

# CITY OF ALLENTOWN

Pennsylvania

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



GARRET H. STRATHEARN  
DIRECTOR OF FINANCE

For the year ended  
December 31, 2011

**CITY OF ALLENTOWN, PENNSYLVANIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011**



**MAYOR**  
Ed Pawlowski

**CITY COUNCIL**  
Peter G. Schweyer, President  
Michael Schlossberg, Vice President  
W. Michael Donovan,  
Jeanette Eichenwald  
Julio Guridy  
Ray O'Connell  
Michael D'Amore, Ph.D.

**CITY CONTROLLER**  
William J. Hoffman

**CITY SOLICITOR**  
Jerry A. Snyder, Esq.

Garret H. Strathearn, Director of Finance  
Beth A. Mohylsky, Manager of Treasury and Accounting Operations

Maher Duessel, Certified Public Accountants

**This Report was prepared by  
The Department of Finance  
Garret H. Strathearn, 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 118,032 residents, according to the U. S. Census Bureau 2010 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 712,481. 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, Air Products and Chemicals, Inc., Olympus, LSI and PPL have selected Lehigh County as their headquarters or as the location of their significant operations. 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, recreational and educational facilities including two colleges, a AAA minor league baseball stadium, multiple museums, theater companies, orchestras, and bands. The City maintains 2,000 acres of park land, well above the national average. In 2011 Allentown's downtown continued its rebirth with the establishment of more new restaurants as well as a 130 acre Neighborhood Improvement Zone which will lead to many new cultural, sports and entertainment attractions anchored in the heart of the City's business and entertainment district.

# **CITY OF ALLENTOWN, PENNSYLVANIA**

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**YEAR ENDED DECEMBER 31, 2011**

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# **CITY OF ALLENTOWN, PENNSYLVANIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2011**

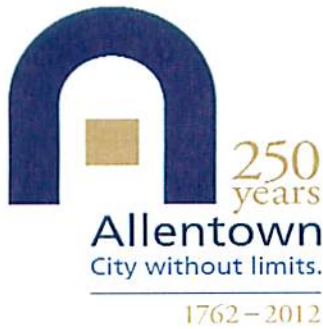
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**Garret H. Strathearn**

Director of Finance

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June 29, 2012

Honorable Mayor and Members of City Council  
Allentown, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the City of Allentown, Pennsylvania (City), for the fiscal year ended December 31, 2011 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 municipal services. These services include police and fire protection; emergency medical services; sanitation services; the construction and maintenance of streets, roads, and infrastructure; water/sewer services; recreational activities, parks, community development and planning, and general administrative support services.

This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). The financial statements of the reporting entity include those of the 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. The CAFR includes Management's Discussion and Analysis (MD&A) that provides an analysis of the City's financial condition for 2011.

**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 Funds, 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 Maher Duessel, Certified Public Accountants was selected by City Council in 2011 to perform the annual audit for fiscal years 2010 through 2012. 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 maintained its focus in 2011 on the continued revitalization of the city. Efforts continued to bolster confidence in public safety by implementing strategies to effectively and efficiently utilize the police force and to further reduce crime. Violent crime has continued to decrease dramatically since 2006. The City has been awarded several major U.S. Department of Justice grants and is employing technology such as multiple remote cameras sites to assist the Police Department. Throughout 2011, the City's Fire Department continued its leadership in emergency management situations and training thus continuing the City's position as a regional pacesetter in the emergency management arena.

The City has also maintained an aggressive and successful 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. These are described in detail in the Economic Outlook section of

the MD&A portion of this report. There you will find the many exciting and significant initiatives that will have a lasting and positive material effect on the financial and economic wellbeing of the City. This is particularly true in the downtown area and the Arts District.

The City General Fund revenues continue to be significantly impacted by the economic times. The administration has continued to put cost containment measures in place to address this decline in revenue.

The City will periodically utilize loans or bonds to finance infrastructure, but has no plans to borrow for any other nonessential major expenditures.

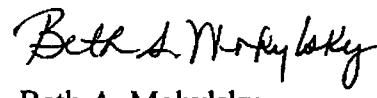
Acknowledgments: The timely preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Department of Finance. We would especially like to express our appreciation to the following staff members who assisted and contributed so significantly to its preparation: Michael T. Sinclair, Daniel B. Eddinger, Melody A. Sajeski, and Maria T. Quigney.

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

Sincerely,



Garret H. Strathearn  
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, 2010

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.



