)	(11,331,702)
<u>7,539,803</u>	<u>5,618,574</u>	<u>(375,000)</u>	<u>(627,504)</u>	<u>12,241,944</u>
-	3,781,757	(540,131)	(245,948)	6,701,753
-	1,419,250	221,229	99,455	20,142,942
<u>\$ -</u>	<u>\$ 5,201,007</u>	<u>\$ (318,902)</u>	<u>\$ (146,493)</u>	<u>\$ 26,844,695</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, 2007

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

Net change in fund balances - total governmental funds	\$ 6,701,753
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.	4,161,795
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.	(3,983,837)
The net effect of various transactions involving capital assets (i.e. disposals and contributions) is to decrease net assets.	135,301
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.	177,782
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.	(43,711)
Activities of the internal service fund are reported as net expense in the statement of activities.	1,725,195
Change in net pension asset not reflected in the funds.	(23,820)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds.	(22,763,981)
The repayment of principal of long term debt consumes the current financial resources of governmental funds.	21,468,900
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.	1,491,066
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>21,838</u>
Change in net assets of governmental activities	<u>\$ 9,068,281</u>

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See Notes to Financial Statements

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**CITY OF ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2007**

	Water Fund	Sewer Fund
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,526,915	\$ 5,086,122
Accounts receivable:		
Metered charges	4,106,097	2,481,608
Refuse collection	-	-
Other	14,409	320,592
Signatories	<u>248,339</u>	<u>1,560,802</u>
Total accounts receivable	4,368,845	4,363,002
Allowance for doubtful accounts	<u>994,228</u>	<u>659,733</u>
Net accounts receivable	<u>3,374,617</u>	<u>3,703,269</u>
Due from other funds	<u>-</u>	<u>1,273,271</u>
Total current assets	<u>5,901,532</u>	<u>10,062,662</u>
CAPITAL ASSETS:		
Land	2,595,840	28,450
Buildings	11,515,134	29,093,423
Land and building improvements	14,835,936	4,848,971
Machinery and equipment	19,215,714	12,283,728
Vehicles	2,556,786	1,768,544
Distribution and collection systems	40,606,769	10,649,926
Construction in progress	<u>383,715</u>	<u>676,579</u>
Total capital assets	91,709,894	59,349,621
Accumulated depreciation	<u>(31,378,729)</u>	<u>(31,820,084)</u>
Net capital assets	<u>60,331,165</u>	<u>27,529,537</u>
Other assets	<u>1,420,492</u>	<u>615,555</u>
Total noncurrent assets	<u>61,751,657</u>	<u>28,145,092</u>
TOTAL	<u>\$ 67,653,189</u>	<u>\$ 38,207,754</u>

See notes to financial statements

Statement consists of both facing pages

<u>Municipal Golf Course</u>	<u>Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>\$ 335,594</u>	<u>\$ 2,113,375</u>	<u>\$ 10,062,006</u>	<u>\$ 7,358,913</u>
-	-	6,587,705	-
-	976,374	976,374	-
-	-	335,001	-
-	-	1,809,141	-
-	976,374	9,708,221	-
-	466,102	2,120,063	-
-	510,272	7,588,158	-
-	-	1,273,271	-
<u>335,594</u>	<u>2,623,647</u>	<u>18,923,435</u>	<u>7,358,913</u>
1,134,759	-	3,759,049	-
227,475	1,017,066	41,853,098	-
2,861,221	1,438,630	23,984,758	-
658,718	1,336,296	33,494,456	-
268,154	2,767,577	7,361,061	-
37,465	-	51,294,160	-
-	-	1,060,294	-
5,187,792	6,559,569	162,806,876	-
<u>(2,253,023)</u>	<u>(3,414,122)</u>	<u>(68,865,958)</u>	-
<u>2,934,769</u>	<u>3,145,447</u>	<u>93,940,918</u>	-
-	-	2,036,047	-
<u>2,934,769</u>	<u>3,145,447</u>	<u>95,976,965</u>	-
<u>\$ 3,270,363</u>	<u>\$ 5,769,094</u>	<u>\$ 114,900,400</u>	<u>\$ 7,358,913</u>

(continued)

**CITY OF ALLENTOWN, PENNSYLVANIA**  
**STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2007**

	Water Fund	Sewer Fund
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 398,357	\$ 449,234
Accrued wages payable	127,617	154,517
Accrued interest payable	256,671	201,306
Due to other funds	2,884,421	-
Capital leases payable	90,940	402,968
Claims liability	-	-
Other liabilities	-	-
Accrued Vacation	200,917	238,570
Current portion of long term debt	<u>2,725,200</u>	<u>1,050,000</u>
Total current liabilities	<u>6,684,123</u>	<u>2,496,595</u>
LONG-TERM LIABILITIES:		
Capital lease payable	228,084	912,337
Bonds payable	17,982,400	11,845,000
Accrued vacation	<u>63,446</u>	<u>75,339</u>
Total long-term liabilities	<u>18,273,930</u>	<u>12,832,676</u>
Total liabilities	<u>24,958,053</u>	<u>15,329,271</u>
NET ASSETS :		
Invested in capital assets, net of related debt	39,304,541	13,319,232
Unrestricted	<u>3,390,595</u>	<u>9,559,251</u>
Total net assets	<u>42,695,136</u>	<u>22,878,483</u>
TOTAL	<u>\$ 67,653,189</u>	<u>\$ 38,207,754</u>

See Notes to Financial Statements

Statement consists of both facing pages

Municipal Golf Course	Solid Waste Fund	Totals	Internal Service Fund
\$ 19,745	\$ 818,528	\$ 1,685,864	\$ 739,558
8,970	45,799	336,903	3,864
-	-	457,977	-
-	-	2,884,421	447,799
-	91,246	585,154	-
-	-	-	1,728,538
-	126,288	126,288	-
9,052	37,831	486,370	22
-	-	3,775,200	-
<u>37,767</u>	<u>1,119,692</u>	<u>10,338,177</u>	<u>2,919,781</u>
-	-	1,140,421	-
-	-	29,827,400	-
<u>2,859</u>	<u>11,947</u>	<u>153,591</u>	<u>-</u>
<u>2,859</u>	<u>11,947</u>	<u>31,121,412</u>	<u>-</u>
<u>40,626</u>	<u>1,131,639</u>	<u>41,459,589</u>	<u>2,919,781</u>
2,934,769	3,054,201	58,612,743	-
<u>294,968</u>	<u>1,583,254</u>	<u>14,828,068</u>	<u>4,439,132</u>
<u>3,229,737</u>	<u>4,637,455</u>	<u>73,440,811</u>	<u>4,439,132</u>
<u>\$ 3,270,363</u>	<u>\$ 5,769,094</u>	<u>\$ 114,900,400</u>	<u>\$ 7,358,913</u>

**CITY OF ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	Water Fund	Sewer Fund	Municipal Golf Course
<b>OPERATING REVENUES:</b>			
Charges for services:			
Metered charges	\$ 12,355,030	\$ 7,698,342	-
Refuse collections	-	-	-
Recycling	-	-	-
Other charges	1,608,214	6,837,799	\$ 1,124,578
Miscellaneous	<u>206,185</u>	<u>216,593</u>	<u>109,057</u>
Total operating revenues	<u>14,169,429</u>	<u>14,752,734</u>	<u>1,233,635</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	5,636,168	7,054,656	513,128
Utility services	568,234	741,937	19,353
Contracted services	117,163	863,335	141,740
Materials and supplies	1,127,854	1,598,236	206,608
Claims and benefits	-	-	-
Depreciation and amortization	2,062,957	1,908,839	159,374
Miscellaneous	<u>292,727</u>	<u>232,811</u>	<u>17,767</u>
Total operating expenses	<u>9,805,103</u>	<u>12,399,814</u>	<u>1,057,970</u>
<b>OPERATING INCOME (LOSS)</b>	<u>4,364,326</u>	<u>2,352,920</u>	<u>175,665</u>
<b>NONOPERATING (EXPENSE) REVENUE:</b>			
Investment income	135,838	246,935	15,686
Interest expense	(1,041,894)	(590,693)	-
Gain/Loss on Disposal of Capital Assets	(1,579)	(57,443)	16,323
Grants	<u>43,048</u>	<u>49,820</u>	<u>-</u>
Total nonoperating (expense) revenue	<u>(864,587)</u>	<u>(351,381)</u>	<u>32,009</u>
<b>INCOME BEFORE TRANSFERS</b>	3,499,739	2,001,539	207,674
<b>TRANSFERS</b>	<u>(2,685,259)</u>	<u>(3,982,326)</u>	<u>(222,980)</u>
<b>NET INCOME (LOSS)</b>	814,480	(1,980,787)	(15,306)
<b>NET ASSETS, BEGINNING</b>	<u>41,880,656</u>	<u>24,859,270</u>	<u>3,245,043</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 42,695,136</u>	<u>\$ 22,878,483</u>	<u>\$ 3,229,737</u>

See Notes to Financial Statements

Statement consists of both facing pages

Solid Waste Fund	Totals	Internal Service Fund
-	\$ 20,053,372	-
\$ 10,763,274	10,763,274	-
606,882	606,882	-
-	9,570,591	\$ 14,883,575
<u>167,866</u>	<u>699,701</u>	<u>821,237</u>
<u>11,538,022</u>	<u>41,693,820</u>	<u>15,704,812</u>
2,082,990	15,286,942	-
18,798	1,348,322	-
8,565,191	9,687,429	-
198,908	3,131,606	-
-	-	14,320,426
339,057	4,470,227	-
<u>358,708</u>	<u>902,013</u>	<u>-</u>
<u>11,563,652</u>	<u>34,826,539</u>	<u>14,320,426</u>
<u>(25,630)</u>	<u>6,867,281</u>	<u>1,384,386</u>
159,832	558,291	385,275
-	(1,632,587)	-
(2,098)	(44,797)	-
<u>855,798</u>	<u>948,666</u>	<u>859</u>
<u>1,013,532</u>	<u>(170,427)</u>	<u>386,134</u>
987,902	6,696,854	1,770,520
<u>(498,750)</u>	<u>(7,389,315)</u>	<u>(45,325)</u>
489,152	(692,461)	1,725,195
<u>4,148,303</u>	<u>74,133,272</u>	<u>2,713,937</u>
<u>\$ 4,637,455</u>	<u>\$ 73,440,811</u>	<u>\$ 4,439,132</u>

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Water Fund	Sewer Fund	Municipal Golf Course
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 14,171,645	\$ 14,408,321	\$ 1,233,635
Payments to suppliers for services	(1,967,207)	(3,461,717)	(532,899)
Payments to employees	<u>(5,587,715)</u>	<u>(7,044,729)</u>	<u>(377,089)</u>
Net cash provided by operating activities	<u>6,616,723</u>	<u>3,901,875</u>	<u>323,647</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES PROVIDED BY (USED IN):</b>			
Operating grants received	43,048	49,820	-
Transfers	<u>(2,685,259)</u>	<u>(3,982,326)</u>	<u>(222,980)</u>
Net cash used in noncapital financing activities	<u>(2,642,211)</u>	<u>(3,932,506)</u>	<u>(222,980)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(445,941)	(524,773)	(54,998)
Advance from/to other funds	371,881	1,331,128	-
Principal paid on capital debt	(2,862,600)	(1,105,000)	-
Payments of obligations under capital leases	(87,101)	(385,789)	-
Interest paid on long term obligations	<u>(1,032,842)</u>	<u>(606,339)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(4,056,603)</u>	<u>(1,290,773)</u>	<u>(54,998)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES,</b>			
Interest received	<u>135,838</u>	<u>246,935</u>	<u>15,686</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	53,747	(1,074,469)	61,355
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>2,473,168</u>	<u>6,160,591</u>	<u>274,239</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 2,526,915</u>	<u>\$ 5,086,122</u>	<u>\$ 335,594</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 4,364,326	\$ 2,352,920	\$ 175,665
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,062,957	1,908,839	159,374
Accounts receivable	2,216	(305,583)	-
Accounts payable	138,771	(64,228)	(19,771)
Accrued payroll	48,453	9,927	2,585
Other liabilities	<u>-</u>	<u>-</u>	<u>5,794</u>
Total adjustments	<u>2,252,397</u>	<u>1,548,955</u>	<u>147,982</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 6,616,723</u>	<u>\$ 3,901,875</u>	<u>\$ 323,647</u>

See Notes to Financial Statements

Statement consists of both facing pages

Solid Waste Fund	Totals	Internal Service Fund
\$ 11,498,215	\$ 41,311,816	\$ 15,704,812
(9,018,981)	(14,980,804)	(14,154,551)
<u>(2,073,696)</u>	<u>(15,083,229)</u>	<u>(134,149)</u>
<u>405,538</u>	<u>11,247,783</u>	<u>1,416,112</u>
855,798	948,666	859
<u>(498,750)</u>	<u>(7,389,315)</u>	<u>(940,925)</u>
<u>357,048</u>	<u>(6,440,649)</u>	<u>(940,066)</u>
(462,055)	(1,487,767)	-
-	1,703,009	-
-	(3,967,600)	-
26,322	(446,568)	-
<u>-</u>	<u>(1,639,181)</u>	<u>-</u>
<u>(435,733)</u>	<u>(5,838,107)</u>	<u>-</u>
<u>159,832</u>	<u>558,291</u>	<u>385,276</u>
486,685	(472,682)	861,322
<u>1,626,690</u>	<u>10,534,688</u>	<u>6,497,591</u>
<u>\$ 2,113,375</u>	<u>\$ 10,062,006</u>	<u>\$ 7,358,913</u>
		-
<u>\$ (25,630)</u>	<u>\$ 6,867,281</u>	<u>\$ 1,384,386</u>
339,057	4,470,227	-
(39,808)	(343,175)	-
102,023	156,795	(17,702)
9,294	70,259	1,498
<u>20,602</u>	<u>26,396</u>	<u>47,930</u>
<u>431,168</u>	<u>4,380,502</u>	<u>31,726</u>
<u>\$ 405,538</u>	<u>\$ 11,247,783</u>	<u>\$ 1,416,112</u>

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENTS OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2007

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	Pension Trust Funds	Agency Funds
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	\$ 10,569,169	\$ 13,246,803
INTEREST RECEIVABLE	39,461	-
INVESTMENTS, At fair value Mutual Funds	<u>121,551,037</u>	<u>-</u>
TOTAL	<u>\$ 132,159,667</u>	<u>\$ 13,246,803</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Payroll tax liabilities	\$ -	\$ 1,128,327
Due to other governments	<u>-</u>	<u>12,118,476</u>
Total liabilities	<u>-</u>	<u>13,246,803</u>
NET ASSETS:		
Reserved for pension benefits	<u>132,159,667</u>	<u>-</u>
TOTAL	<u>\$ 132,159,667</u>	<u>\$ 13,246,803</u>

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See Notes to Financial Statements

**CITY OF ALLENTOWN, PENNSYLVANIA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Pension Trust Funds
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 9,419,530
Plan members	<u>1,469,890</u>
Total contributions	<u>10,889,420</u>
Investment income:	
Net depreciation in fair value of investments	(3,262,195)
Interest and dividends	6,341,137
Less investment expenses	<u>(220,073)</u>
Net investment income	<u>2,858,869</u>
Other income:	
Miscellaneous	<u>57,404</u>
Total other income	<u>57,404</u>
Total additions	<u>13,805,693</u>
<b>DEDUCTIONS:</b>	
Benefits paid to recipients	15,249,558
Administrative and other fees	<u>46,984</u>
Total deductions	<u>15,296,542</u>
CHANGE IN NET ASSETS	<u>(1,490,849)</u>
NET ASSETS, BEGINNING	130,241,624
PRIOR PERIOD ADJUSTMENT	<u>3,408,892</u>
NET ASSETS, BEGINNING, AS RESTATED	<u>133,650,516</u>
NET ASSETS, ENDING	<u>\$ 132,159,667</u>

See Notes to Financial Statements

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

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### 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. *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 FUND - 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.