*Linda C. Sandison*

President

*Jeffrey R. Emer*

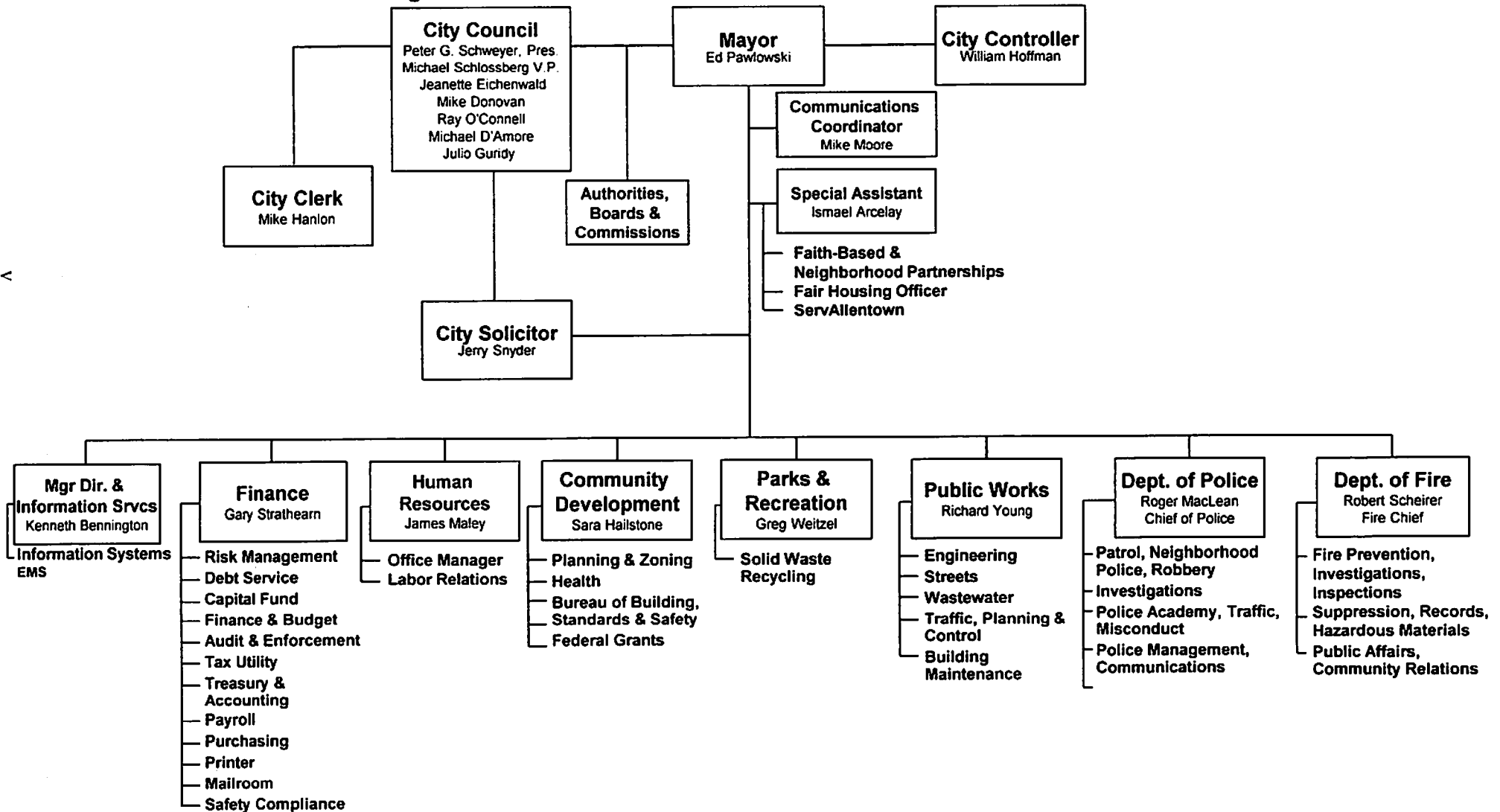
Executive Director

# City of Allentown 2011

The Voters of Allentown

## Legislative Branch

## Executive Branch



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Independent Auditor's Report

The Honorable Ed Pawlowski, Mayor,  
and Members of City Council  
City of Allentown, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allentown, Pennsylvania (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 Redevelopment Authority and the Allentown Parking Authority, which represent 100% of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of 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. The financial statements of the Allentown Redevelopment Authority and the Allentown Parking Authority were not audited in accordance with *Government Auditing Standards*. 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of historical pension and other post-employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We, and the reports of other auditors, do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements taken as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules in supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Mahe Duessel***

Harrisburg, Pennsylvania  
June 29, 2012

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

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**INTRODUCTION**

This Management Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City of Allentown (City) for the year ended December 31, 2011. 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, 2011. Additional information is provided in the Transmittal Letter preceding this MD & A which can be found on pages i-iii 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 2011, the City's total net assets increased by \$2,863,929. Net assets of governmental activities increased \$783,332 and net assets of business-type activities increased \$2,080,297. The increase in the governmental net assets was primarily due to the increase in earned income tax rates. The increase in the business-type activities was due to the increase of recycling billings in the solid waste fund, as well as the increase of municipal sewer signatory billings and an increase in leachate treatment charges.

Property tax rates remained at 17.53 mills in 2011.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this report consists of four parts:

- Management's discussion and analysis (this section)
- Basic 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 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 and other post-employment benefit plans and budget-to-actual figures for the general fund and budgeted major special revenue funds. In addition to these required elements, an optional supplementary section is included with other statements that provide particulars about non-major funds.

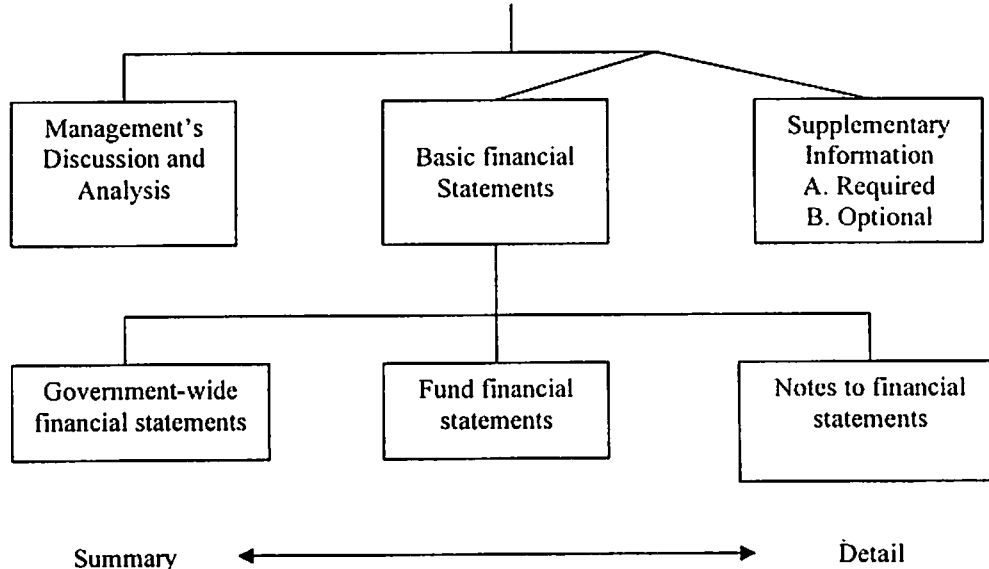
The basic financial statements present two different views of the City.



- *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



City of Allentown, Pennsylvania  
Management's Discussion and Analysis

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**

	<b>Government-wide statements</b>	<b>Fund financial statements</b>		
		<b>Governmental</b>	<b>Business-Type</b>	<b>Fiduciary</b>
<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 business-type 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 related 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 two discretely presented component units including the Allentown Parking Authority and the Allentown Redevelopment Authority.

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. Capital assets are reported as expenditures when financial resources (monies) are expended to purchase or build assets in the fund financial statements. Likewise, the financial

resources that may have been borrowed are considered revenue when they are received in the fund financial statements. Principal and interest payments are both considered expenditures when paid in the fund financial statements. Depreciation is not calculated as it does not provide or reduce current financial resources in the fund financial statements.

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. Governmental fund financial statements are reported using current financial resources and modified accrual accounting established by the Governmental 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 eight governmental funds that the City maintains (General, Liquid Fuels, Community Development Block Grant, Revolving Loan, Debt Service, Capital Projects, Trexler, and E-911) 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, liquid fuels, debt service, and capital project funds, as required by state law. Budgetary comparisons for the general fund and liquid fuels fund are presented as required supplementary information. Budgetary comparisons for the debt service fund and capital projects fund are presented as supplementary information.

- *Proprietary funds* report business-type programs and activities that charge fees designed to cover the cost of providing services. They report using the full accrual basis of accounting.
- *Fiduciary funds* are funds for which the City is the trustee or fiduciary. These include the Officers and Employees Pension Fund, the Policemen's Pension Fund, the Firemen's 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's total assets were \$248 million at December 31, 2011. Of this amount, \$181.1 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 2011 financial statements.

City of Allentown, Pennsylvania  
Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 29,860,739	\$ 25,555,558	\$ 25,780,152	\$ 19,279,316	\$ 55,640,891	\$ 44,834,874
Capital assets, net	96,020,043	90,388,130	85,061,227	86,863,402	181,081,270	177,251,532
Other non-current assets	9,567,551	8,459,487	1,708,151	1,637,049	11,275,702	10,096,536
<b>Total assets</b>	<b>\$135,448,333</b>	<b>\$124,403,175</b>	<b>\$112,549,530</b>	<b>\$107,779,767</b>	<b>\$247,997,863</b>	<b>\$232,182,942</b>
Current and other liabilities	\$ 17,294,942	\$ 16,255,128	\$ 7,483,111	\$ 6,623,989	\$ 24,778,053	\$ 22,879,117
Long-term liabilities	108,150,067	98,928,055	22,057,540	20,227,496	130,207,607	119,155,551
<b>Total liabilities</b>	<b>\$125,445,009</b>	<b>\$115,183,183</b>	<b>\$ 29,540,651</b>	<b>\$ 26,851,485</b>	<b>\$154,985,660</b>	<b>\$142,034,668</b>
Net assets:						
Invested in capital assets, net of debt	\$ 30,108,596	\$ 25,370,253	\$ 64,695,490	\$ 63,445,317	\$ 94,804,086	\$ 88,815,570
Restricted net assets	6,648,978	6,107,402			6,648,978	6,107,402
Unrestricted net (deficit) assets	(26,754,250)	(22,257,663)	18,313,389	17,482,965	(8,440,861)	(4,774,698)
<b>Total net (deficit) assets</b>	<b>\$ 10,003,324</b>	<b>\$ 9,219,992</b>	<b>\$ 83,008,879</b>	<b>\$ 80,928,282</b>	<b>\$93,012,203</b>	<b>\$90,148,274</b>

During 2011, net assets increased \$2.9 million or 3.2% to \$93 million. Of this amount, \$94.8 million represents the net balance of long-term capital assets and capital related long-term debt, while \$6.6 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, 2011. 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	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 12,532,704	\$ 13,362,179	\$ 45,488,277	\$ 44,484,598	\$ 58,020,981	\$ 57,846,777
Operating grants and contributions	13,696,509	14,153,060	828,291	1,280,326	14,524,800	15,433,386
Capital grants	5,335,856	4,350,695			5,335,856	4,350,695
General revenues:						
Taxes	51,955,525	45,476,784			51,955,525	45,476,784
Investment earnings	4,608	212,979		128,545	4,608	341,524
Unrestricted grants/chgs	12,298,352	14,121,087			12,298,352	14,121,087
<b>Total revenues</b>	<b>95,823,554</b>	<b>91,676,784</b>	<b>46,316,568</b>	<b>45,893,469</b>	<b>142,140,122</b>	<b>137,570,253</b>
Expenses:						
General government	13,916,289	7,932,586			13,916,289	7,932,586
Public safety	52,607,308	54,309,067			52,607,308	54,309,067
Community development	9,773,209	13,845,854			9,773,209	13,845,854
Public works	11,920,300	12,617,569			11,920,300	12,617,569
Health and sanitation	3,373,570	2,547,999			3,373,570	2,547,999
Parks and recreation	3,038,880	2,014,847			3,038,880	2,014,847
Interest long-term debt	5,481,742	5,071,431			5,481,742	5,071,431
Water fund			11,308,214	11,410,407	11,308,214	11,410,407
Sewer fund			13,533,543	13,034,825	13,533,543	13,034,825
Municipal golf course			1,152,872	1,027,292	1,152,872	1,027,292
Solid waste fund			13,170,266	12,584,872	13,170,266	12,584,872
<b>Total expenses</b>	<b>100,111,298</b>	<b>98,339,353</b>	<b>39,164,895</b>	<b>38,057,396</b>	<b>139,276,193</b>	<b>136,396,749</b>
Change in net assets before transfers	(4,287,744)	(6,662,569)	7,151,673	7,836,073	2,863,929	1,173,504
Transfers	5,071,076	4,813,116	(5,071,076)	(4,813,116)		
<b>Change in net assets</b>	<b>783,332</b>	<b>(1,849,453)</b>	<b>2,080,597</b>	<b>3,022,957</b>	<b>2,863,929</b>	<b>1,173,504</b>
Net assets beginning, as originally reported	9,219,992	1,570,245	80,928,282	77,852,736	90,148,274	79,422,981
Prior period adjustments		9,499,200		52,589		9,551,789
Net assets beginning, as restated		11,069,445		77,905,325	90,148,274	88,974,770
<b>Net assets ending</b>	<b>\$ 10,003,324</b>	<b>\$ 9,219,992</b>	<b>\$ 83,008,879</b>	<b>\$ 80,928,282</b>	<b>\$93,012,203</b>	<b>\$90,148,274</b>

Total government-wide revenues of \$142.1 million came primarily from charges for services of \$58 million, representing 40.8 percent of the total. Taxes at \$52 million made up the second

largest source at 36.6 percent, followed by operating and capital grants, and contributions of \$19.9 million, or 14 percent, and other revenue sources made up the remaining 8.6 percent.

Total expenses for all programs in 2011 were \$139.3 million. The expenses cover a range of services, with the largest being public safety at \$52.6 million or 37.8 percent. The second largest program area was general government at \$13.9 million or 10 percent, followed by the sewer fund at \$13.5 million or 9.7 percent, followed by solid waste fund at \$13.2 million or 9.5 percent, the public works at \$11.9 million or 8.6 percent, the water fund at \$11.3 million or 8.1 percent followed by community development at \$9.8 million or 7 percent, followed by interest on outstanding debt at \$5.5 million or 3.9 percent followed by parks and recreation at \$3 million or 2.2 percent, health and sanitation at \$3.4 million or 2.4 percent and golf course at \$1.2 million or 0.8 percent.

General tax revenue increased by \$6.5 million from 2010 to 2011 primarily due to an increase in the earned income tax rate from 1 percent to 1.35 percent. Investment earnings decreased \$3 million due to declining interest rates. Unrestricted grants decreased \$1.78 from 2010 to 2011 largely due to less grant monies being awarded in 2011.

General Government expenses increased \$5.9 million, \$3.2 million of which was due to the transfer of the Emergency Medical Services (EMS) Bureau from Public Safety to General Government. In addition, there was an increase in general and civic expenses relating to the unfunded pension liability and the City's deposit of certain tax revenues into the Neighborhood Improvement Zone fund; an increase in grant expenditures; and an increase in contributions to the Internal Service Fund. Even though EMS was transferred to General Government in 2011, Public Safety expenses only decreased \$1.7 million due to the rising police and fire pension costs. Community development expenses decreased \$4.1 million primarily due to a decrease in pass thru grant expenses and a decrease in CDBG expenses overall.

The business-type charges for services increased \$1 million due to the increase of recycling materials billings in the solid waste fund an increase in municipal sewer signatory billing and leachate treatment charges.

The business-type expenses increased \$1.1 million due to an increase in personnel costs and contracted services.

#### **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 2011, real estate and Act 511 taxes brought in \$51.1 million. There were \$12.3 million in grants and contributions not restricted to specific purposes. Table A-5 depicts the net program expenses for the years ended December 31, 2011 and 2010.