TREXLER FUND - is used for maintenance, development and extension of the City's park system. The Trexler Fund is a special revenue fund and the use of funds is specified by the grantor.

E-911 FUND - is used to account for the revenues received and eligible costs incurred by the City in the establishment, upgrading, expanding and operation of its emergency communications system for the purpose of providing emergency communications under the Pennsylvania Public Safety Emergency Telephone Act, Act 78, Section 8 (as amended).

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.

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.

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.

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 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, policemen and firemen.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the rule are payments to the internal services fund for risk management activities where the amounts charged are reasonably equivalent in value to services provided. Elimination of these charges would distort the direct costs of various functions.

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.

#### **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.

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 United States 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 United States 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.

#### **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 is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All property tax and per capita receivables are shown net of an allowance for uncollectibles. The property tax and per capita receivable allowance is calculated based on collection history and was approximately \$1,333,000 at December 31, 2007.

#### **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, 2007 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 of donation. The City maintains a capitalization threshold of \$5,000 for all capital assets.

General infrastructure assets 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 its useful life are not capitalized.

Collections of art, historical artifacts and similar items have been 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 Portnoff Law Associates for further collection and possible tax sales over an additional 30-month period.

The 2007 tax levy was 17.52 mills.

### **INTERFUND TRANSACTIONS**

As a result of its operations, the City affects 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, 2007, 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, 2007, the City carried excess loss insurance policies which limited its liability to \$450,000 per occurrence for workers' compensation, \$100,000 per occurrence for property and flood loss, and \$10,000 per occurrence for employee theft. Governmental and proprietary funds are charged based on historical loss patterns. These charges are reimbursed through the various funds. The City's 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 \$1,728,538 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, which is elected by the membership of AEDC, in addition to the Mayor, a City Council member, the City Director of Economic Development and the County Executive of Lehigh County. 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 AEDC.

### **ALLENTOWN PARKING AUTHORITY**

The 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  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2007

	ALLENTOWN REDEVELOPMENT AUTHORITY	ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION*	ALLENTOWN PARKING AUTHORITY	TOTAL
<b>ASSETS</b>				
Cash and cash equivalents	\$ 170,836	\$ 2,519,838	\$ 2,763,185	\$ 5,453,859
Cash and cash equivalents, restricted	-	1,548,803	96,527	1,645,330
Investment, certificate of deposit	-	-	577,387	577,387
Accounts receivable, net	500,000	4,358,749	219,749	5,078,498
Due from other governments	115,347	-	-	115,347
Other assets	-	1,024,379	650,828	1,675,207
Capital assets, net	<u>223,053</u>	<u>22,908,159</u>	<u>46,044,446</u>	<u>69,175,658</u>
 Total assets	 <u>\$ 1,009,236</u>	 <u>\$ 32,359,928</u>	 <u>\$ 50,352,122</u>	 <u>\$ 83,721,286</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 16,087	\$ 6,081,362	\$ 1,908,295	\$ 8,005,744
Long-term debt	-	5,108,324	20,806,236	25,914,560
Other liabilities	<u>31,156</u>	<u>335,947</u>	<u>12,918,284</u>	<u>13,285,387</u>
 Total liabilities	 <u>47,243</u>	 <u>11,525,633</u>	 <u>35,632,815</u>	 <u>47,205,691</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	223,053	17,799,835	21,903,413	39,926,301
Unrestricted	<u>738,940</u>	<u>3,034,460</u>	<u>(7,184,106)</u>	<u>(3,410,706)</u>
 Total net assets	 <u>961,993</u>	 <u>20,834,295</u>	 <u>14,719,307</u>	 <u>36,515,595</u>
 Total liabilities and net assets	 <u>\$ 1,009,236</u>	 <u>\$ 32,359,928</u>	 <u>\$ 50,352,122</u>	 <u>\$ 83,721,286</u>

\* Presented as of June 30, 2007.

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

CONDENSED FINANCIAL STATEMENTS  
 DISCRETELY PRESENTED COMPONENT UNITS  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	ALLENTOWN REDEVELOPMENT AUTHORITY	ALLENTOWN ECONOMIC DEVELOPMENT CORPORATION	ALLENTOWN PARKING AUTHORITY	TOTAL
Program revenues:				
Charges for services	\$ -	\$ 900,780	\$ 5,521,995	\$ 6,422,775
Grants	1,181,137	7,813,383	779,331	9,773,851
General revenues:				
Investment income	3,627	118,476	625,653	747,756
Other income	<u>-</u>	<u>-</u>	<u>23,857</u>	<u>23,857</u>
Total revenues	<u>1,184,764</u>	<u>8,832,639</u>	<u>6,950,836</u>	<u>16,968,239</u>
Expenses:				
Operating and other expenses	788,506	906,538	2,849,927	4,544,971
Depreciation and amortization	-	255,877	1,050,879	1,306,756
Interest expense	-	230,425	539,801	770,226
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>66,205</u>	<u>66,205</u>
Total expenses	<u>788,506</u>	<u>1,392,840</u>	<u>4,506,812</u>	<u>6,688,158</u>
Net income	396,258	7,439,799	2,444,024	10,280,081
Net assets, beginning of year	565,735	13,394,496	13,787,852	27,748,083
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(1,512,569)</u>	<u>(1,512,569)</u>
Net assets, end of year	<u>\$ 961,993</u>	<u>\$ 20,834,295</u>	<u>\$ 14,719,307</u>	<u>\$ 36,515,595</u>

### 3. DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2007 consist of the following:

Cash and cash equivalents	\$ 53,382,884
Investments	<u>130,755,987</u>
	<u>\$184,138,871</u>

#### RECONCILIATION TO STATEMENTS OF NET ASSETS/BALANCE SHEETS

Cash and cash equivalents:	
Governmental	\$ 19,504,906
Business-type	10,062,006
Fiduciary	<u>23,815,972</u>
	<u>53,382,884</u>
Investments:	
Governmental	9,204,950
Fiduciary	<u>121,551,037</u>
	<u>130,755,987</u>
	<u>\$184,138,871</u>

#### CASH

The City's available cash is invested in demand deposit accounts, money market funds and cash held in investment accounts.

The City has custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

At December 31, 2007, the carrying amounts of the City's bank deposits were \$53,382,884 and the bank balances were \$53,790,097, of which \$53,270,960 was exposed to custodial risk because it was not covered by Federal Depository Insurance.

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

**INVESTMENTS**

As of December 31, 2007, the City's investments were comprised of the following:

Mutual funds	\$121,551,037
Debt securities	<u>9,204,950</u>
Total	<u>\$130,755,987</u>

As of December 31, 2007, the City had the following investments in debt securities:

**Investment Maturities (in Years)**

Investment Type	Fair Value	Investment Maturities (in Years)			More than 10	Rating
		Less than 1	1-5	6-10		
United States Treasury Notes	\$ 5,091,917	\$ 437,306	\$ 3,448,990	\$ 1,205,621	\$ -	N/A
United States Government agency securities	246,903	1,804	78,650	160,026	6,423	S&P's AAA Moody's Aaa
Corporate bonds	3,298,230	499,220	1,750,260	1,048,750	-	S&P's AAA Moody's Aaa
Other fixed income	<u>567,900</u>	<u>-</u>	<u>567,900</u>	<u>-</u>	<u>-</u>	S&P's AAA Moody's Aaa
Total investments	<u>\$ 9,204,950</u>	<u>\$ 938,330</u>	<u>\$ 5,845,800</u>	<u>\$ 2,414,397</u>	<u>\$ 6,423</u>	

**INTEREST RATE RISK**

The City does not have a formal investment policy for its funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The City's pension plans have a formal investment policy that has set a 10-year investment horizon and targets fixed income investments to be no more than 40% of the investment portfolio.

**CREDIT RISK**

The City's investments are limited to those permitted in the Pennsylvania Third Class City Code and the Home Rule Charter as detailed in Note 1.

The City's pension plans have a formal investment policy that seeks to minimize the risk of investment losses by requiring diversification of the investment portfolio targeted at 51% domestic equities, 12% international equities, 5% real estate and 32% fixed income.

**CUSTODIAL CREDIT RISK**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2007, \$130,755,987 of the City's investments are held by the investment's counterparty, not in the name of the City.

**COMPONENT UNITS' CUSTODIAL CREDIT RISK - DEPOSITS**

The City's component units have custodial credit risk on cash deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits of the City's component units will not be returned. The carrying amounts of the City's component units bank deposits were \$7,676,576 and the bank balances were \$8,326,163, of which \$6,761,599 was exposed to custodial risk because it was not covered by Federal Depository Insurance.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

**4. CAPITAL ASSETS**

Activity in the capital assets for the year ended December 31, 2007 is as follows:

	January 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	December 31, <u>2007</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,409,945	\$ -	\$ -	\$ 8,409,945
Property held for development	705,431	-	-	705,431
Art	95,166	-	-	95,166
Construction in progress	<u>10,925,094</u>	<u>2,885,483</u>	<u>1,957,934</u>	<u>11,852,643</u>
Total capital assets not being depreciated	<u>20,135,636</u>	<u>2,885,483</u>	<u>1,957,934</u>	<u>21,063,185</u>
Capital assets being depreciated:				
Buildings	22,872,925	20,000	-	22,892,925
Land and building improvements	17,431,059	1,913,160	-	19,344,219
Machinery and equipment	14,542,907	508,631	141,956	14,909,582
Vehicles	14,077,379	791,924	691,281	14,178,022
Infrastructure	<u>63,166,136</u>	<u>-</u>	<u>-</u>	<u>63,166,136</u>
Total capital assets being depreciated	<u>132,090,406</u>	<u>3,233,715</u>	<u>833,237</u>	<u>134,490,884</u>
Less accumulated depreciation for:				
Buildings	14,527,487	584,522	-	15,112,009
Land and building improvements	8,476,052	783,995	-	9,260,047
Machinery and equipment	10,413,714	752,566	119,050	11,047,230
Vehicles	12,082,226	861,314	664,309	12,279,231
Infrastructure	<u>25,460,623</u>	<u>1,001,440</u>	<u>-</u>	<u>26,462,063</u>
Total accumulated depreciation	<u>70,960,102</u>	<u>3,983,837</u>	<u>783,359</u>	<u>74,160,580</u>
Total capital assets being depreciated, net	<u>61,130,304</u>	<u>(750,122)</u>	<u>49,878</u>	<u>60,330,304</u>
Governmental activities capital assets, net	<u>\$ 81,265,940</u>	<u>\$ 2,135,361</u>	<u>\$ 2,007,812</u>	<u>\$ 81,393,489</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

	January 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	December 31, <u>2007</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,759,049	\$ -	\$ -	\$ 3,759,049
Construction in progress	<u>687,516</u>	<u>431,088</u>	<u>58,310</u>	<u>1,060,294</u>
Total capital assets not being depreciated	<u>4,446,565</u>	<u>431,088</u>	<u>58,310</u>	<u>4,819,343</u>
Capital assets being depreciated:				
Buildings	42,107,054	-	253,956	41,853,098
Land and building improvements	23,996,508	-	11,750	23,984,758
Machinery and equipment	33,349,444	805,527	660,515	33,494,456
Vehicles	7,366,444	288,161	293,544	7,361,061
Distribution and collection systems	<u>51,318,590</u>	<u>-</u>	<u>24,430</u>	<u>51,294,160</u>
Total capital assets being depreciated	<u>158,138,040</u>	<u>1,093,688</u>	<u>1,244,195</u>	<u>157,987,533</u>
Less accumulated depreciation for:				
Buildings	20,306,101	1,154,398	205,456	21,255,043
Land and building improvements	6,788,954	696,016	7,344	7,477,626
Machinery and equipment	20,142,263	1,533,649	654,400	21,021,512
Vehicles	5,879,510	454,873	307,680	6,026,703
Distribution and collection systems	<u>12,576,961</u>	<u>532,543</u>	<u>24,430</u>	<u>13,085,074</u>
Total accumulated depreciation	<u>65,693,789</u>	<u>4,371,479</u>	<u>1,199,310</u>	<u>68,865,958</u>
Total capital assets being depreciated, net	<u>92,444,251</u>	<u>(3,277,791)</u>	<u>44,885</u>	<u>89,121,575</u>
Business-type activities capital assets, net	<u>\$ 96,890,816</u>	<u>\$ (2,846,703)</u>	<u>\$ 103,195</u>	<u>\$ 93,940,918</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to governmental activities as follows:

General government	\$ 328,665
Public safety	1,020,261
Public works	1,922,601
Health	43,822
Parks and recreation	601,958
Community development and planning	<u>66,530</u>
Total	<u>\$ 3,983,837</u>

**5. INTERFUND RECEIVABLE AND PAYABLE BALANCES**

The composition of interfund balances as of December 31, 2007 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental activities:		
General Fund	\$ 1,507,471	\$ -
Trexler Fund	-	412,095
E-911 Fund	-	1,940,325
Community Development Block Grant Fund	-	458,625
Capital Projects Fund	<u>4,187,995</u>	<u>825,472</u>
Total	<u>5,695,466</u>	<u>3,636,517</u>
Business-type activities:		
Water Fund	-	2,884,421
Sewer Fund	<u>1,273,271</u>	<u>-</u>
Total	<u>1,273,271</u>	<u>2,884,421</u>
Internal Service Fund	<u>-</u>	<u>447,799</u>
Total	<u>\$ 6,968,737</u>	<u>\$ 6,968,737</u>

Interfund balances represent short-term borrowing between funds.

## 6. INDIVIDUAL FUND INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2007 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General Fund	\$ 5,278,545	\$ 9,681,645
Debt Service Fund	7,539,803	-
E-911 Fund	329,420	956,924
Community Development Block Grant Fund	-	318,133
Trexler Fund	-	375,000
Capital Projects Fund	5,618,574	-
Business-type activities:		
Water Fund	-	2,685,259
Sewer Fund	-	3,982,326
Municipal Golf Course Fund	-	222,980
Solid Waste Fund	-	498,750
Internal Service Fund	<u>-</u>	<u>45,325</u>
Total	<u>\$18,766,342</u>	<u>\$18,766,342</u>

Transfers out were made from the General Fund to the Debt Service Fund of \$7,362,225 for debt payments.

Transfers to the Debt Service Fund were also made from the following: Sewer Fund \$35,548, E-911 Fund \$17,775, CDBG Fund \$17,775 and Municipal Golf Course Fund \$106,480 for debt payments.