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

Program:	Total cost of services		Net cost of services	
	2011	2010	2011	2010
General government	\$13,916,289	\$7,932,586	\$8,644,159	\$5,649,436
Public safety	52,607,308	54,309,067	47,336,180	45,783,648
Community development	9,773,209	13,845,854	292,135	3,294,548
Public works	11,920,300	12,617,569	5,132,940	7,266,203
Health and sanitation	3,373,570	2,547,999	724,196	185,236
Parks and recreation	3,038,880	2,014,847	934,877	(777,083)
Interest on long-term debt	5,481,742	5,071,431	5,481,742	5,071,431
Water fund	11,308,214	11,410,407	(3,657,751)	(3,868,409)
Sewer fund	13,533,543	13,034,825	(2,240,711)	(1,548,978)
Municipal golf course	1,152,872	1,027,292	(179,202)	(291,604)
Solid waste fund	13,170,266	12,584,872	(1,074,009)	(1,998,537)
<b>Total expenses</b>	<b>\$139,276,193</b>	<b>\$136,396,749</b>	<b>\$ 61,394,556</b>	<b>\$ 58,765,891</b>

The City relied on real estate tax, Act 511 taxes and other general revenues to fund 44.1 percent of its governmental and business-type activities in 2011.

Property taxes and other general revenues covered 62.1 percent of general government spending with the remainder coming from grants and fees for specific services. Nearly 90 percent of public safety spending came from the property tax and other general revenues with the remainder coming from grants, fines, and court costs. Property taxes covered 3 percent of community development costs, with the remainder coming from fees, charges for service, and the balance from Community Development Block Grant (CDBG) funding.

Public works spending was partially funded through Commonwealth fuel tax revenues, with 43.1 percent coming from local property taxes and other general revenues. Health and sanitation received all but 21.5 percent of its revenue from program revenues, 92.7 percent of which was in the form of grants. Parks and recreation expenses were covered 69.2 percent by program revenues with the remainder coming from property tax and other general revenues.

Operations of the water, sewer, solid waste, and municipal golf course fund are entirely funded through charges and fees for services.

### Capital Assets

The City's investment in capital assets at December 31, 2011, net of accumulated depreciation, was \$181.1 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Table A-6 is a summary of capital assets at December 31, 2011 and 2010.

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**Table A-6: Capital assets at December 31, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and land improvements	\$ 8,409,945	\$ 8,409,945	\$ 3,759,049	\$ 3,759,049	\$ 12,168,994	\$ 12,168,994
Buildings and improvements	37,763,491	34,541,287	32,410,414	33,929,886	70,173,905	68,471,173
Vehicles, machinery and equipment	16,173,635	13,536,156	11,615,343	11,685,925	27,788,978	25,222,081
Distribution and collection systems			37,276,421	37,448,542	37,276,421	37,488,542
Infrastructure	33,672,972	33,900,742			33,672,972	33,900,742
<b>Total</b>	<b>\$ 96,020,043</b>	<b>\$ 90,388,130</b>	<b>\$ 85,061,227</b>	<b>\$ 86,863,402</b>	<b>\$181,081,270</b>	<b>\$177,251,532</b>

Detailed information about the City's capital assets can be found in Note 5, Notes to Financial Statements.

### Debt Administration

#### Long-term debt:

At December 31, 2011, the City had \$130.5 million of debt outstanding, including bonds, notes, and capital leases. This was a net increase of \$10.1 million from the previous year. Table A-7 provides a summary of outstanding debt.

**Table A-7: Summary of outstanding debt**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital lease	\$ 906,186	\$ 1,219,995	\$ 465,098	\$ 237,485	\$ 1,371,284	\$ 1,457,480
Bonds and notes	73,709,019	64,487,582	24,900,200	23,180,600	98,609,219	87,668,182
Pension obligation bonds	30,555,000	31,325,000			30,555,000	31,325,000
<b>Total</b>	<b>\$105,170,205</b>	<b>\$97,032,577</b>	<b>\$25,365,298</b>	<b>\$23,418,085</b>	<b>\$130,535,503</b>	<b>\$120,450,662</b>

In 2011, the City issued \$24.9 million in general obligation bonds and refunded \$9.1 million in general obligation and revenue bonds.

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, 2011 was approximately \$196.2 million, and the total debt outstanding was \$103.3 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2011 was approximately \$274.6 million and the total debt outstanding was \$72.7 million. For computation purposes, the \$103.3 million has been reduced by \$30.5 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 9, Notes to Financial Statements.

### Bond rating

The City is rated A2 with a negative outlook by Moody's Investors Service and BBB+ with a stable outlook by S&P.

## 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, unassigned 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, debt service fund, and capital projects fund. The general fund is the chief operating fund for the City. Special revenue funds are restricted to specific legislated use. The debt service fund is used to record the funding and payment of principal and interest on the issuance of debt in the governmental funds. 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, 2011 and 2010 were as follows. Table A-8 also presents changes from 2010 to 2011.

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

	2011	2010	Changes from 2010 to 2011	Percent change
Revenues:				
Taxes	\$52,770,021	\$45,438,333	\$7,331,688	16.1
Licenses and permits	5,030,946	4,874,549	156,397	3.2
Charges for services	4,824,140	4,853,162	(29,022)	(.6)
Fines and forfeits	518,350	500,334	18,016	3.60
Investment earnings	4,608	212,979	(208,371)	(97.8)
Intergovernmental revenues	28,695,423	30,437,462	(1,742,039)	(5.7)
Other	4,906,361	5,437,568	(531,207)	(9.8)
Total revenues	\$96,749,849	\$91,754,387	\$4,995,462	5.4

Governmental fund revenues totaled \$96.7 million for the year ended December 31, 2011. This is an increase of \$5 million from 2010, primarily due to an increase in the earned income tax of \$7.3 million as a result of a rate increase from 1 percent in 2010 to 1.35 percent in 2011. Investment

earnings decreased \$.2 million due to declining interest rates. Intergovernmental revenue decreased \$1.8 million due to a decrease in CDBG grant revenue. Other revenues decreased \$.6 million due to a sale of city property in 2010, which did not reoccur in 2011.

### Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2011 and 2010 were as follows. Table A-9 also presents changes from 2010 to 2011.

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

	2011	2010	Changes from 2010 to 2011	Percent change
Expenses:				
General government	\$ 13,765,436	\$ 7,507,262	\$6,258,174	83.3
Public safety	50,839,312	50,100,384	738,928	1.5
Community development	9,731,882	14,171,165	(4,439,283)	(31.3)
Public works	9,631,143	9,740,759	(109,616)	(1.1)
Health and sanitation	2,809,068	2,738,801	70,267	2.6
Parks and recreation	2,467,866	2,503,318	(35,452)	(1.4)
Debt service:				
Principal	6,514,100	3,131,400	3,382,700	108.0
Interest	4,423,008	3,942,027	480,981	12.2
Capital outlay	9,912,486	10,009,124	(96,638)	(.1)
Total expenses	\$ 110,094,301	\$ 103,844,240	\$ 6,250,061	6.0

The City maintains eight 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, liquid fuels fund, the CDBG (community development block grant) fund, revolving loan fund, the debt service fund, the capital projects fund, the trexler fund, and the E-911 fund, all of which are considered to be major funds.