Transfers in totaling \$3,887,941 were made to the General Fund for reimbursement of services rendered by the General Fund for other operating funds (i.e., Water, Sewer, Internal Service, E-911, Solid Waste and Municipal Golf Course Funds).

Transfers totaling \$5,618,574 were made to the Capital Projects Fund from the following funds: General Fund \$1,990,000; Sewer Fund \$1,525,000; Water Fund \$800,000; E-911 Fund \$928,574 and Trexler Fund \$375,000. These transferred funds were earmarked for General Fund projects, emergency communication projects, Water and Sewer Fund projects and enhancement of the park system.

A transfer of \$329,420 was made from the General Fund to the E-911 Fund to cover ineligible expenses per the Pennsylvania Public Safety Emergency Telephone Act.

## 7. PENSION PLANS

### PLAN DESCRIPTIONS

The City has three single employer defined benefit pension plans covering Policemen, Firemen and certain nonuniformed 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 Policemen, 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's three single employer pension plans do not issue separate financial statements.

The City also participates in a pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). The full-time nonuniformed 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 the Pennsylvania Municipal Retirement System, P. O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968. Benefits and refunds of the Plans are recognized when due and payable with the terms of each Plan. 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' Pension Fund	Policemen's Pension Fund	Firemen's Pension Fund	Total Pension Trust Funds
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS	\$ 654,956	\$ 6,692,525	\$ 3,221,688	\$ 10,569,169
INTEREST RECEIVABLE	5,909	21,135	12,417	39,461
INVESTMENTS, at fair value	<u>23,753,488</u>	<u>57,470,929</u>	<u>40,326,620</u>	<u>121,551,037</u>
NET ASSETS, reserved for pension benefits	<u>\$ 24,414,353</u>	<u>\$ 64,184,589</u>	<u>\$ 43,560,725</u>	<u>\$ 132,159,667</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	\$ 528,875	\$ 5,841,328	\$ 3,049,327	\$ 9,419,530
Plan members	<u>19,849</u>	<u>948,639</u>	<u>501,402</u>	<u>1,469,890</u>
Total contributions	<u>548,724</u>	<u>6,789,967</u>	<u>3,550,729</u>	<u>10,889,420</u>
Investment earnings:				
Net depreciation in fair value of investments	(652,625)	(1,520,370)	(1,089,200)	(3,262,195)
Interest and dividends	1,233,915	3,044,475	2,062,747	6,341,137
Less investment expenses	<u>(43,499)</u>	<u>(111,897)</u>	<u>(64,677)</u>	<u>(220,073)</u>
Net investment earnings	<u>537,791</u>	<u>1,412,208</u>	<u>908,870</u>	<u>2,858,869</u>
Other income, miscellaneous	<u>14,954</u>	<u>27,443</u>	<u>15,007</u>	<u>57,404</u>
Total additions	<u>1,101,469</u>	<u>8,229,618</u>	<u>4,474,606</u>	<u>13,805,693</u>
DEDUCTIONS:				
Benefits paid to recipients	3,026,766	8,170,644	4,052,148	15,249,558
Administrative and other fees	<u>15,674</u>	<u>15,637</u>	<u>15,673</u>	<u>46,984</u>
Total deductions	<u>3,042,440</u>	<u>8,186,281</u>	<u>4,067,821</u>	<u>15,296,542</u>
CHANGE IN NET ASSETS	(1,940,971)	43,337	406,785	(1,490,849)
PRIOR PERIOD ADJUSTMENT	3,408,892	-	-	3,408,892
NET ASSETS, BEGINNING	<u>22,946,432</u>	<u>64,141,252</u>	<u>43,153,940</u>	<u>130,241,624</u>
NET ASSETS, ENDING	<u>\$ 24,414,353</u>	<u>\$ 64,184,589</u>	<u>\$ 43,560,725</u>	<u>\$ 132,159,667</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

The following table provides information concerning types of covered employees and benefit provisions 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.

	<u>Officers and Employees</u>	<u>Policemen</u>	<u>Firemen</u>	<u>PMRS</u>
	Closed <u>6/8/76</u>	All full-time members of the Police <u>Force</u>	All full-time members of the Fire <u>Department</u>	All full-time employees not previously <u>covered</u>
<u>Covered Employees</u>				
Number of active plan members	7	164	137	526
Number of retirees and beneficiaries receiving benefits	243	247	162	178
Terminated employees entitled to deferred benefits	-	-	-	25

**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' biannual 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 2007. 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% 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 exceed state and member contributions must be funded by the employer.

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

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Policemen and firemen are required to contribute 5% 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>Officers and Employees</u>	<u>Policemen</u>	<u>Firemen</u>
Annual required contribution (MMO)	\$ 528,875	\$ 5,841,328	\$ 3,049,327
Interest on net pension asset	(2,564)	(41,894)	(23,180)
Adjustment to annual required contribution	<u>3,467</u>	<u>56,648</u>	<u>31,344</u>
Annual pension cost	529,778	5,856,082	3,057,491
Contributions made	<u>528,875</u>	<u>5,841,329</u>	<u>3,049,327</u>
Decrease in net pension asset	903	14,753	8,164
Net pension asset, beginning of year	<u>(32,049)</u>	<u>(523,681)</u>	<u>(289,756)</u>
Net pension asset, end of year	<u>\$ (31,146)</u>	<u>\$ (508,928)</u>	<u>\$ (281,592)</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

----- 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	12/31/05	\$ 2,456,772	114.5%	\$ 534,368
	12/31/06	3,021,215	99.7%	523,681
	12/31/07	5,856,082	99.8%	508,928
Firemen	12/31/05	817,453	124.6%	295,669
	12/31/06	1,247,280	99.5%	289,756
	12/31/07	3,057,491	99.7%	281,592
Officers and Employees	12/31/05	666	100%	32,704
	12/31/06	655	100%	32,049
	12/31/07	529,778	99.8%	31,146
Pennsylvania Municipal Retirement Plan	12/31/05	358,968	100%	-
	12/31/06	446,843	100%	-
	12/31/07	1,263,532	100%	-

The annual required contribution for each of the Plans for the current year was determined as part of the January 1, 2005 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% for the State (PMRS) Plan and (b) projected salary increases of 5% per year for City Plans and 4.7% 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 actuarial accrued liability was fully funded at January 1, 2007.

**INVESTMENTS THAT REPRESENT FIVE PERCENT OR MORE OF PLAN NET ASSETS**

At December 31, 2007, none of the Plans had investments in any one organization which represented five percent or more of the plan net assets.

**UNFUNDED ACTUARIAL LIABILITY**

The City's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll, and the period is calculated every valuation. The remaining amortization period ranges from 13 to 15 years for the Officers and Employees Plan, 4 to 26 years for the Policemen Plan and 6 to 26 years for the Firemen Plan.

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, 2007, general long-term debt obligations of the City's governmental activities were as follows:

	Balance Outstanding January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Refunded</u>	Balance Outstanding December 31, <u>2007</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	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -	\$ -
<u>Notes and General Obligation Bonds</u>						
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	-
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	1,360,000	-	-	-	1,360,000	-
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	5,050,000	-	-	-	5,050,000	-
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	4,360,000	-	-	-	4,360,000	355,000

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

<u>Notes and General Obligation Bonds</u>	<u>Balance Outstanding January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Refunded</u>	<u>Balance Outstanding December 31, 2007</u>	<u>Current Portion</u>
2003 General Obligation Bond, 2.00% to 5.50% interest, serial portion payable in increasing annual installments of \$535,000 in 2009 to \$725,000 in 2022	\$ 10,020,000	\$ -	\$ -	\$ 3,465,000	\$ 6,555,000	\$ 535,000
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	34,675,000	-	675,000	1,980,000	32,020,000	-
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	16,880,000	-	1,870,000	12,405,000	2,605,000	-
2004 Tax-Exempt General Obligation Bond, 1.00% to 5.00% interest, serial portion payable in increasing annual installments of \$230,000 in 2005 to \$490,000 in 2024	6,330,000	-	245,000	-	6,085,000	-
2006 Note, 3.85% interest, varying principal annual payments of \$218,400 to \$286,400 due in 2014	2,006,800	-	218,400	-	1,788,400	226,800
2006 Guaranteed Lease Revenue Note, 5.84% to 2016, then 9.40%, payable in annual installments of \$693,750 to 2016, then \$1,003,820 to 2031	9,987,168	-	110,500	-	9,876,668	117,000
2007 Taxable General Obligation Note, semiannual accretion to produce yields of 6.66% to 6.99%, payable in increasing installments of \$2,075,000 in 2021 to \$7,040,000 in 2036	-	14,773,981	-	-	14,773,981	5,000

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

Notes and General Obligation Bonds	Balance Outstanding January 1, 2007	Additions	Reductions	Principal Refunded	Balance Outstanding December 31, 2007	Current Portion
2007 Taxable General Obligation Note, 5.62% to 5.77%, payable in varying annual installments of \$5,000 in 2008 to \$45,000 in 2021	\$ -	\$ 7,990,000	\$ -	\$ -	\$ 7,990,000	\$ -
	<u>92,518,968</u>	<u>22,763,981</u>	<u>3,118,900</u>	<u>17,850,000</u>	<u>94,314,049</u>	<u>1,238,800</u>
Total Notes and General Obligation Bonds	93,018,968	22,763,981	3,618,900	17,850,000	94,314,049	1,238,800
Discount on bond issuance	<u>1,334,448</u>	<u>379,897</u>	<u>551,821</u>	-	<u>1,162,524</u>	-
Total	<u>\$ 94,353,416</u>	<u>\$ 23,143,878</u>	<u>\$ 4,170,721</u>	<u>\$ 17,850,000</u>	<u>\$ 95,476,573</u>	<u>\$ 1,238,800</u>

At December 31, 2007, the business-type activities' long-term debt consisted of the following:

Revenue Notes and Bonds	Balance Outstanding January 1, 2007	Additions	Reductions	Balance Outstanding December 31, 2007	Current Portion
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	-
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	1,050,000	-	155,000	895,000	160,000

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

Revenue Notes and Bonds	Balance Outstanding January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2007</u>	<u>Current Portion</u>
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	\$ 415,000	\$ -	\$ 65,000	\$ 350,000	\$ 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	3,795,000	-	490,000	3,305,000	510,000
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	6,255,000	-	580,000	5,675,000	605,000
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	10,580,000	-	1,350,000	9,230,000	1,380,000
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	1,505,000	-	75,000	1,430,000	75,000
2003 Guaranteed Water Revenue Refunding Bonds, 2.00% to 4.375% interest, serial portion payable in varying annual installments of \$350,000 in 2005 to \$110,000 in 2019	1,440,000	-	360,000	1,080,000	155,000
2003 Guaranteed Sewer Revenue Refunding Bonds, 2.00% to 4.40% interest, serial portion payable in increasing annual installments of \$240,000 in 2005 to \$255,000 in 2020	4,845,000	-	360,000	4,485,000	285,000
2004 Guaranteed Water Revenue Bonds, 1.00% to 4.40% interest, serial portion payable in varying annual installments of \$180,000 in 2005 to \$95,000 in 2024	2,590,000	-	180,000	2,410,000	180,000

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

Revenue Notes and Bonds	Balance Outstanding January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding December 31, <u>2007</u>	<u>Current Portion</u>
2004 Guaranteed Sewer Revenue Bonds, 1.00% to 4.00% interest, serial portion payable in increasing annual installments of \$25,000 in 2005 to \$35,000 in 2018	\$ 335,000	\$ -	\$ 25,000	\$ 310,000	\$ 25,000
2006 Note, 3.85% interest, varying principal annual payments of \$327,600 to \$429,600 in 2014	<u>3,010,200</u>	<u>-</u>	<u>327,600</u>	<u>2,682,600</u>	<u>340,200</u>
Total	<u>\$ 37,570,200</u>	<u>\$ -</u>	<u>\$ 3,967,600</u>	<u>\$ 33,602,600</u>	<u>\$ 3,775,200</u>

Debt service requirements to maturity, including interest of \$108,548,982, are as follows:

<u>Year Ending</u>	<u>Business- Type Activities</u>	<u>Governmental Activities</u>	<u>Total</u>
2008	\$ 5,267,530	\$ 6,603,407	\$ 11,870,937
2009	4,759,417	6,301,616	11,061,033
2010	4,774,613	6,306,523	11,081,136
2011	4,576,030	6,310,737	10,886,767
2012	4,582,777	6,309,254	10,892,031
2012-2017	14,076,734	32,606,452	46,683,186
2018-2022	3,830,070	33,196,416	37,026,486
2023-2027	-	34,008,310	34,008,310
2028-2032	-	34,795,832	34,795,832
2033-2036	<u>-</u>	<u>28,159,913</u>	<u>28,159,913</u>
Total	<u>\$ 41,867,171</u>	<u>\$194,598,460</u>	<u>\$236,465,631</u>

**ADVANCE REFUNDING**

During 2007, the City issued General Obligation Capital Appreciation Notes of \$14,773,981, which will accrete interest resulting in yields ranging from 6.66% to 6.99%, and General Obligation Current Interest Notes of \$7,990,000 with variable interest rates ranging from 5.62% to 5.77%. Proceeds provided for advance refunding of portions of the outstanding principal amount of its Taxable General Obligation Pension Bond, Series of 2004, Taxable General Obligation Refunding Bonds, Series of 2004, and Tax-Exempt General Obligation Bond, Series of 2003. As a result of the above transaction, portions of the 2003 and 2004 bonds were considered to be defeased in the amount of \$17,850,000, and the liability for that debt has been removed from the statement of net assets. The advance refunding increased the City's total debt service payments and provided an economic loss (difference between the present value of the debt payment on the old and new debt) of approximately \$2,132,312.

**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, 2007, \$20,205,000 of bonds outstanding are considered defeased.