Governmental fund expenditures totaled \$110.1 million for the year ended December 31, 2011, an increase of 6.0 percent from 2010.

### Governmental fund balances

Table A-10 reflects ending balances for governmental funds and net assets for proprietary funds at December 31, 2011 and 2010. The increase in general government was due to the transfer of the function of the Emergency Medical Services (EMS) Bureau from Public Safety to General Government. In addition, there was an increase in general and civic expenses relating to the unfunded pension liability and the City's deposit of certain tax revenues into the Neighborhood Improvement Zone fund; an increase in grant expenditures; and an increase of contributions to the Internal Service Fund.

The \$4.4 million decrease in Community Development is attributed to a reduction of grant related expenditures in 2011.

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The \$3.4 million increase in Debt Principal related to the issuance and refunding of general obligation bonds.

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

	2011		2010	
	Governmental funds	Enterprise funds	Governmental funds	Enterprise funds
General	\$ 1,920,546		\$ 3,116,664	
Liquid Fuels Fund	789,145		933,500	
Community Development				
Block Grant	4,577,247		4,712,822	
Trexler	(96,134)		(95,108)	
Capital Projects	7,726,559		1,541,552	
E-911	375,418		61,013	
Revolving Loan	760,168		400,067	
Water Fund		\$ 48,211,695		\$ 46,683,055
Sewer fund		23,628,693		23,329,377
Municipal golf course		2,764,449		2,984,090
Solid waste fund		8,404,042		7,931,760
<b>Total</b>	<b>\$16,052,949</b>	<b>\$83,008,879</b>	<b>\$10,670,510</b>	<b>\$80,928,282</b>

The City's governmental funds reported a combined fund balance of \$16.1 million at December 31, 2011. Of the total, \$5.5 million is restricted for CDBG projects. \$.2 is assigned for capital acquisitions, \$.3 million is assigned for general government, \$.5 million is assigned for public safety \$.7 million is assigned for community development, \$.1 million is assigned for public works, and \$2,000 is assigned for parks and recreation in the general fund. \$7.7 million is restricted for capital projects. \$.8 million is restricted for liquid fuels. \$.4 million is restricted for the E-911 fund.

The general fund balance decrease of \$1.2 million is due in part to certain revenues not being realized as anticipated: city real estate tax, sale of city property, earned income tax, and other grants. Also contributing to this were expenses related to the City's 911 Fund and its Internal Services Fund. This was due to the general fund supporting expenses of the 911 and the Internal Service Funds.

The City's capital projects fund balance increased \$6.2 million as a result of 2011 bond proceeds.

The increase in the proprietary fund net assets of \$2.1 million is due to an increase in recycling material billings in the solid waste fund, an increase of municipal sewer signatory billing, and leachate treatment billings in the sewer fund.

#### **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 \$1.3 million during the year from the original budget of \$91.2 million to the final budget of \$92.5 million. Actual revenues were \$8.1 million below the final budget. This variance was partly due to the \$6.1 million decrease in estimated tax collections related to the increase in tax rates. In addition, total other income revenues were \$1.2 million lower than estimated largely due to a delay in the sale of city property.

The general fund budget for expenditures increased \$3.6 million during the year from the original budget of \$83.6 million to the final budget of \$87.2 million. Actual expenditures were \$7.2 million lower than the amended budget. This was achieved by acknowledging the decline in revenue and putting general spending restraints in place.

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**

#### **LOCATION & DEMOGRAPHIC ADVANTAGES**

The City is the largest city in the four-county Allentown-Bethlehem-Easton Metropolitan Statistical Area and serves as the seat of Lehigh County. According to the 2010 Census, the City is home to 118,032 residents, thus making it the third largest city in Pennsylvania. The City recorded one of the fastest rates of growth of any municipality in the Commonwealth between the 2000 and 2010 Censuses. Also of note, the 2010 Census reported the City's Hispanic community grew by 93.6 % and now makes up 42.7% of the City's population, compared to 24.4% in 2000.

Known as "The City Without Limits", the City is strategically located within a 300 mile radius of the largest metropolitan areas on the eastern seaboard of the United States. Excellent transportation systems and close proximity to both New York and Philadelphia make it attractive to businesses and families desiring to live in a community that offers clean air, good water, diverse neighborhoods and over 2000 acres of the best municipal parks and recreation systems in the country – including a trout hatchery located in a serene wooded topography – *and* an award winning municipal golf course that hosted 46,500 rounds of golf in 2011.

#### **ECONOMIC DEVELOPMENT ACHIEVEMENTS**

The City has long served as the economic engine for the Lehigh Valley. The City is home to a number of major corporate headquarters, including international energy provider PPL (a Fortune 500 company). The City has the largest employment concentration in the region. Within the City's boundaries the Allentown School District and Lehigh County together employ more than 4,800 in the public sector.

Allentown is home to two nationally respected institutions of higher education, Muhlenberg College and Cedar Crest College. Combined they have full-time enrollments of over 4,300 and employment for over 3,300 personnel. Also, a branch campus of the Lehigh Carbon Community College is located in the heart of the City.

Major regional health care institutions employ more than 3,800 in Allentown, with Lehigh Valley Hospital, Sacred Heart Hospital and St. Luke's each offering acute-care medical facilities.

In addition, Allentown has many distinguished cultural and educational facilities, including multiple museums, theater companies, orchestras, and bands. In 2011, the City's arts and cultural activities became a vital core of our downtown, anchored by the Allentown Art Museum; Symphony Hall and the new Arts Park. In 2011 the Allentown Art Museum completed a \$15 million dollar renovation creating a truly regional asset and a strong anchor for the city's downtown. The Allentown Symphony celebrated its 60th anniversary and came off its strongest season in a decade hosting more than 85,000 visitors. Finally, 2011 witnessed the City embark on an arts district streetscape project which will connect the district to the broader downtown community.

2011 also ushered in the start of a new Neighborhood Improvement Zone (NIZ) which will allow the City to use certain tax revenues to rebuild its downtown core and spur millions of dollars of investment in economic development. This new zone stretches from Allentown's center city to the Lehigh waterfront. A key component in the NIZ will be a new 8,500 seat arena for hockey and 10,000 for concerts (the first of its kind in the Lehigh Valley). This arena will be the home of the Philadelphia Flyers affiliated American Hockey League (AHL) Phantoms. The NIZ Arena and Waterfront projects are just a few of the many forward-looking projects the city is pursuing to transform Allentown into a "destination city."

These projects are designed to bring to the City the much-needed benefits of significant permanent new job creation and a long-term vision and anchor for economic growth and improved quality of life not just here in Allentown, but throughout the Lehigh Valley.

The results of this activity have already begun to manifest themselves. In August of 2011, *Lehigh Gas* announced they had chosen to locate their corporate headquarters here in Downtown Allentown versus other cities, bringing 70 jobs with them and the anticipated addition of another 70 to 80 jobs.