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

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	<u>Current Portion</u>
Accrued vacation:					
Governmental activities	\$ 1,551,909	\$ 2,691,544	\$ 2,561,400	\$ 1,682,053	\$ 1,388,628
Business-type activities	<u>616,862</u>	<u>698,416</u>	<u>675,317</u>	<u>639,961</u>	<u>486,370</u>
Total accrued vacation	<u>\$ 2,168,771</u>	<u>\$ 3,389,960</u>	<u>\$ 3,236,717</u>	<u>\$ 2,322,014</u>	<u>\$ 1,874,998</u>
Capital leases:					
Governmental activities	\$ 1,024,181	\$ 273,220	\$ 458,930	\$ 838,471	\$ 295,312
Business-type activities	<u>2,172,144</u>	<u>113,475</u>	<u>560,044</u>	<u>1,725,575</u>	<u>585,154</u>
Total capital leases	<u>\$ 3,196,325</u>	<u>\$ 386,695</u>	<u>\$ 1,018,974</u>	<u>\$ 2,564,046</u>	<u>\$ 880,466</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Machinery, equipment and vehicles	\$ 2,518,168	\$ 3,333,071	\$ 5,851,239
Less accumulated depreciation	<u>1,555,088</u>	<u>752,023</u>	<u>2,307,111</u>
	<u>\$ 963,080</u>	<u>\$ 2,581,048</u>	<u>\$ 3,544,128</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>
2008	\$ 329,768	\$ 651,332	\$ 981,100
2009	243,993	514,679	758,672
2010	218,780	514,679	733,459
2011	63,933	171,560	235,493
2012	<u>63,933</u>	<u>-</u>	<u>63,933</u>
	920,407	1,852,250	2,772,657
Less interest	<u>81,936</u>	<u>126,675</u>	<u>208,611</u>
	<u>\$ 838,471</u>	<u>\$ 1,725,575</u>	<u>\$ 2,564,046</u>

**DISCRETELY PRESENTED COMPONENT UNITS' LONG-TERM DEBT:**

At December 31, 2007, the long-term debt of the discretely presented component units consisted of the following:

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	<u>Current Portion</u>
2003 Guaranteed Parking Revenue Bonds, 2.00% to 3.90% interest, serial portion payable in increasing annual installments of \$440,000 in 2005 to \$355,000 in 2016	\$ 3,695,000	\$ -	\$ 470,000	\$ 3,225,000	\$ 480,000

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	<u>Current Portion</u>
2004 Guaranteed Parking Revenue Refunding Bonds, 1.75% to 3.50% interest, serial portion payable in increasing annual installments of \$555,000 in 2005 to \$695,000 in 2013	\$ 4,440,000	\$ -	\$ 580,000	\$ 3,860,000	\$ 600,000
2005 Guaranteed Parking Revenue Bonds, 3.15% to 5.00% interest, serial portion payable in increasing annual installments of \$235,000 in 2006 to \$730,000 in 2035	12,030,000	-	220,000	11,810,000	230,000
2007 Parking Revenue Bond, 4.20%, serial portion payable in increasing annual installments of \$70,000 in 2010 to \$275,000 in 2031	-	3,500,000	-	3,500,000	-
Note payable to PA Minority Business Development Authority; payable interest only at 1.5% in semiannual installments of \$2,250; principal balance due at maturity in January 2012; proceeds used to establish a revolving loan fund to stimulate creation, retention, and expansion of minority-owned businesses; one loan has been issued to an area company at June 30, 2007	-	300,000	-	300,000	-

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	<u>Current Portion</u>
Mortgage payable to Commonwealth Financing Authority for site improvements in development of the South 10th Street project; secured by shared first lien with bank on tract of land at Bridgeworks; all principal and interest payments deferred, and no interest accrues until sale or lease of site or subdivided portion; upon sale of any portion, proceeds shall be applied to reduce principal amount of loan; then interest accrues at 3%, and level monthly payments of principal and interest begin to fully amortize loan by maturity date of November 2026; an agreement of sale for a portion of the commercial building under construction is in effect at June 30, 2007	\$ -	\$ 953,125	\$ -	\$ 953,125	\$ -
Mortgage payable to Merrill Lynch Mortgage Trust (originated with Countrywide Commercial Real Estate Finance, Inc.); secured by land and buildings of Bridgeworks Industrial Center; payable for a 10-year term with 15 year amortization in monthly installments of \$25,237 including payment of principal and interest at 5.78% fixed, ballooning in June 2015; additional monthly payment of \$14,122 is required to fund escrow accounts subject to specified withdrawal conditions; AEDC is required to comply with certain continuing loan provisions	<u>3,929,715</u>	<u>-</u>	<u>74,516</u>	<u>3,855,199</u>	<u>668,338</u>
Total long-term debt	24,094,715	4,753,125	1,344,516	27,503,324	1,978,338
Less unamortized deferred costs of refunding	<u>360,536</u>	<u>-</u>	<u>40,886</u>	<u>319,650</u>	<u>40,886</u>
	<u>\$ 23,734,179</u>	<u>\$ 4,753,125</u>	<u>\$ 1,303,630</u>	<u>\$ 27,183,674</u>	<u>\$ 1,937,452</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS

The Allentown Parking Authority has a \$2,000,000 line of credit with a bank at 70% of the Wall Street Journal Prime Rate, which was 5.075% at December 31, 2007. At December 31, 2007, \$340,853 was outstanding on the line of credit.

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 \$14,757,493, are as follows for the Allentown Parking Authority and AEDC:

<u>Year Ending</u>	<u>Allentown Parking Authority</u>	<u>Allentown Economic Development Corporation</u>	<u>Total</u>
2008	\$ 2,227,606	\$ 901,910	\$ 3,129,516
2009	2,225,154	333,309	2,558,463
2010	2,069,666	333,299	2,402,965
2011	2,078,060	333,300	2,411,360
2012	2,081,044	631,050	2,712,094
2013-2017	7,231,532	4,326,589	11,558,121
2018-2022	5,095,173	-	5,095,173
2023-2027	5,147,621	-	5,147,621
2028-2032	4,948,504	-	4,948,504
2033-2035	<u>2,297,000</u>	<u>-</u>	<u>2,297,000</u>
Total	<u>\$ 35,401,360</u>	<u>\$ 6,859,457</u>	<u>\$ 42,260,817</u>

**9. RISK MANAGEMENT, ACCRUED CLAIMS LIABILITY**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; natural disasters for which the City has established a limited risk management program as further described in Note 1.

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

	<u>2007</u>	<u>2006</u>
Accrued claims liability, January 1,	\$ 1,680,608	\$ 1,794,160
Included claims (including estimated claims incurred but not reported as of December 31):		
Provision for current year events	2,090,750	1,683,885
Payments	<u>(2,042,820)</u>	<u>(1,797,437)</u>
Accrued claims liability, December 31	<u>\$ 1,728,538</u>	<u>\$ 1,680,608</u>
Current portion	<u>\$ 1,728,538</u>	<u>\$ 1,680,608</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, 213 retirees plus their dependents meet those eligibility requirements. Such benefits are provided in accordance with various union contracts. The retirees contribute 25% of a predetermined annual charge for such healthcare benefits.

Expenditures for postemployment health care are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, expenditures of approximately \$1,600,000 were recognized for such postemployment healthcare benefits.

## 11. DEFICIT FUND BALANCES

The deficit fund balance of \$322,314 at December 31, 2007 in the Trexler Fund was created due to an advance to the Capital Projects Fund and a delay in recognition of grant revenue. This deficit balance will resolve itself in 2008 as grant revenues are received.

The deficit fund balance of \$148,879 at December 31, 2007 in the E-911 Fund was due to expenses incurred in anticipation of receipts never received from the funding source. This deficit balance will resolve itself through additional collections of program revenues or a transfer of funds from the General Fund.

## **12. PRIOR PERIOD ADJUSTMENTS**

Pension Trust Fund net assets as of December 31, 2007 have been increased in the amount of \$3,408,892 to remove a liability and accrued interest from an agreement entered into in January 1982 with the Pennsylvania Municipal Retirement System to fund a prior service liability for employees entering the plan. The agreement with the Pennsylvania Municipal Retirement System was superseded by Act 205 of 1984, and the liability was funded through the annual required contribution.

The net assets of the component unit, Allentown Parking Authority, as of December 31, 2006 were reduced in the amount of \$1,512,569 to properly record previously recognized revenue related to a long-term agreement as deferred revenue.

## **13. 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, 2007, 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.

### **LITIGATION**

#### **PRIMARY GOVERNMENT**

The City is involved in various lawsuits arising in the ordinary course of its municipal activities. Management believes that the resolution of these actions is not expected to have a material adverse effect on the financial statements of the City.

## 14. NEW ACCOUNTING PRONOUNCEMENTS

The following standards will be effective in the future for the City:

The GASB has issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which applies to other postemployment benefit (OPEB) plans that are included as trust funds in the financial reports of plan sponsors or employers, and to stand-alone financial reports of OPEB plans. GASB Statement 43 provides guidance for the accounting and reporting by such plans for healthcare and other nonpension benefits provided to employees as part of their compensation for services, and supersedes GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*.

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which applies to state and local government employers that provide postemployment benefits other than pensions (OPEB) to employees. The Statement provides guidance on the accounting and reporting by employers for the costs and obligations of postemployment healthcare and other nonpension benefits provided to employees as part of their compensation for services. In addition, for the OPEB plans in which the employer participates, the Statement requires certain disclosures, including disclosures regarding the employer's funding policy and the actuarial process and assumptions.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

The GASB has issued Statement No. 50, *Pension Disclosures*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

The GASB has issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2008.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, have been incorporated into this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged.

## **15. SUBSEQUENT EVENT**

In June 2008, the City issued General Obligation Bonds, Guaranteed Water Revenue Bonds and Guaranteed Sewer Revenue Bonds totaling \$17,310,000 to refinance the 1997 and 1998 General Obligation Bonds, 1997 and 1998 Guaranteed Water Revenue Bonds and 1997 and 1998 Guaranteed Sewer Revenue Bonds.

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Supplementary  
Information

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**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
REVENUES:				
<u>TAXES:</u>				
Real estate:				
Current	\$ 28,750,000	\$ 28,750,000	\$ 28,274,939	\$ (475,061)
Prior year	1,300,000	1,300,000	1,435,532	135,532
Lehigh County Tax Claims	35,000	35,000	8,274	(26,726)
Total Real Estate Taxes	30,085,000	30,085,000	29,718,745	(366,255)
Act 511 Taxes:				
Earned Income	7,300,000	7,300,000	7,899,900	599,900
Residence Per Capita	265,000	265,000	251,753	(13,247)
Amusement Devices	27,000	27,000	24,795	(2,205)
Deed Transfer	2,250,000	2,250,000	2,666,773	416,773
Local Services Tax	3,950,000	3,950,000	4,289,830	339,830
Business Privilege	6,450,000	6,450,000	6,487,096	37,096
Total Act 511 Taxes	20,242,000	20,242,000	21,620,147	1,378,147
TOTAL TAXES	50,327,000	50,327,000	51,338,892	1,011,892
<u>LICENSES AND PERMITS:</u>				
Business Licenses	380,000	380,000	417,406	37,406
Billboard & Sign Permits/Licenses	9,000	9,000	8,248	(752)
Building Permits & Licenses	532,000	532,000	585,552	53,552
Liquor Licenses	63,000	63,000	57,650	(5,350)
Plumbing Permits & Licenses	166,000	166,000	210,785	44,785
Health Bureau Permits & Licenses	145,000	145,000	155,824	10,824
Rental Inspection Program	898,000	898,000	397,631	(500,369)
Electrical Permits & Licenses	189,000	189,000	216,960	27,960
Zoning Permits & Fees	110,000	110,000	102,115	(7,885)
Fire Department Inspection Fees	60,000	60,000	67,428	7,428
CATV Franchise Fees	935,000	935,000	973,900	38,900
Other Permits & Licenses	140,000	140,000	283,798	143,798
TOTAL LICENSES AND PERMITS	3,627,000	3,627,000	3,477,297	(149,703)

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - GENERAL FUND (continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
<b><u>FINES AND FORFEITS:</u></b>				
District Court	\$ 400,000	\$ 400,000	\$ 331,131	\$ (68,869)
Parking Authority Reimbursement	120,000	120,000	62,095	(57,905)
Fines & Restitution	185,000	185,000	187,511	2,511
<b>TOTAL FINES AND FORFEITS</b>	<b>705,000</b>	<b>705,000</b>	<b>580,737</b>	<b>(124,263)</b>
<b><u>INTERGOVERNMENTAL REVENUES:</u></b>				
Health Grants Acts 315 & 12	800,000	835,000	801,465	(33,535)
Health Categorical Grants	1,807,000	1,934,360	1,749,982	(184,378)
Police/Fire Training	350,000	350,000	505,259	155,259
State Aid for Pension	3,825,000	3,825,000	3,648,600	(176,400)
Police Grants/Reimbursements	725,000	975,000	973,845	(1,155)
Other Grants/Miscellaneous	1,200,000	1,362,000	1,197,233	(164,767)
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>8,707,000</b>	<b>9,281,360</b>	<b>8,876,384</b>	<b>(404,976)</b>
<b><u>CHARGES FOR SERVICES:</u></b>				
Department Earnings:				
Tax/Municipal Certifications	160,000	160,000	149,762	(10,238)
A.S.D. Tax Billing/Reimbursement	63,000	63,000	55,839	(7,161)
Police Extra Duty Jobs	325,000	325,000	327,568	2,568
Health Bureau Services	33,000	34,551	68,397	33,846
Street Excavation/Restoration	65,000	65,000	60,024	(4,976)
Printing & Copier Fees	110,000	110,000	113,471	3,471
Other Charges for Service	175,000	175,000	171,475	(3,525)
Vehicle Towing Agreement	125,000	125,000	151,250	26,250
EMS Transit Fees	2,900,000	2,900,000	2,762,231	(137,769)
Warrants of Survey	20,000	20,000	13,683	(6,317)
<b>Total Departmental Earnings</b>	<b>3,976,000</b>	<b>3,977,551</b>	<b>3,873,700</b>	<b>(103,851)</b>

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - GENERAL FUND (continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
Municipal Recreation:				
Swimming Pool Fees	110,000	110,000	150,350	40,350
Recreation Fees	65,000	65,000	74,685	9,685
Total Municipal Recreation	175,000	175,000	225,035	50,035
General Fund Service Charges:				
Water Service Charges	1,785,259	1,785,259	1,785,259	-
Sewer Service Charges	1,431,532	1,431,532	1,431,532	-
Other Service Charges	612,612	612,612	671,150	58,538
Total General Fund Service Charges	3,829,403	3,829,403	3,887,941	58,538
TOTAL CHARGES FOR SERVICE	7,980,403	7,981,954	7,986,676	4,722
INVESTMENT INCOME	737,000	737,000	1,287,744	550,744
<u>OTHER INCOME:</u>				
Rental of City Property	150,000	150,000	76,268	(73,732)
Parking Garage Rents	44,000	44,000	45,433	1,433
Debt Proceeds	-	-	3,179,121	3,179,121
Contributions	50,000	100,490	133,560	33,070
Damage to City Property	30,000	32,305	52,761	20,456
Lights in the Parkway	155,000	155,000	141,681	(13,319)
Pennsylvania Utility Realty Tax	65,000	65,000	68,979	3,979
Allentown Housing Authority	60,000	60,000	116,678	56,678
Sewage Capacity Sales	950,000	950,000	2,433,500	1,483,500
City Auction Proceeds	61,500	61,500	104,089	42,589
Equipment Fund Transfer	600,000	1,855,000	1,855,000	-
Miscellaneous	1,250,000	1,250,000	448,791	(801,209)
TOTAL OTHER INCOME	3,415,500	4,723,295	8,655,861	3,932,566
TOTAL REVENUES	\$ 75,498,903	\$ 77,382,609	\$ 82,203,591	\$ 4,820,982

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - GENERAL FUND (continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
<b>EXPENDITURES:</b>				
<u>GENERAL GOVERNMENT:</u>				
Nondepartmental:				
City Council	451,367	481,367	290,779	190,588
Office of the Mayor	328,556	332,591	322,921	9,670
City Controller	208,524	208,524	203,477	5,047
Law	554,485	554,485	510,828	43,657
General and Civic	2,284,000	4,961,000	4,743,741	217,259
Total Nondepartmental	3,826,932	6,537,967	6,071,746	466,221
Department of Finance				
Finance	3,481,973	3,489,940	3,254,626	235,314
Total Department of Finance	3,481,973	3,489,940	3,254,626	235,314
Human Resources				
	547,014	580,514	518,444	62,070
Total Human Resources	547,014	580,514	518,444	62,070
<u>Management Systems:</u>				
Management Director & Information Svcs	1,402,788	1,635,109	1,513,985	121,124
TOTAL MANAGEMENT SYSTEMS	1,402,788	1,635,109	1,513,985	121,124
TOTAL GENERAL GOVERNMENT	9,258,707	12,243,530	11,358,801	884,729
<u>PUBLIC SAFETY:</u>				
Department of Public Safety:				
Police	26,810,316	27,860,748	27,427,586	433,162
Fire	14,100,623	14,223,197	14,490,081	(266,884)
Communications	604,572	695,329	628,751	66,578
TOTAL PUBLIC SAFETY	41,515,511	42,779,274	42,546,418	232,856

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - GENERAL FUND (continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
<b><u>PUBLIC WORKS:</u></b>				
Department of Public Works:				
Director's office	210,684	250,063	237,740	12,323
Building Maintenance	1,783,600	1,801,947	1,741,686	60,261
Fleet Maintenance Operation	2,412,431	2,412,431	2,409,272	3,159
Streets	1,837,367	2,148,016	2,054,994	93,022
Traffic Planning and Control	807,146	913,313	849,266	64,047
Street Lighting	451,206	484,206	406,463	77,743
<b>TOTAL PUBLIC WORKS</b>	<b>7,502,434</b>	<b>8,009,976</b>	<b>7,699,421</b>	<b>310,555</b>
<b><u>HEALTH AND SANITATION:</u></b>				
Department of Community Development:				
Health	3,306,950	3,497,940	3,254,414	243,526
<b>TOTAL HEALTH AND SANITATION</b>	<b>3,306,950</b>	<b>3,497,940</b>	<b>3,254,414</b>	<b>243,526</b>
<b><u>PARKS AND RECREATION:</u></b>				
Department of Community Development:				
Park Maintenance	719,247	725,845	626,634	99,211
Recreation	665,458	699,870	584,962	114,908
Swimming Pool Operation	311,278	293,278	274,986	18,292
<b>TOTAL PARKS AND RECREATION</b>	<b>1,695,983</b>	<b>1,718,993</b>	<b>1,486,582</b>	<b>232,411</b>
<b><u>COMMUNITY DEVELOPMENT:</u></b>				
Department of Community Development:				
Director's Office	1,482,642	1,590,172	1,440,572	149,600
Planning and Zoning	774,383	981,796	925,200	56,596
Building Standards & Safety	2,921,159	3,153,243	2,259,590	893,653
<b>TOTAL COMMUNITY DEVELOPMENT AND PLANNING</b>	<b>5,178,184</b>	<b>5,725,211</b>	<b>4,625,362</b>	<b>1,099,849</b>
<b>CAPITAL OUTLAYS</b>	<b>924,467</b>	<b>1,073,798</b>	<b>1,063,755</b>	<b>10,043</b>
<b>TOTAL CAPITAL OUTLAYS</b>	<b>924,467</b>	<b>1,073,798</b>	<b>1,063,755</b>	<b>10,043</b>
<b>TOTAL EXPENDITURES</b>	<b>69,382,236</b>	<b>75,048,722</b>	<b>72,034,753</b>	<b>3,013,969</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 6,116,667	\$ 2,333,887	\$ 10,168,838	\$ 7,834,951

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - GENERAL FUND (continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfers In:				
Sewer Fund		890,246	890,246	-
Homeland Security for Water/Sewer	200,000	200,000	200,000	-
CD Block Grant Reimbursement	525,000	525,000	489,652	(35,348)
Operating Transfers Out:				
Debt Service Fund	(7,440,220)	(7,540,220)	(7,362,225)	177,995
911 Fund	(165,000)	(165,000)	(165,000)	-
TOTAL OTHER FINANCING SOURCES (uses) net	<u>(6,880,220)</u>	<u>(6,089,974)</u>	<u>(5,947,327)</u>	<u>142,647</u>
Net change in fund balances:	<u>\$ (763,553)</u>	<u>\$ (3,756,087)</u>	\$ 4,221,511	<u>\$ 7,977,598</u>
Add back reserve for encumbrances			1,571,640	
Net effect of other income, and expenditure accruals			<u>(784,012)</u>	
Net change in fund balances			5,009,139	
FUND BALANCES (DEFICIT), BEGINNING OF YEAR			<u>9,128,441</u>	
FUND BALANCES, END OF YEAR			<u>\$ 14,137,580</u>	

See notes to financial statements.

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - PENNSYLVANIA MOTOR FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

Pennsylvania Motor Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
<b>REVENUES:</b>				
<u>INTERGOVERNMENTAL REVENUES:</u>				
PA Liquid Fuels Tax	\$ 1,860,000	\$ 1,860,000	\$ 1,874,427	\$ 14,427
State Aid for Pension	9,400	9,400	8,966	(434)
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>1,869,400</b>	<b>1,869,400</b>	<b>1,883,393</b>	<b>13,993</b>
<b>INVESTMENT INCOME</b>	<b>25,000</b>	<b>25,000</b>	<b>10,334</b>	<b>(14,666)</b>
<u>OTHER INCOME:</u>				
Miscellaneous	2,500	2,500	56,955	54,455
<b>TOTAL OTHER INCOME</b>	<b>2,500</b>	<b>2,500</b>	<b>56,955</b>	<b>54,455</b>
<b>TOTAL REVENUES</b>	<b>\$ 1,896,900</b>	<b>\$ 1,896,900</b>	<b>\$ 1,950,682</b>	<b>\$ 53,782</b>
<b>EXPENDITURES:</b>				
<u>PUBLIC WORKS</u>				
Department of Public Works:				
Streets	1,940,054	2,052,670	1,798,220	254,450
<b>TOTAL PUBLIC WORKS</b>	<b>1,940,054</b>	<b>2,052,670</b>	<b>1,798,220</b>	<b>254,450</b>
<b>TOTAL EXPENDITURES</b>	<b>1,940,054</b>	<b>2,052,670</b>	<b>1,798,220</b>	<b>254,450</b>
Excess (deficiency) of revenues over (under) expenditures	\$ (43,154)	\$ (155,770)	\$ 152,462	\$ 308,232

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

BUDGETARY BASIS - PENNSYLVANIA MOTOR FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

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Pennsylvania Motor Fund

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget</u>
Net change in fund balances:	<u>\$ (43,154)</u>	<u>\$ (155,770)</u>	152,462	<u>\$ 308,232</u>
Add back reserve for encumbrances			-	
Net effect of other income, and expenditure accruals			<u>577</u>	
Net change in fund balances			153,039	
FUND BALANCES, BEGINNING OF YEAR			<u>651,888</u>	
FUND BALANCES, END OF YEAR			<u>\$ 804,927</u>	

Statement consists of both facing pages

## **BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets as required by the City Charter are adopted by City Council on a cash basis and include appropriations to cover prior and anticipated current encumbrances. Appropriations not reserved for encumbrances lapse at the year end. Budgets are legally adopted for the General Fund, Pennsylvania Motor Fund, Debt Service Fund and Capital Projects Fund.

The City Administration on or before November 1 presents the proposed budgets to City Council. A series of public hearings and discussions occur related to the budgets and on or before December 15, City Council approves the budgets. At the time of the budget adoptions, City Council adopts various ordinances related to tax rates and other rates and fees.

The City Charter requires the City's legal level of budgetary control to be at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance between accounts within a fund.

For the year ended December 31, 2007, for all legally budgeted funds, budgetary expenditures did not exceed appropriations.

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**CITY OF ALLENTOWN, PENNSYLVANIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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, 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) %
January 1, 2005	90,697,840	86,407,368	(4,290,467)	104.97 %	23,686,928	(18.11) %
January 1, 2007	100,999,424	100,013,905	(985,519)	100.99 %	24,003,648	(4.11) %

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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, 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) %
January 1, 2005	25,215,689	28,033,347	2,817,658	89.95 %	431,051	653.67 %
January 1, 2007	21,982,132	25,711,360	3,729,228	85.50 %	327,197	1,139.75 %

**CITY OF ALLENTOWN, PENNSYLVANIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Policemen's Pension Fund 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)	OALL/(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
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	109.09 %
January 1, 2005	62,621,976	110,991,994	48,370,018	56.42 %	9,429,081	512.99 %
January 1, 2007	64,733,840	114,801,290	50,067,450	56.39 %	10,126,336	494.43 %

Firemen's Pension Fund 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)	OALL/(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
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 %
January 1, 2005	42,012,732	61,631,376	19,618,644	68.17 %	7,310,105	268.38 %
January 1, 2007	43,525,113	64,764,292	21,239,179	67.21 %	7,350,267	288.96 %

**CITY OF ALLENTOWN, PENNSYLVANIA**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF EMPLOYER'S CONTRIBUTIONS  
FOR THE SIX YEARS ENDED DECEMBER 31, 2007

**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, 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 %	345,520	100 %
December 31, 2005	-	N/A	2,812,373	100 %	1,018,632	100 %	358,968	100 %
December 31, 2006	-	N/A	3,010,528	100 %	1,241,367	100 %	446,843	100 %
December 31, 2007	528,875	100%	5,841,327	100 %	3,049,326	100 %	1,263,532	100 %

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**CITY OF ALLENTOWN, PENNSYLVANIA**  
REQUIRED SUPPLEMENTARY INFORMATION  
POLICEMEN, FIREMEN AND OFFICERS AND EMPLOYEES PENSION FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Policemen Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund
Valuation date	January 1, 2007	January 1, 2007	January 1, 2007
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar	Adjustment equal to 10% of excess assets over accrued liability	Adjustment equal to 10% of excess assets over accrued liability
Amortization period	13.8 years	Closed	Closed
Asset value method	Fair Market Value	Fair Market Value	Fair Market Value
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases	5.00%	4.90%	5.00%

# Supplementary Information

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CITY OF ALLENTOWN, PENNSYLVANIA

COMPONENT UNITS  
COMBINING STATEMENTS OF NET ASSETS  
DECEMBER 31, 2007

	Allentown Redevelopment Authority	AEDC	Allentown Parking Authority	Totals
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 170,836	\$ 674,385	\$ 2,763,185	\$ 3,608,406
Cash and cash equivalents - restricted	-	1,548,803	-	1,548,803
Cash and cash equivalents - designated	-	1,845,453	-	1,845,453
Investments, certificates of deposits	-	-	577,387	577,387
Accounts receivable	500,000	-	219,749	719,749
Accrued interest receivable	-	-	4,542	4,542
Inventory	-	-	11,786	11,786
Prepaid expenses	-	-	284,135	284,135
Due from other governments	115,347	-	-	115,347
Notes receivable, current maturities	-	195,924	-	195,924
Miscellaneous receivables and prepayments	-	4,162,825	-	4,162,825
Total current assets	<u>786,183</u>	<u>8,427,390</u>	<u>3,860,784</u>	<u>13,074,357</u>
RESTRICTED ASSETS				
Cash and cash equivalents	-	-	96,527	96,527
Investments, certificates of deposit	-	-	-	-
Accrued interest	-	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>96,527</u>	<u>96,527</u>
CAPITAL ASSETS, net of accumulated depreciation				
	<u>223,053</u>	<u>22,908,159</u>	<u>46,044,446</u>	<u>69,175,658</u>
DEFERRED CHARGES, net of accumulated amortization				
	<u>-</u>	<u>-</u>	<u>349,384</u>	<u>349,384</u>
OTHER ASSETS				
	<u>-</u>	<u>1,024,379</u>	<u>981</u>	<u>1,025,360</u>
TOTAL ASSETS	<u>\$ 1,009,236</u>	<u>\$ 32,359,928</u>	<u>\$ 50,352,122</u>	<u>\$ 83,721,286</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$ 16,087	\$ 6,081,362	\$ 1,908,295	\$ 8,005,744
Mortgage and note payable	-	668,338	340,853	1,009,191
Accrued expenses	-	-	250,904	250,904
Bonds payable	-	-	1,269,114	1,269,114
Other current liabilities	27,497	135,947	79,916	243,360
Total current liabilities	<u>43,584</u>	<u>6,885,647</u>	<u>3,849,082</u>	<u>10,778,313</u>
NONCURRENT LIABILITIES:				
Deferred revenue	3,659	200,000	10,977,497	11,181,156
Mortgage and note payable	-	4,439,986	-	4,439,986
Bonds payable	-	-	20,806,236	20,806,236
Total noncurrent liabilities	<u>3,659</u>	<u>4,639,986</u>	<u>31,783,733</u>	<u>36,427,378</u>
Total liabilities	<u>47,243</u>	<u>11,525,633</u>	<u>35,632,815</u>	<u>47,205,691</u>
NET ASSETS:				
Invested in capital assets net of related debt	223,053	17,799,835	21,903,413	39,926,301
Unrestricted net assets (deficit)	<u>738,940</u>	<u>3,034,460</u>	<u>(7,184,106)</u>	<u>(3,410,706)</u>
Total net assets	<u>961,993</u>	<u>20,834,295</u>	<u>14,719,307</u>	<u>36,515,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,009,236</u>	<u>\$ 32,359,928</u>	<u>\$ 50,352,122</u>	<u>\$ 83,721,286</u>

## CITY OF ALLENTOWN, PENNSYLVANIA

COMPONENT UNITS  
COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Allentown Redevelopment Authority	AEDC	Allentown Parking Authority	Totals
<b>SUPPORT AND OPERATING REVENUE</b>				
Charges for services				
Parking fees	\$ -	\$ -	\$ 5,521,995	\$ 5,521,995
Rental Income	-	841,022	-	841,022
Fees and service charges	-	1,856	-	1,856
Management fee income	-	45,000	-	45,000
Professional services	-	6,768	-	6,768
Contributions and grants	-	72,700	-	72,700
Intergovernmental revenue	1,181,137	7,740,683	-	8,921,820
Total support and operating revenue	<u>1,181,137</u>	<u>8,708,029</u>	<u>5,521,995</u>	<u>15,411,161</u>
<b>OPERATING EXPENSES:</b>				
Administrative services and related costs	-	263,024	-	263,024
Advertising, promotion and marketing	-	678	-	678
City grant programs	-	13,000	-	13,000
City funding return to CDBG program	-	36,195	-	36,195
Depreciation and amortization	-	255,877	1,050,879	1,306,756
Dues and subscriptions	-	1,613	-	1,613
Insurance	-	75,578	-	75,578
Loan packaging	-	535	-	535
Materials and supplies	-	-	67,708	67,708
Office supplies and related expenses	-	19,020	-	19,020
Professional fees	-	156,118	-	156,118
Program expenses	-	4,634	-	4,634
Real estate and other taxes	-	53,595	-	53,595
Rent	-	582	-	582
Repair, maintenance and miscellaneous	-	90,305	-	90,305
Telephone and utilities	-	183,660	-	183,660
Trade associations	-	1,315	-	1,315
Training and professional development	-	1,602	-	1,602
Travel and meetings	-	5,084	-	5,084
Services and charges	-	-	714,356	714,356
Wages and benefits	788,506	-	2,067,863	2,856,369
Total operating expense	<u>788,506</u>	<u>1,162,415</u>	<u>3,900,806</u>	<u>5,851,727</u>
NET OPERATING REVENUE (EXPENSE)	<u>392,631</u>	<u>7,545,614</u>	<u>1,621,189</u>	<u>9,559,434</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>				
Investment income	3,627	118,476	625,653	747,756
Interest expense	-	(230,425)	(539,801)	(770,226)
Gain (Loss) on disposal of capital assets	-	-	(66,205)	(66,205)
Miscellaneous	-	6,134	23,857	29,991
Total nonoperating revenue (expense)	<u>3,627</u>	<u>(105,815)</u>	<u>43,504</u>	<u>(58,684)</u>
Income before contributions	396,258	7,439,799	1,664,693	9,500,750
<b>CAPITAL CONTRIBUTIONS</b>				
Capital contributions	-	-	876,000	876,000
Contributions to City of Allentown	-	-	(96,669)	(96,669)
CHANGE IN NET ASSETS	<u>396,258</u>	<u>7,439,799</u>	<u>2,444,024</u>	<u>10,280,081</u>
NET ASSETS, BEGINNING OF YEAR	565,735	13,394,496	13,787,852	27,748,083
PRIOR PERIOD ADJUSTMENT	-	-	(1,512,569)	(1,512,569)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>565,735</u>	<u>13,394,496</u>	<u>12,275,283</u>	<u>26,235,514</u>
NET ASSETS, END OF YEAR	<u>\$ 961,993</u>	<u>\$ 20,834,295</u>	<u>\$ 14,719,307</u>	<u>\$ 36,515,595</u>