The City has also pursued residential and commercial development at multiple sites, including the redevelopment of Hamilton Street in Center City Allentown through local initiatives and state & local partnerships such as Keystone Opportunity Zones (KOZ) and offering designated land parcels with a greatly reduced tax burden for residents and businesses. Further potential development may be undertaken at the Queen City Airport and former Allentown State Hospital sites.

In the area of infrastructure development, the City secured a multi-million dollar PennVest loan commitment from the Commonwealth to replace over 35,000 water meters throughout the City. Eleven thousand three hundred fifty (11,350) feet of new water mains were installed; Hanover Avenue was rebuilt; 4.1 miles of roads were repaved and 250 "Big Belly" solar trash compactors were installed throughout the city to cut costs, reduce garbage and protect the environment by

virtue of cutting down on fuel consumption and the of emitting heavy garbage truck fumes on our streets.

Finally, the "street-scaping" project around Sacred Heart Hospital called "*Heart of City*" was completed.

Besides the government, corporate, education and health sector entities cited above that provide the primary base for the City's job market, over the years Allentown has also seen an increase in financial services employment; banking, 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. Along with what is noted above, the City and Lehigh County continue to seek ways to attract new businesses to the area. These new businesses stimulate 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. Air Products, Lehigh Portland Cement, Nestle, Olympus and LSI have selected the area as their headquarters or as the location of principal facilities.

### **COLLECTIVE BARGAINING ISSUES**

During the course of 2011, multi-year agreements remained in place with all unions, with the exception of the City's firefighting bargaining unit. That contract expired December 31, 2011 and was still in the hands of the arbitrator at the end of the year. Because of the very lucrative retirement provisions contained in that contract, 43 of the City's 141 firefighters retired. The arbitrator's decision on key provisions is expected in 2012. With that, the City will go forward with an enhanced efficiency management plan for the Fire Department.

### **SUMMARY**

While most City expenses throughout 2011 remained relatively stable due to stringent monitoring and management practices, certain areas continue to increase at rates above the Consumer Price Index. These increases are a result primarily of increasing pension contribution costs. Revenue initiatives and cost control measures are being implemented to help counter this situation. However, the real problem is the City's extraordinarily high unfunded pension liability which in turn fuels the City's continuously growing mandatory minimum municipal obligation (MMO) payment that it must make each year into the pension plan. The primary goal of the City's Administration in 2012 will be to resolve the unfunded liability problem in such a way that there will be a materially significant reduction in the City's MMO payment going forward.

### **REQUESTS FOR INFORMATION**

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



# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF NET ASSETS

DECEMBER 31, 2011

Assets	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>Current assets:</b>				
Cash and cash equivalents	\$ 5,548,926	\$ 6,000,746	\$ 11,549,672	\$ 869,478
Cash and cash equivalents - restricted	3,968,000	-	3,968,000	1,774
Investments - restricted	9,735,319	-	9,735,319	1,356,418
Receivables (net of allowance for uncollectible):				
Taxes	12,207,034	-	12,207,034	-
Accounts	1,781,137	12,874,274	14,655,411	144,022
Grants	3,478,469	-	3,478,469	-
Other current assets	-	46,986	46,986	276,055
Due from other governments	-	-	-	44,644
Internal balances	(6,858,146)	6,858,146	-	-
<b>Total current assets</b>	<b>29,860,739</b>	<b>25,780,152</b>	<b>55,640,891</b>	<b>2,692,391</b>
<b>Noncurrent assets:</b>				
<b>Capital assets, net:</b>				
Land	8,409,945	3,759,049	12,168,994	8,495,248
Buildings	6,568,960	16,211,854	22,780,814	-
Land and building improvements	12,520,302	15,131,771	27,652,073	33,465,227
Machinery and equipment	12,835,590	9,893,567	22,729,157	-
Vehicles	3,338,045	1,721,776	5,059,821	100,404
Distribution and collection systems	-	37,276,421	37,276,421	-
Construction in progress	18,674,229	1,066,789	19,741,018	-
Infrastructure	33,672,972	-	33,672,972	-
<b>Total capital assets, net</b>	<b>96,020,043</b>	<b>85,061,227</b>	<b>181,081,270</b>	<b>42,060,879</b>
Net pension asset	1,209,881	-	1,209,881	-
Loans and notes receivable	5,226,680	-	5,226,680	888,000
Property held for development	689,700	-	689,700	2,250,264
Other assets	2,441,290	1,708,151	4,149,441	279,305
<b>Total noncurrent assets</b>	<b>105,587,594</b>	<b>86,769,378</b>	<b>192,356,972</b>	<b>45,478,448</b>
<b>Total Assets</b>	<b>135,448,333</b>	<b>112,549,530</b>	<b>247,997,863</b>	<b>48,170,839</b>

(Continued)

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF NET ASSETS

DECEMBER 31, 2011

(Continued)

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	5,744,408	2,113,055	7,857,463	418,022
Wages payable	713,676	150,595	864,271	-
Accrued interest payable	894,801	210,842	1,105,643	-
Claims liability	870,740	-	870,740	-
Other liabilities	1,921,563	204,902	2,126,465	83,811
Due to pension trust funds	461,595	-	461,595	-
Due to other governments	17,940	-	17,940	-
Compensated absences	2,286,706	775,178	3,061,884	-
Unearned revenue	501,309	-	501,309	380,580
Capital leases payable	251,454	104,539	355,993	-
Line of credit	-	-	-	340,853
Notes and bonds payable, current maturities	3,630,750	3,924,000	7,554,750	1,411,119
Mortgage and note payable, current maturities	-	-	-	400,000
Total current liabilities	17,294,942	7,483,111	24,778,053	3,034,385
Noncurrent liabilities:				
Capital leases payable	654,732	360,559	1,015,291	-
Compensated absences	721,753	89,011	810,764	-
Unearned revenue	-	-	-	9,693,460
Other post-employment benefit liability	6,140,313	631,770	6,772,083	30,913
Notes and bonds payable	100,633,269	20,976,200	121,609,469	16,617,775
Total noncurrent liabilities	108,150,067	22,057,540	130,207,607	26,342,148
Total Liabilities	125,445,009	29,540,651	154,985,660	29,376,533
<b>Net Assets</b>				
Invested in capital assets, net of related debt	30,108,596	64,695,490	94,804,086	23,691,132
Restricted for:				
Public works	789,145	-	789,145	-
Community development	5,484,415	-	5,484,415	888,000
Public safety	375,418	-	375,418	-
Unrestricted (deficit)	(26,754,250)	18,313,389	(8,440,861)	(5,784,826)
Total Net Assets	\$ 10,003,324	\$ 83,008,879	\$ 93,012,203	\$ 18,794,306

(Concluded)