CITY OF ALLENTOWN, PENNSYLVANIA

COMPONENT UNITS  
 COMBINING STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Allentown Redevelopment Authority	AEDC	Allentown Parking Authority	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ -	\$ (1,839,983)	\$ 14,899,107	\$ 13,059,124
Intergovernmental revenues	763,603	7,737,260	-	8,500,863
Payments to employees	-	5,680,435	(2,134,468)	3,545,967
Payments to suppliers	(619,114)	(873,939)	(762,869)	(2,255,922)
Net cash provided by operating activities	144,489	10,703,773	12,001,770	22,850,032
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advance to/from other funds	(96,951)	-	-	(96,951)
Contributions to City of Allentown	-	-	(96,669)	(96,669)
Net cash used in noncapital financing activities	(96,951)	-	(96,669)	(193,620)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	-	(8,796)	(23,031,842)	(23,040,638)
Proceeds from sale of capital assets	-	-	238,888	238,888
Additions to project development projects	-	(10,227,262)	-	(10,227,262)
Capital contributions	-	-	876,000	876,000
Principal payments on notes and bonds payable	-	(123,516)	(7,270,000)	(7,393,516)
Proceeds from bonds payable	-	1,568,862	9,489,024	11,057,886
Interest paid	-	-	(499,793)	(499,793)
Trustee fees	-	-	(7,273)	(7,273)
Net cash used in capital and related financing activities	-	(8,790,712)	(20,204,996)	(28,995,708)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Maturities of certificates of deposit	-	-	28,824,000	28,824,000
Purchase of certificates of deposit	-	-	(23,895,387)	(23,895,387)
Investment income	3,627	-	640,569	644,196
Realty income	-	-	33,377	33,377
Net cash provided by investing activities	3,627	-	5,602,559	5,606,186
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>51,165</b>	<b>1,913,061</b>	<b>(2,697,336)</b>	<b>(733,110)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>119,671</b>	<b>2,155,580</b>	<b>5,557,048</b>	<b>7,832,299</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>170,836</b>	<b>4,068,641</b>	<b>2,859,712</b>	<b>7,099,189</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	392,631	7,439,799	1,621,189	9,453,619
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	144,204	255,877	1,050,879	1,450,960
Change in assets and liabilities:				
Accounts and notes receivable	(412,167)	(2,952,583)	(80,628)	(3,445,378)
Inventory	-	-	4,215	4,215
Prepaid expenses	-	-	(12,863)	(12,863)
Accounts payable and accrued expenses	8,849	5,943,459	(13,355)	5,938,953
Deferred revenue	(5,367)	-	9,438,450	9,433,083
Other liabilities	16,339	17,221	(6,117)	27,443
Net cash provided by operating activities	\$ 144,489	\$ 10,703,773	\$ 12,001,770	\$ 22,850,032

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**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, 2007**

	Capital Projects			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>				
Charges for services	\$ -	\$ -	\$ 190,134	\$ 190,134
Intergovernmental revenues	2,346,084	2,346,084	1,224,630	(1,121,454)
Other		2,939	37,487	34,548
<b>Total revenues</b>	<u>2,346,084</u>	<u>2,349,023</u>	<u>1,452,251</u>	<u>(896,772)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	-	-	-	
Capital outlay	46,569,188	37,449,067	8,066,364	29,382,703
Debt service-principal	-	-	-	-
Debt service-interest	-	-	-	-
<b>Total expenditures</b>	<u>46,569,188</u>	<u>37,449,067</u>	<u>8,066,364</u>	<u>29,382,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,223,104)</u>	<u>(35,100,044)</u>	<u>(6,614,113)</u>	<u>28,485,931</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers-out	-	-	-	
Operating transfers-in	2,025,000	4,690,000	4,690,000	-
<b>Total other financing sources (uses), net</b>	<u>2,025,000</u>	<u>4,690,000</u>	<u>4,690,000</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (42,198,104)</u>	<u>\$ (30,410,044)</u>	<u>(1,924,113)</u>	<u>\$ 28,485,931</u>
Add back reserve for encumbrances			4,015,007	
Net effect of other income, and expenditure accruals			<u>1,690,863</u>	
<b>Net change in fund balances</b>			3,781,757	
<b>FUND BALANCES , BEGINNING OF YEAR</b>			<u>1,419,250</u>	
<b>FUND BALANCES , END OF YEAR</b>			<u>\$ 5,201,007</u>	

Schedule consists of both facing pages

Debt Service

Original and Final Budget	Actual	Variance
---------------------------------	--------	----------

-	-	-
---	---	---

\$ 25,775	\$ 25,775	\$ -
-	-	-
3,206,521	3,118,900	87,621
4,397,196	4,395,128	2,068
7,629,492	7,539,803	89,689
(7,629,492)	(7,539,803)	(89,689)

-	-	-
7,629,492	7,539,803	89,689
7,629,492	7,539,803	89,689
\$ -	-	\$ -

-
-
-
\$ -

CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
<b>EARNED INCOME TAX ESCROW:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,893,930	\$ 33,158,872	\$ 33,314,924	\$ 3,737,878
Due from other funds	-	131,504	131,504	-
<b>Total assets</b>	<b>\$ 3,893,930</b>	<b>\$ 33,290,376</b>	<b>\$ 33,446,428</b>	<b>\$ 3,737,878</b>
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 1,591,956	\$ 1,591,956	\$ -
Due to other governments	3,893,930	31,698,420	31,854,472	3,737,878
<b>Total liabilities</b>	<b>\$ 3,893,930</b>	<b>\$ 33,290,376</b>	<b>\$ 33,446,428</b>	<b>\$ 3,737,878</b>
<b>PAYROLL WITHHOLDING FUNDS:</b>				
Cash and cash equivalents	\$ 1,116,300	\$ 14,691,581	\$ 14,679,554	\$ 1,128,327
<b>Total assets</b>	<b>\$ 1,116,300</b>	<b>\$ 14,691,581</b>	<b>\$ 14,679,554</b>	<b>\$ 1,128,327</b>
<b>Liabilities:</b>				
Payroll tax liability	\$ 1,116,300	\$ 14,202,233	\$ 14,190,206	\$ 1,128,327
Due to other funds	-	489,348	489,348	-
<b>Total liabilities</b>	<b>\$ 1,116,300</b>	<b>\$ 14,691,581</b>	<b>\$ 14,679,554</b>	<b>\$ 1,128,327</b>
<b>TAX COLLECTION FUND:</b>				
Cash and cash equivalents	\$ 1,923,455	\$ 101,174,345	\$ 94,717,202	\$ 8,380,598
<b>Total assets</b>	<b>\$ 1,923,455</b>	<b>\$ 101,174,345</b>	<b>\$ 94,717,202</b>	<b>\$ 8,380,598</b>
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 29,359,726	\$ 29,359,726	\$ -
Due to other governments	1,923,455	71,814,619	65,357,476	8,380,598
<b>Total liabilities</b>	<b>\$ 1,923,455</b>	<b>\$ 101,174,345</b>	<b>\$ 94,717,202</b>	<b>\$ 8,380,598</b>
<b>TOTAL ALL AGENCY FUNDS:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,933,685	\$ 149,024,798	\$ 142,711,680	\$ 13,246,803
Due from other funds	-	131,504	131,504	-
<b>Total assets</b>	<b>\$ 6,933,685</b>	<b>\$ 149,156,302</b>	<b>\$ 142,843,184</b>	<b>\$ 13,246,803</b>
<b>Liabilities:</b>				
Payroll tax liability	\$ 1,116,300	\$ 14,202,233	\$ 14,190,206	\$ 1,128,327
Due to other funds	-	31,441,030	31,441,030	-
Due to other governments	5,817,385	103,513,039	97,211,948	12,118,476
<b>Total liabilities</b>	<b>\$ 6,933,685</b>	<b>\$ 149,156,302</b>	<b>\$ 142,843,184</b>	<b>\$ 13,246,803</b>

Statistical

# City of Allentown

## Statistical Section

This part of the City of Allentown's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information.

<b>Contents</b>	<b>Table</b>
<b>Financial Trends</b>	<b>1 - 5</b>
These tables contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.	
<b>Revenue Capacity</b>	<b>6 - 9</b>
These tables contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.	
<b>Debt Capacity</b>	<b>10 - 14</b>
These tables offer present information that may assist the reader in analyzing the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<b>Economic &amp; Demographic Information</b>	<b>15 - 16</b>
These tables offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.	
<b>Operating Information</b>	<b>17 - 19</b>
These tables contain service and infrastructure indicators to help the reader understand how the information in the government's financial statements relate to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City of Allentown implemented GASB Statement No. 34 in fiscal year 2003; tables presenting government-wide information include information beginning in that year.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 1

**Net Assets by Component  
Last Five Years  
(accrual basis of accounting)**

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 31,054,583	\$ 20,907,099	\$ 26,835,473	\$ 20,563,347	\$ 17,098,445
Restricted	9,006,858	8,421,791	8,910,203	9,594,133	7,971,503
Unrestricted	<u>(36,797,413)</u>	<u>(39,083,486)</u>	<u>(37,369,388)</u>	<u>(21,666,333)</u>	<u>(7,510,520)</u>
<b>Total governmental activities net assets</b>	<u><u>3,264,028</u></u>	<u><u>(9,754,596)</u></u>	<u><u>(1,623,712)</u></u>	<u><u>8,491,147</u></u>	<u><u>17,559,428</u></u>
<b>Business - type activities</b>					
Invested in capital assets, net of related debt	44,536,897	48,253,494	53,403,909	57,148,473	58,612,743
Unrestricted	<u>15,657,853</u>	<u>16,817,214</u>	<u>16,656,539</u>	<u>16,984,799</u>	<u>14,828,068</u>
<b>Total business - type activities net assets</b>	<u><u>60,194,750</u></u>	<u><u>65,070,708</u></u>	<u><u>70,060,448</u></u>	<u><u>74,133,272</u></u>	<u><u>73,440,811</u></u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	75,591,480	69,160,593	80,239,382	77,711,820	75,711,188
Restricted	9,006,858	8,421,791	8,910,203	9,594,133	7,971,503
Unrestricted	<u>(21,139,560)</u>	<u>(22,266,272)</u>	<u>(20,712,849)</u>	<u>(4,681,534)</u>	<u>7,317,548</u>
<b>Total primary government activities net assets</b>	<u><u>\$ 63,458,778</u></u>	<u><u>\$ 55,316,112</u></u>	<u><u>\$ 68,436,736</u></u>	<u><u>\$ 82,624,419</u></u>	<u><u>\$ 91,000,239</u></u>

Notes:

Information is provided for years after adoption of GASB34

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CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

Changes in Net Assets  
Last Five Years  
(accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General government	\$ 5,900,215	\$ 6,645,606	\$ 8,363,679	\$ 11,591,907	\$ 8,496,511
Public Safety	34,579,587	36,982,770	37,329,606	35,746,269	44,659,264
Community Development	6,720,749	8,911,593	8,240,887	8,687,031	9,508,856
Public Works	11,008,262	10,605,482	11,113,362	11,363,182	11,262,288
Health and sanitation	3,762,726	3,461,871	3,375,154	4,450,785	3,283,888
Parks and recreation	2,445,365	2,376,253	3,071,350	3,392,513	3,527,522
Other	4,250,164	9,498,938	339,076	1,141,913	-
Interest on long-term debt	5,173,199	3,115,775	3,940,612	3,996,208	4,373,290
<b>Total Governmental Activities expenses</b>	<u>73,840,267</u>	<u>81,598,288</u>	<u>75,773,726</u>	<u>80,369,808</u>	<u>85,111,619</u>
<b>Business - type activities:</b>					
Water fund	10,203,261	9,959,147	10,726,077	10,268,694	10,846,997
Sewer fund	10,179,095	11,422,394	11,898,997	12,376,807	13,047,950
Municipal golf course	611,666	925,727	851,582	735,697	1,057,970
Solid waste fund	9,213,705	9,316,884	9,417,855	9,530,362	11,565,750
<b>Total business - type activities expenses</b>	<u>30,207,727</u>	<u>31,624,152</u>	<u>32,894,511</u>	<u>32,911,560</u>	<u>36,518,667</u>
<b>Total primary government expenses</b>	<u>\$ 104,047,994</u>	<u>\$ 113,222,440</u>	<u>\$ 108,668,237</u>	<u>\$ 113,281,368</u>	<u>\$ 121,630,286</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
General government	\$ 907,740	\$ 1,031,734	\$ 1,097,664	\$ 1,169,888	\$ 3,100,711
Public Safety	4,495,190	4,582,892	4,710,383	5,792,822	6,678,609
Community Development	1,234,606	1,505,949	1,575,685	1,560,786	1,607,840
Public Works	407,523	623,799	454,628	941,958	2,668,591
Health and sanitation	181,465	155,087	151,448	181,677	224,221
Parks and recreation	395,833	378,200	335,559	327,358	366,715
Other	-	-	2,866,112	5,187,455	-
Operating grants and contributions	9,492,085	7,703,267	11,592,544	12,512,597	10,645,301
Capital grants and contributions	328,928	1,779,448	2,845,673	2,232,405	1,400,090
<b>Total governmental activities program rever</b>	<u>17,443,370</u>	<u>17,760,376</u>	<u>25,629,696</u>	<u>29,906,946</u>	<u>26,692,078</u>
<b>Business - type activities:</b>					
<b>Charges for services:</b>					
Water fund	14,831,266	14,169,008	14,380,000	14,639,594	14,167,850
Sewer fund	15,142,783	14,365,042	17,052,181	16,104,610	14,752,734
Municipal golf course	839,995	945,130	950,416	1,067,497	1,249,958

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

Changes in Net Assets  
Last Five Years  
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Solid waste fund	8,595,850	8,701,576	8,884,440	8,830,880	11,538,022
Operating grants and contributions	1,600,757	1,571,561	1,025,750	808,377	948,666
Capital grants and contributions	-	-	152,000	-	-
Total business-type activities program revenue	<u>41,010,651</u>	<u>39,752,317</u>	<u>42,444,787</u>	<u>41,450,958</u>	<u>42,657,230</u>
Total primary government program revenue	<u>\$ 58,454,021</u>	<u>\$ 57,512,693</u>	<u>\$ 68,074,483</u>	<u>\$ 71,357,904</u>	<u>\$ 69,349,308</u>
Net (expense)/revenue:					
Governmental activities	\$ (56,396,897)	\$ (63,837,912)	\$ (50,144,030)	\$ (50,462,862)	\$ (58,419,541)
Business - type activities	<u>10,802,924</u>	<u>8,128,165</u>	<u>9,550,276</u>	<u>8,539,398</u>	<u>6,138,563</u>
Total primary government net expense	<u>\$ (45,593,973)</u>	<u>\$ (55,709,747)</u>	<u>\$ (40,593,754)</u>	<u>\$ (41,923,464)</u>	<u>\$ (52,280,978)</u>
<b>General Revenue and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes and other taxes	\$ 40,167,520	\$ 40,058,771	\$ 46,918,139	48,512,216	52,579,329
Grants and charges not restricted to specific programs	6,939,484	6,833,526	6,065,052	6,146,246	6,028,421
Unrestricted investment earnings	403,808	499,128	596,402	973,003	1,490,757
Transfers	<u>3,461,374</u>	<u>3,427,863</u>	<u>4,671,851</u>	<u>4,946,256</u>	<u>7,389,315</u>
Total governmental activities	<u>50,972,186</u>	<u>50,819,288</u>	<u>58,251,444</u>	<u>60,577,721</u>	<u>67,487,822</u>
Business - type activities:					
Investment earnings	277,106	175,656	111,315	479,682	558,291
Transfers	<u>(3,461,374)</u>	<u>(3,427,863)</u>	<u>(4,671,851)</u>	<u>(4,946,256)</u>	<u>(7,389,315)</u>
Total business - type activities	<u>(3,184,268)</u>	<u>(3,252,207)</u>	<u>(4,560,536)</u>	<u>(4,466,574)</u>	<u>(6,831,024)</u>
Total primary government	<u>\$ 47,787,918</u>	<u>\$ 47,567,081</u>	<u>\$ 53,690,908</u>	<u>\$ 56,111,147</u>	<u>\$ 60,656,798</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (5,424,711)	\$ (13,018,624)	\$ 8,107,414	\$ 10,114,859	\$ 9,068,281
Business - type activities	<u>7,618,656</u>	<u>4,875,958</u>	<u>4,989,740</u>	<u>4,072,824</u>	<u>(692,461)</u>
Total primary governments	<u>\$ 2,193,945</u>	<u>\$ (8,142,666)</u>	<u>\$ 13,097,154</u>	<u>\$ 14,187,683</u>	<u>\$ 8,375,820</u>

Notes:

Information is provided for years after adoption of GASB34

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 3

**Governmental Activities Tax Revenues By Source  
Last Ten Years  
(accrual basis of accounting)**

<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>
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	40,167,520	24,343,349	6,277,135	6,207,494	3,339,542
2004	39,413,259	24,310,225	6,620,027	6,052,939	2,430,068
2005	46,918,139	29,437,515	7,091,890	5,987,283	4,401,451
2006	48,512,216	29,777,503	7,173,393	6,376,629	5,184,691
2007	52,579,329	29,401,764	8,244,860	6,487,096	8,445,609

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 4

**Fund Balances of Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)**

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund										
Reserved	\$ 627,445	\$ 318,728	\$ 152,875	\$ 712,528	\$ 1,519,207	\$ -	\$ -	\$ -	\$ -	\$ 1,571,640.00
Unreserved	7,274,808	6,123,138	7,447,764	7,199,378	1,993,162	\$ (1,351,217)	\$ (3,312,208)	\$ (2,711,620)	\$ 9,128,441	\$ 12,565,940
Total general fund	<u>7,902,253</u>	<u>6,441,866</u>	<u>7,600,639</u>	<u>7,911,906</u>	<u>3,512,369</u>	<u>(1,351,217)</u>	<u>(3,312,208)</u>	<u>(2,711,620)</u>	<u>9,128,441</u>	<u>14,137,580</u>
All other governmental funds										
Reserved	11,172,091	12,150,892	9,452,042	9,976,408	12,360,497	18,674,685	15,071,930	12,275,288	11,014,501	13,176,308
Unreserved, reported in:										
Special revenue funds	157,598	22,283	62,249	69,702	168,292	-	-	-	-	(469,193)
Capital projects funds	1,840,425	-	-	-	(1,061,437)	-	-	-	-	-
Total all other governmental funds	<u>13,170,114</u>	<u>12,173,175</u>	<u>9,514,291</u>	<u>10,046,110</u>	<u>11,467,352</u>	<u>18,674,685</u>	<u>15,071,930</u>	<u>12,275,288</u>	<u>11,014,501</u>	<u>12,707,115</u>
<b>TOTAL</b>	<u><u>\$ 21,072,367</u></u>	<u><u>\$ 18,615,041</u></u>	<u><u>\$ 17,114,930</u></u>	<u><u>\$ 17,958,016</u></u>	<u><u>\$ 14,979,721</u></u>	<u><u>\$ 17,323,468</u></u>	<u><u>\$ 11,759,722</u></u>	<u><u>\$ 9,563,668</u></u>	<u><u>\$ 20,142,942</u></u>	<u><u>\$ 26,844,695</u></u>

## Notes:

Prior to 2003, the Trexler Fund was recorded as an expendable trust. Since 2003, it has been included in Reserved Funds.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 5

Changes in Fund Balances of Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$ 31,685,398	\$ 33,471,906	\$ 35,762,476	\$ 36,350,126	\$ 36,314,207	\$ 38,926,651	\$ 39,413,259	\$ 45,635,035	\$ 47,342,430	\$ 51,368,491
Licenses and permits	2,221,622	2,191,454	2,094,929	2,438,559	2,543,809	2,805,947	3,226,492	3,062,847	3,248,191	3,477,297
Charges for services	5,614,718	5,754,199	5,988,629	5,957,518	3,151,332	4,442,950	5,674,904	4,897,309	4,612,567	6,613,544
Fines and forfeits	574,680	564,216	652,050	589,014	548,383	735,416	701,001	555,898	578,363	580,737
Investment earnings	1,488,445	1,294,620	1,605,494	1,184,017	1,049,163	403,808	573,184	497,787	961,195	1,471,916
Intergovernmental revenues	8,083,459	8,739,852	8,769,881	9,859,158	16,090,792	15,093,944	14,946,143	18,944,800	19,846,232	17,152,512
Other	3,704,666	3,899,425	4,264,020	3,466,845	4,924,515	2,398,988	2,205,131	2,091,724	4,131,305	4,177,786
<b>Total revenues</b>	<b>53,372,988</b>	<b>55,915,672</b>	<b>59,137,479</b>	<b>59,845,237</b>	<b>64,622,201</b>	<b>64,807,704</b>	<b>66,740,114</b>	<b>75,685,400</b>	<b>80,720,283</b>	<b>84,842,283</b>
<b>Expenditures</b>										
General government	7,358,780	7,952,710	7,505,224	8,427,623	3,096,579	5,654,308	6,025,189	8,350,112	11,112,672	7,806,908
Public safety	26,998,994	28,075,143	29,748,340	31,130,814	34,285,980	32,869,199	35,623,754	36,144,138	34,632,057	43,639,004
Community development	2,797,384	4,782,716	4,061,590	3,931,950	5,332,381	6,638,437	8,816,554	8,159,802	8,614,385	9,442,326
Public works	6,104,387	6,191,844	6,108,815	6,321,047	7,727,514	8,879,470	8,432,129	8,952,519	9,267,279	9,339,687
Health and sanitation	3,623,400	3,674,098	3,774,743	4,250,052	5,186,895	3,492,039	3,401,766	3,322,865	4,402,484	3,240,066
Parks and recreation	2,466,244	2,476,498	2,474,427	2,536,419	1,625,743	1,877,648	1,497,280	2,323,552	2,734,768	2,925,564
Debt service:										
Principal	2,705,000	4,335,000	4,585,000	5,000,000	5,910,000	5,955,000	4,300,000	4,630,000	5,134,432	3,618,900
Interest	4,637,760	4,687,356	4,743,519	4,725,143	4,556,516	4,456,400	2,553,329	3,971,511	3,894,144	4,395,128
Capital outlay	16,497,605	12,191,020	10,513,757	9,492,137	5,660,189	6,534,655	9,031,443	6,765,457	7,245,177	1,379,020
Payment of loan issuance costs	-	-	-	-	-	170,385	932,830	-	251,525	4,595,871
<b>Total expenditures</b>	<b>73,189,554</b>	<b>74,366,385</b>	<b>73,515,415</b>	<b>75,815,185</b>	<b>73,381,797</b>	<b>76,527,541</b>	<b>80,614,274</b>	<b>82,619,956</b>	<b>87,288,923</b>	<b>90,382,474</b>
<b>Excess of Revenues</b>										
Over (under) expenditures	(19,816,566)	(18,450,713)	(14,377,936)	(15,969,948)	(8,759,596)	(11,719,837)	(13,874,160)	(6,934,556)	(6,568,640)	(5,540,191)
<b>Other Financing Sources (uses):</b>										
Issuance of long term debt	11,239,124	6,741,690	8,096,722	7,104,784	-	18,911,061	64,725,837	-	12,053,400	22,763,981
Payment to refunded bonds escrow agent	-	-	-	-	-	(8,911,809)	(60,293,007)	-	-	(17,850,000)
Bond Discount	-	-	-	-	-	-	-	-	-	(379,897)
Transfers in	9,272,827	10,929,261	11,466,619	11,929,335	(10,065,751)	16,053,898	9,979,882	12,726,232	14,405,814	18,766,342
Transfers out	(5,624,147)	(6,581,655)	(6,942,483)	(7,039,239)	14,849,646	(12,549,343)	(6,508,838)	(8,011,200)	(9,416,378)	(11,331,702)
Capital lease obligations	-	-	-	-	997,406	559,778	406,540	-	105,077	273,220
<b>Total other financing sources and uses</b>	<b>14,887,804</b>	<b>11,089,296</b>	<b>12,620,858</b>	<b>11,994,880</b>	<b>5,781,301</b>	<b>14,063,585</b>	<b>8,310,414</b>	<b>4,715,032</b>	<b>17,147,913</b>	<b>12,241,944</b>
<b>Net change in fund balances</b>	<b>\$ (4,928,762)</b>	<b>\$ (7,361,417)</b>	<b>\$ (1,757,078)</b>	<b>\$ (3,975,068)</b>	<b>\$ (2,978,295)</b>	<b>\$ 2,343,748</b>	<b>\$ (5,563,746)</b>	<b>\$ (2,219,524)</b>	<b>\$ 10,579,273</b>	<b>\$ 6,701,753</b>
Debt service as a percentage of noncapital expenditures	11.2%	13.8%	14.5%	14.7%	16.6%	15.7%	9.3%	11.6%	11.5%	9.7%

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 6

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Years

Fiscal Year Ended December 31	Real Property					Total Taxable Assessed Value	Tax Exempt Real Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value (1)
	Residential Property	Commercial Property	Multi-Family Property	Combination Property	Vacant Lots					
1998	\$ 975,080,400	\$ 355,661,200	\$ 225,954,900	\$ 54,543,550	\$ 15,289,950	\$ 1,626,530,000	\$ 416,323,150	L - 21.23 I - 10.31	\$ 3,253,060,000	50%
1999	979,154,250	354,684,500	222,893,250	53,798,000	16,129,600	1,626,659,600	420,827,750	L - 25.76 I - 9.33	3,253,319,200	50%
2000	989,697,750	351,249,500	221,999,250	53,549,650	16,153,050	1,632,649,200	413,700,500	L - 32.77 I - 9.05	3,265,298,400	50%
2001	999,322,550	351,892,550	221,989,800	53,503,650	15,869,600	1,642,578,150	416,363,400	L - 37.49 I - 7.98	3,285,156,300	50%
2002	1,006,473,450	355,698,650	222,262,450	54,074,200	15,174,000	1,653,682,750	414,514,750	L - 36.21 I - 7.71	3,307,365,500	50%
2003	1,010,110,220	379,636,300	223,499,950	52,664,950	15,259,550	1,681,170,970	420,408,200	L - 41.95 I - 8.93	3,362,341,940	50%
2004	1,021,530,450	374,465,250	223,492,850	53,293,100	14,601,500	1,687,383,150	424,079,700	L - 41.95 I - 8.93	3,374,766,300	50%
2005	1,032,293,650	370,311,000	224,461,600	53,539,900	14,705,450	1,695,311,600	428,009,300	L - 50.40 I - 10.723	3,390,623,200	50%
2006	1,037,145,800	361,532,150	227,440,000	53,261,600	22,297,350	1,701,676,900	426,922,950	L - 50.38 I - 10.723	3,403,353,800	50%
2007	1,043,076,850	359,764,550	229,505,550	53,559,500	21,778,950	1,707,685,400	433,570,800	L - 50.38 I - 10.723	3,415,370,800	50%

Note:

The city assesses property at approximately to percent of actual value for al types of real property. Estimated actual value is calculated by dividing total assessed value (does not include tax exempt real property) by 50 percent.

L - land millage

I - improvement millage

(1) Calculation does not include tax exempt property.

**Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Years**

<u>Fiscal Year</u>	<u>Overlapping Rates</u>			<u>Total Direct &amp; Overlapping Rates</u>
	<u>Allentown City</u>	<u>School District</u>	<u>County</u>	
	<u>Total City Millage</u>	<u>Total School Millage</u>	<u>Total County Millage</u>	
1998	12.22	31.270	7.31	38.58
1999	12.22	31.270	7.31	38.58
2000	13.22	31.270	7.31	38.58
2001	13.22	33.311	7.31	40.62
2002	12.72	34.194	7.31	54.22
2003	14.72	37.490	12.39	49.88
2004	14.72	39.490	10.75	50.24
2005	17.52	41.734	10.75	70.00
2006	17.53	42.942	10.25	70.71
2007	17.53 (1)	42.942	10.25	70.71

**Notes:**

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

Tax rate is mills per dollar (\$1) of assessment.

(1) 17.53 is the base on which the land value tax is calculated (50.38 - land and 10.720 - improvements).

**Principal Property Taxpayers  
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>
Plaza at 835 E Hamilton Street LP	\$ 21,570,550	1	1.27%			
Agere Systems Inc. (1997-Lucent Technologies)	9,845,650	2	0.58%	\$ 14,152,700	1	0.87%
Home Properties Trexler Park LLC (1997-Gateside-Trexler Co.)	9,481,250	3	0.56%	4,589,150	8	0.28%
The Morning Call	6,905,550	4	0.41%	7,344,350	3	0.45%
Congress Associates (1997-Congress Associates/South Mountain Assoc. DePaul Realty)	6,575,850	5	0.39%	9,574,250	2	0.59%
Mark Trucks Inc.	5,962,700	6	0.35%	6,230,900	4	0.38%
The Lakes	5,961,050	7	0.35%	5,961,050	5	0.37%
Morris Allentown Associates LP	5,753,700	8	0.34%			
Lehigh Valley Hospital Inc.	5,372,750	9	0.32%			
230 Riverbend Apartments LLC	<u>5,304,000</u>	10	<u>0.31%</u>			
Total	<u>\$ 82,733,050</u>		<u>4.88%</u>	<u>\$ 47,852,400</u>		<u>2.94%</u>

Source:  
City of Allentown Property Tax File

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 9

Property Tax Levies and Collections  
Last Ten Years

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 20,061,180	\$ 18,702,668	93.2%	n/a	n/a	n/a
1999	20,008,280	18,633,201	93.1%	n/a	n/a	n/a
2000	21,525,956	20,149,832	93.6%	\$ 1,136,026	\$ 21,285,858	98.9%
2001	22,281,666	20,545,834	92.2%	927,830	21,473,664	96.4%
2002	21,888,395	20,383,118	93.1%	689,777	21,072,895	96.3%
2003	24,415,246	23,238,105	95.2%	889,088	24,127,193	98.8%
2004	25,221,033	23,411,082	92.8%	838,554	24,249,636	96.1%
2005	29,804,140	28,226,175	94.7%	942,300	29,168,475	97.9%
2006	30,984,146	28,464,063	91.9%	691,139	29,155,202	94.1%
2007	31,311,392	28,274,939	90.3%	-	28,274,939	90.3%

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 10

Ratios of Outstanding Debt By Type  
Last Ten Years

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Water Bonds	Sewer Bonds	Capital Leases	Other (1)			
1998	\$ 87,015,000	\$ 11,721	\$ 46,090,000	\$ 18,065,000	-	\$ 3,960,000	\$ 155,141,721	5.72%	\$ 1,470
1999	85,715,000	492,578	44,570,000	19,300,000	-	3,585,000	153,662,578	5.40%	1,456
2000	84,810,000	834,428	42,765,000	21,240,000	-	2,995,000	152,644,428	5.09%	1,432
2001	84,000,000	641,261	41,485,000	21,600,000	-	2,630,000	150,356,261	4.71%	1,410
2002	78,505,000	1,336,689	38,235,000	20,000,000	\$ 202,870	2,215,000	140,494,559	4.35%	1,318
2003	81,925,000	1,676,681	34,565,000	18,830,000	388,815	1,800,000	139,185,496	4.20%	1,305
2004	89,330,000	1,663,615	32,040,000	17,430,000	3,298,664	1,400,000	145,162,279	4.30%	1,361
2005	85,100,000	1,272,836	27,730,000	15,555,000	2,689,177	1,000,000	133,347,013	3.85%	1,251
2006	92,518,968	1,024,181	23,570,200	14,000,000	2,172,144	500,000	133,785,493	3.71%	1,255
2007	94,314,049	838,471	20,707,600	12,895,000	1,725,575	-	130,480,695	3.46%	1,224

Notes:

(1) CDBG Section 108 HUD Notes, 1998-1999 also includes Special Obligation Refund for 1977 Series.

**Ratios of General Bonded Debt Outstanding  
Last Ten Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
1998	\$ 87,015,000	2.67%	824
1999	85,715,000	2.63%	812
2000	84,810,000	2.60%	795
2001	84,000,000	2.56%	788
2002	78,505,000	2.37%	736
2003	81,925,000	2.44%	768
2004	89,330,000	2.65%	838
2005	85,100,000	2.51%	798
2006	92,518,968	2.72%	868
2007	94,314,049	2.76%	884

**Direct and Overlapping Governmental Activities Debt  
As of December 31, 2007**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 40,158,005	100.0%	\$ 40,158,005
Lehigh County General Obligation Bonds	228,170,000	20.4%	<u>46,546,680</u>
Subtotal, overlapping debt			86,704,685
City of Allentown Direct Debt (1)			<u>94,314,049</u>
Total direct and overlapping debt			<u><u>\$ 181,018,734</u></u>

## Notes:

(1) Leases are not included in the Direct Debt total.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 13

Legal Debt Margin Information  
Last Ten Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 155,955,602	\$ 157,539,113	\$ 163,512,389	\$ 169,156,715	\$ 169,630,780	\$ 171,794,413	\$ 185,516,142	\$ 228,107,156	\$ 237,239,268	\$ 257,334,258
Total net debt applicable to limit	<u>53,275,000</u>	<u>52,725,000</u>	<u>52,580,000</u>	<u>52,690,000</u>	<u>48,335,000</u>	<u>52,915,000</u>	<u>53,345,000</u>	<u>49,765,000</u>	<u>57,843,968</u>	<u>62,294,049</u>
Legal debt margin	<u>\$ 102,680,602</u>	<u>\$ 104,814,113</u>	<u>\$ 110,932,389</u>	<u>\$ 116,466,715</u>	<u>\$ 121,295,780</u>	<u>\$ 118,879,413</u>	<u>\$ 132,171,142</u>	<u>\$ 178,342,156</u>	<u>\$ 179,395,300</u>	<u>\$ 195,040,209</u>
Total net debt applicable to the limit as a percentage of debt limit	34.16%	33.47%	32.16%	31.15%	28.49%	30.80%	28.75%	21.82%	24.38%	24.21%

Legal Debt Margin Calculation for Fiscal year 2006

Borrowing base (1)	\$ 73,524,074
Percentage limitation	350%
Net debt limit	257,334,258
Debt applicable to limit:	
General obligation debt	94,314,049
Less: Amount set aside for pension funding liability (2)	<u>(32,020,000)</u>
	<u>62,294,049</u>
	<u>\$ 195,040,209</u>

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Notes:

(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 \$32,020,000, which is the outstanding balance of the 2004 GO Bond Issue used to finance The City's pension funding liability as allowed by statute.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 14

Pledged-Revenue Coverage  
Last Ten Years

Fiscal Year	Water Revenue Bonds						Sewer Revenue Bonds					
	Water Revenues and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Sewer Revenues and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
1998	\$ 13,946,972	\$ 7,077,386	\$ 6,869,586	\$ 2,715,000	\$ 2,400,231	1.34	\$ 10,150,191	\$ 8,805,301	\$ 1,344,890	\$ 895,000	\$ 581,694	0.91
1999	13,270,956	6,982,013	6,288,943	2,935,000	2,170,545	1.23	10,198,259	8,600,508	1,597,751	1,200,000	770,858	0.81
2000	13,571,764	7,567,332	6,004,432	3,135,000	2,213,786	1.12	11,187,682	8,484,754	2,702,928	1,325,000	885,030	1.22
2001	12,504,275	7,632,582	4,871,693	3,310,000	2,042,145	0.91	10,272,891	9,117,327	1,155,564	1,485,000	979,865	0.47
2002	12,576,057	7,875,504	4,700,553	3,385,524	1,820,249	0.90	12,450,614	9,525,592	2,925,022	1,600,000	989,132	1.13
2003	15,086,442	7,909,525	7,176,917	3,932,351	1,636,014	1.29	15,344,641	9,322,780	6,021,861	1,630,000	827,134	2.45
2004	14,360,225	7,775,500	6,584,725	4,191,817	1,509,059	1.16	14,477,827	10,136,126	4,341,701	1,795,000	768,286	1.69
2005	14,476,432	8,746,150	5,730,282	4,310,000	1,343,246	1.01	17,101,556	11,481,279	5,620,277	1,875,000	701,711	2.18
2006	14,821,061	8,714,926	6,106,135	3,996,400	1,193,668	1.18	16,356,010	12,145,808	4,210,202	1,555,000	639,242	1.92
2007	14,348,315	9,805,103	4,543,212	2,892,600	1,041,894	1.15	15,049,489	12,399,814	2,649,675	1,105,000	590,693	1.56

Notes:

Details regarding the City of Allentown's outstanding debt can be found in the notes to the financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 15

Demographic and Economic Statistics  
Last Ten Years

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
1998	105,550	\$ 2,711,368,400	\$ 25,688	15,629	5.5%
1999	105,550	2,847,844,550	26,981	16,243	4.9%
2000	106,632	2,996,998,992	28,106	16,424	4.2%
2001	106,632	3,192,988,608	29,944	16,174	5.4%
2002	106,632	3,228,816,960	30,280	16,693	7.2%
2003	106,632	3,310,923,600	31,050	16,969	6.3%
2004	106,632	3,374,796,168	31,649	17,521	7.1%
2005	106,632	3,459,888,504	32,447	18,118	6.6%
2006	106,632	3,605,014,656	33,808	18,209	6.4%
2007	106,632	3,771,467,208	35,369	18,318	5.9%

Source:

- (1) US Department of Commerce, Bureau of the Census
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Allentown School District
- (4) US Department of Labor, Bureau of Labor Statistics

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 16

**Principal Employers  
Current Year and Nine Years Ago**

<b>Employer</b>	<b>2007</b>			<b>1998</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Allentown School District	2,893	1	3.59%	2,309	3	2.58%
Performance Personnel	2,851	2	3.54%			0.00%
Mack Trucks Inc.	2,432	3	3.02%	2,445	2	2.73%
Muhlenberg College	2,072	4	2.57%	1,730	7	1.93%
Allied Temporary Services	2,008	5	2.49%	2,272	4	2.54%
PPL Co.	1,933	6	2.40%	1,763	6	1.97%
Lehigh County & Institutions	1,900	7	2.36%	2,256	5	2.52%
Staffmark LLC Northeast	1,698	8	2.11%			0.00%
Sacred Heart Hospital	1,574	9	1.95%			0.00%
Lehigh Valley Hospital	<u>1,357</u>	10	<u>1.68%</u>	<u>1,589</u>	8	<u>1.77%</u>
	<u>20,718</u>		<u>25.69%</u>	<u>14,364</u>		<u>16.03%</u>

Source:  
City of Allentown Earned Income Tax File

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Operating Indicators By Function  
Last Ten Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Police</b>										
Law Violations	17,713	17,032	17,426	17,019	17,418	19,612	18,103	18,336	19,072	17,381
Traffic violations (2)	11,398	13,117	13,707	11,371	12,487	14,397	16,074	11,465	8,744	5,586
<b>Fire</b>										
Number of calls answered	5,202	5,564	5,974	6,036	6,175	6,090	5,889	5,955	6,033	6,346
Inspections and investigations	4,097	3,659	2,864	3,394	3,095	2,754	3,414	2,637	2,284	2,568
<b>Highways and Streets</b>										
Street reconstruction (miles)	0.8	1.6	0.9	1.5	1.2	0.9	0.7	0.0	0.1	0.15
Overlays (miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.4
Potholes repaired	n/a	n/a	n/a	22,523	18,755	19,621	17,079	13,909	11,691	10,734
<b>Sanitation</b>										
Refuse collected (tons/year)	35,097	36,825	39,321	40,091	40,642	41,870	43,300	44,476	42,126	38,746
Recyclables collected (tons/year)	2,349	2,417	2,425	2,488	2,646	2,762	7,595	8,355	6,194	8,398
Sweep tickets issued (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	786	3,604	4,957
<b>Health</b>										
Home hazard surveys	260	317	353	164	207	305	363	360	243	241
Food service inspections	1,967	1,876	1,374	1,259	1,215	1,436	1,560	1,377	1,405	1,429
Animal related complaints	1,729	1,964	1,873	2,053	1,908	1,818	1,582	1,391	1,222	1,510
Number of home visits	1,340	929	505	886	2,493	2,695	2,720	2,412	2,228	1,658
Total lead screenings	897	912	694	917	836	718	850	857	870	690
Persons tested & counseled for HIV infection	2,536	2,330	2,196	2,312	2,478	2,500	2,500	2,268	2,160	2,324
<b>Recreation</b>										
Pavilion permits	n/a	n/a	n/a	n/a	n/a	173	113	178	206	325
Swimming pool season passes	n/a	n/a	n/a	238	255	231	196	148	152	191
Swimming pool patrons (non season pass)	n/a	n/a	n/a	17,030	24,373	18,485	12,732	17,773	13,395	43,623
<b>Water</b>										
Water connection permits	23	14	12	12	21	20	25	51	25	57
Water main breaks	40	19	30	22	20	25	25	25	9	29
Average daily consumption (millions of gallons)	19.5	18.9	17.7	17.1	16.1	15.5	14.9	15.3	14.5	14.8
<b>Wastewater</b>										
Average daily sewage treatment	31.59	31.54	31.21	30.78	29.45	35.38	31.25	31.72	31.16	30.80

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Operating Indicators By Function  
Last Ten Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
(millions of gallons)										
Golf										
Number of patrons	30,000	30,000	45,000	50,000	46,831	38,000	40,000	39,900	42,000	47,040
Number of days of service	200	200	300	350	330	280	310	320	225	273
E-911										
Number of calls:										
Police	91,086	91,870	93,092	93,385	95,049	112,202	116,435	107,219	105,196	107,135
EMS	9,179	9,833	10,228	10,814	11,323	11,867	12,073	12,932	12,929	13,485
Fire	5,202	5,564	5,974	6,036	6,175	6,112	5,913	5,969	6,048	6,353
Other	4,104	6,885	7,868	7,674	8,344	10,071	9,582	9,156	8,952	9,556

Source:  
Various city departments.

- Notes:
- (1) Sweep ticket program started in May 2005.
  - (2) Starting in 2007, the Police Department starting using a new system. When a traffic violation is included on an arrest sheet, it is no longer listed as a traffic violation.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 19

Capital Asset Statistics By Function  
Last Ten Years

Function	Fiscal year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Police officers	216	216	216	223	226	237	220	172	190	187
Patrol units	62	62	62	73	89	89	92	86	83	87
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6
Fire Fighters	146	146	146	146	146	146	147	135	140	140
Sanitation										
Collection Trucks	0	0	0	0	2	2	3	3	3	3
Highways and Streets										
Streets (miles) (1)	408.5	408.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5
Streetlights	7,658	7,689	7,723	7,742	7,751	7,757	7,762	7,761	7,766	7,829
Traffic signals	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,622	1,622
Recreation										
Parks acreage	2,000	2,000	2,020	2,020	2,020	2,020	2,020	2,020	2,022	2,022
Parks (2)	16	16	16	16	16	32	28	28	29	32
Swimming pools	5	5	5	5	5	5	5	5	5	5
Playgrounds	9	9	10	10	10	10	9	11	11	16
Water										
Water mains (miles)	271.8	273.1	273.3	273.3	273.3	300.0	300.0	300.0	300.0	310.0
Fire hydrants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,708	1,819
Maximum daily capacity (millions of gallons)	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Sewer										
Sanitary sewers (miles)	292.9	293.6	295.6	295.8	295.8	293.0	293.0	293.0	293.0	283.0
Storm sewers (miles)	191.1	185.0	185.0	185.0	185.0	185.0	185.0	185.0	185.0	165.0
Maximum daily treatment capacity (millions of gallons)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Golf										
Number of Courses	1	1	1	1	1	1	1	1	1	1

Source:

Various city departments.

Notes:

(1) In 2000, started also including unpaved alleys.

(2) Until 2002, listed in records as Other Recreational Facilities. Starting 2003, listed as Parks and Other Facilities Maintained.

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# Appendix

**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.
- 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. Short-term debt outstanding at the end of the fiscal year should not exceed five percent (5%) of operating revenues
- Net direct debt of the General Fund should be maintained below \$1,000 per capita.
- Net direct debt per capita for the General Fund 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.

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