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 13,916,289	\$ 4,680,342	\$ 591,788	\$ -
Public safety	52,607,308	3,792,692	1,155,793	322,643
Community development	9,773,209	3,249,126	6,103,516	128,432
Public works	11,920,300	192,673	1,968,492	4,626,195
Health and sanitation	3,373,570	192,961	2,456,413	-
Parks and recreation	3,038,880	424,910	1,420,507	258,586
Interest on long-term debt	5,481,742	-	-	-
Total governmental activities	<u>100,111,298</u>	<u>12,532,704</u>	<u>13,696,509</u>	<u>5,335,856</u>
Business-type activities:				
Water Fund	11,308,214	14,878,781	87,184	-
Sewer Fund	13,533,543	15,595,169	179,085	-
Municipal Golf Course	1,152,872	1,321,422	10,652	-
Solid Waste Fund	13,170,266	13,692,905	551,370	-
Total business-type activities	<u>39,164,895</u>	<u>45,488,277</u>	<u>828,291</u>	<u>-</u>
<b>Total primary government</b>	<u><u>\$ 139,276,193</u></u>	<u><u>\$ 58,020,981</u></u>	<u><u>\$ 14,524,800</u></u>	<u><u>\$ 5,335,856</u></u>
<b>Component units:</b>				
Allentown Redevelopment Authority	\$ 1,098,137	\$ 272,022	\$ 369,257	\$ -
Allentown Parking Authority	5,372,378	5,513,896	-	-
<b>Total component units</b>	<u><u>\$ 6,470,515</u></u>	<u><u>\$ 5,785,918</u></u>	<u><u>\$ 369,257</u></u>	<u><u>\$ -</u></u>
General revenues:				
Property taxes				
Act 511				
Utility realty				
Deed transfer tax				
Grants and contributions not restricted to specific purposes				
Investment earnings				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets:</b>				
Beginning of year				
End of year				

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,644,159)	\$ -	\$ (8,644,159)	\$ -
(47,336,180)	-	(47,336,180)	-
(292,135)	-	(292,135)	-
(5,132,940)	-	(5,132,940)	-
(724,196)	-	(724,196)	-
(934,877)	-	(934,877)	-
(5,481,742)	-	(5,481,742)	-
<u>(68,546,229)</u>	<u>-</u>	<u>(68,546,229)</u>	<u>-</u>
-	3,657,751	3,657,751	-
-	2,240,711	2,240,711	-
-	179,202	179,202	-
-	1,074,009	1,074,009	-
-	<u>7,151,673</u>	<u>7,151,673</u>	<u>-</u>
<u>(68,546,229)</u>	<u>7,151,673</u>	<u>(61,394,556)</u>	<u>-</u>
-	-	-	(456,858)
-	-	-	141,518
-	-	-	<u>(315,340)</u>
29,263,456	-	29,263,456	-
21,843,511	-	21,843,511	-
64,764	-	64,764	-
783,794	-	783,794	-
12,298,352	-	12,298,352	-
4,608	-	4,608	12,213
5,071,076	(5,071,076)	-	-
<u>69,329,561</u>	<u>(5,071,076)</u>	<u>64,258,485</u>	<u>12,213</u>
783,332	2,080,597	2,863,929	(303,127)
9,219,992	80,928,282	90,148,274	19,097,433
<u>\$ 10,003,324</u>	<u>\$ 83,008,879</u>	<u>\$ 93,012,203</u>	<u>\$ 18,794,306</u>

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	General	Liquid Fuels	Community Development Block Grant
<b>Assets</b>			
Cash and cash equivalents	\$ 1,690,153	\$ 1,021,464	\$ 522,172
Cash and cash equivalents - restricted	-	-	-
Investments - restricted	-	-	-
Receivables:			
Taxes	12,207,034	-	-
Loans	147,000	-	4,329,680
Accounts	1,568,739	-	-
Grants	599,543	-	581,489
Due from other funds	130,568	-	51,140
<b>Total Assets</b>	<b>\$ 16,343,037</b>	<b>\$ 1,021,464</b>	<b>\$ 5,484,481</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,047,928	\$ 195,650	\$ 499,185
Wages payable	688,558	13,734	-
Due to other funds	891,262	22,935	120,392
Due to pension trust funds	461,595	-	-
Due to other governments	4,888	-	13,052
Deferred revenues	8,643,159	-	121,048
Other liabilities	1,685,101	-	153,557
<b>Total Liabilities</b>	<b>14,422,491</b>	<b>232,319</b>	<b>907,234</b>
<b>Fund Balance:</b>			
Restricted for:			
Capital acquisitions	-	-	-
Public works	-	789,145	-
Community development	147,000	-	4,577,247
Public safety	-	-	-
Assigned for:			
Capital acquisitions	166,886	-	-
General government	297,847	-	-
Public safety	486,732	-	-
Community development	733,604	-	-
Public works	84,247	-	-
Parks and recreation	1,763	-	-
Unassigned	2,467	-	-
<b>Total Fund Balance</b>	<b>1,920,546</b>	<b>789,145</b>	<b>4,577,247</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,343,037</b>	<b>\$ 1,021,464</b>	<b>\$ 5,484,481</b>

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

Revolving Loan	Capital Projects	Trexler	E-911	Total Governmental Funds
\$ 10,168	\$ -	\$ -	\$ 1,094,526	\$ 4,338,483
-	3,968,000	-	-	3,968,000
-	9,735,319	-	-	9,735,319
-	-	-	-	12,207,034
750,000	-	-	-	5,226,680
-	68,398	-	-	1,637,137
-	1,441,318	856,119	-	3,478,469
-	2,024,987	-	73,692	2,280,387
<u>\$ 760,168</u>	<u>\$ 17,238,022</u>	<u>\$ 856,119</u>	<u>\$ 1,168,218</u>	<u>\$ 42,871,509</u>
\$ -	\$ 1,490,839	\$ 17,326	\$ 114,226	\$ 4,365,154
-	-	9,309	-	711,601
-	7,831,463	651,613	678,574	10,196,239
-	-	-	-	461,595
-	-	-	-	17,940
-	106,256	274,005	-	9,144,468
-	82,905	-	-	1,921,563
<u>-</u>	<u>9,511,463</u>	<u>952,253</u>	<u>792,800</u>	<u>26,818,560</u>
-	7,726,559	-	-	7,726,559
-	-	-	-	789,145
760,168	-	-	-	5,484,415
-	-	-	375,418	375,418
-	-	-	-	166,886
-	-	-	-	297,847
-	-	-	-	486,732
-	-	-	-	733,604
-	-	-	-	84,247
-	-	-	-	1,763
-	-	(96,134)	-	(93,667)
<u>760,168</u>	<u>7,726,559</u>	<u>(96,134)</u>	<u>375,418</u>	<u>16,052,949</u>
<u>\$ 760,168</u>	<u>\$ 17,238,022</u>	<u>\$ 856,119</u>	<u>\$ 1,168,218</u>	<u>\$ 42,871,509</u>

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

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# CITY OF ALLENTOWN, PENNSYLVANIA

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2011

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 16,052,949</b>
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Amounts reported for governmental activities in the statements of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	96,020,043
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Property held for development in governmental activities is not financial resources and, therefore, is not reported as assets in governmental funds.	689,700
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	8,643,159
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Net pension asset included on the statement of net assets.	1,209,881
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The internal service fund is used to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities on the statement of net assets.	144,000
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Debt issuance costs are deferred and amortized on the statement of net assets.	2,441,290
--	-----------

Long-term liabilities, including general obligation debt and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Accrued interest payable on general obligation debt	(894,801)	
Bonds payable	(104,264,019)	
Capital leases payable	(906,186)	
Compensated absences	(2,992,379)	
Other post-employment benefits liability	(6,140,313)	(115,197,698)

<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 10,003,324</u></b>
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The accompanying notes are an integral part of these financial statements.



# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2011

	General	Liquid Fuels	Community Development Block Grant
<b>Revenues:</b>			
Taxes	\$ 52,770,021	\$ -	\$ -
Licenses and permits	5,030,946	-	-
Charges for services	4,660,847	-	-
Fines and forfeits	518,350	-	-
Investment earnings	2,717	-	33
Intergovernmental revenues	14,330,580	1,973,788	5,296,915
Other	2,550,141	67,101	133,933
Total revenues	<u>79,863,602</u>	<u>2,040,889</u>	<u>5,430,881</u>
<b>Expenditures:</b>			
Current:			
General government	13,199,896	-	-
Public safety	48,201,601	-	-
Community development	4,867,457	-	4,864,425
Public works	7,617,358	2,013,785	-
Health and sanitation	2,809,068	-	-
Parks and recreation	1,238,338	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	624,062	171,459	222,978
Total expenditures	<u>78,557,780</u>	<u>2,185,244</u>	<u>5,087,403</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,305,822</u>	<u>(144,355)</u>	<u>343,478</u>
<b>Other Financing Sources (Uses):</b>			
Issuance of long-term debt	-	-	-
Original issue premium	-	-	-
Original issue discount	-	-	-
Transfers in	5,473,345	-	-
Transfers out	(7,975,285)	-	(479,053)
Total other financing sources (uses)	<u>(2,501,940)</u>	<u>-</u>	<u>(479,053)</u>
<b>Net Change in Fund Balance</b>	<u>(1,196,118)</u>	<u>(144,355)</u>	<u>(135,575)</u>
<b>Fund Balance (Deficit):</b>			
Beginning of year	3,116,664	933,500	4,712,822
End of year	<u>\$ 1,920,546</u>	<u>\$ 789,145</u>	<u>\$ 4,577,247</u>

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

Revolving Loan	Debt Service	Capital Projects	Trexler	E-911	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,770,021
-	-	-	-	-	5,030,946
-	-	163,293	-	-	4,824,140
-	-	-	-	-	518,350
-	-	546	-	1,312	4,608
360,000	-	5,335,856	1,398,284	-	28,695,423
101	-	5,935	20,223	2,128,927	4,906,361
<u>360,101</u>	<u>-</u>	<u>5,505,630</u>	<u>1,418,507</u>	<u>2,130,239</u>	<u>96,749,849</u>
-	5,078	560,462	-	-	13,765,436
-	-	-	-	2,637,711	50,839,312
-	-	-	-	-	9,731,882
-	-	-	-	-	9,631,143
-	-	-	-	-	2,809,068
-	-	-	1,229,528	-	2,467,866
-	3,264,100	3,250,000	-	-	6,514,100
-	3,944,170	478,838	-	-	4,423,008
-	-	8,804,047	-	89,940	9,912,486
<u>-</u>	<u>7,213,348</u>	<u>13,093,347</u>	<u>1,229,528</u>	<u>2,727,651</u>	<u>110,094,301</u>
<u>360,101</u>	<u>(7,213,348)</u>	<u>(7,587,717)</u>	<u>188,979</u>	<u>(597,412)</u>	<u>(13,344,452)</u>
-	-	13,690,000	-	-	13,690,000
-	-	38,630	-	-	38,630
-	-	(126,066)	-	-	(126,066)
-	7,213,348	170,160	-	936,601	13,793,454
-	-	-	(190,005)	(24,784)	(8,669,127)
<u>-</u>	<u>7,213,348</u>	<u>13,772,724</u>	<u>(190,005)</u>	<u>911,817</u>	<u>18,726,891</u>
<u>360,101</u>	<u>-</u>	<u>6,185,007</u>	<u>(1,026)</u>	<u>314,405</u>	<u>5,382,439</u>
<u>400,067</u>	<u>-</u>	<u>1,541,552</u>	<u>(95,108)</u>	<u>61,013</u>	<u>10,670,510</u>
<u>\$ 760,168</u>	<u>\$ -</u>	<u>\$ 7,726,559</u>	<u>\$ (96,134)</u>	<u>\$ 375,418</u>	<u>\$ 16,052,949</u>

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

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**CITY OF ALLENTOWN, PENNSYLVANIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2011**

<b>Net Change in Fund Balance - Governmental Funds</b>	<b>\$ 5,382,439</b>
Amounts reported for governmental activities in the statement of activities are different because:	
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.	9,912,486
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in governmental funds.	(4,276,766)
The net effect of various transactions involving capital assets (e.g., disposals and contributions) is to decrease net assets.	(3,808)
Revenues related to real estate and other taxes are revenue in the statement of activities. Those that do not provide current financial resources are not reported as revenues in the funds.	(926,295)
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(402,786)
Activities of the internal service fund are reported as net expense in the statement of activities.	(319,492)
Change in net pension asset not reflected in the funds.	412,078
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds.	(13,690,000)
Principal payments on capital leases consumes the current financial resources of governmental funds.	313,809
The repayment of principal of long-term debt consumes the current financial resources of governmental funds.	6,514,100
The accretion of capital appreciation bonds does not consume current financial resources of governmental funds.	(1,256,991)
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.	310,576
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.	(24,881)
Other post-employment benefits are reported in the statement of activities but do not require the use of current financial resources.	(1,161,137)
<b>Change in Net Assets - Governmental Activities</b>	<b>\$ 783,332</b>

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2011

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Current assets:		
Cash and cash equivalents	\$ 3,129,835	\$ 300
Accounts receivable:		
Metered charges	5,056,387	2,844,217
Refuse collection	-	-
Other	41,398	714,509
Signatories	495,445	6,396,136
Total accounts receivable	5,593,230	9,954,862
Allowance for doubtful accounts	1,751,870	1,534,353
Net accounts receivable	3,841,360	8,420,509
Due from other funds	73,619	5,181,260
Inventories	-	-
Total current assets	7,044,814	13,602,069
Noncurrent assets:		
Capital assets, net:		
Land	2,595,840	28,450
Buildings	11,531,239	29,093,423
Land and building improvements	15,130,128	5,706,742
Machinery and equipment	20,157,252	14,470,492
Vehicles	2,721,017	2,110,481
Distribution and collection systems	41,679,467	10,714,079
Construction in progress	345,667	682,624
Total capital assets	94,160,610	62,806,291
Accumulated depreciation	(38,865,014)	(39,244,974)
Net capital assets	55,295,596	23,561,317
Other assets	1,011,661	696,490
Total noncurrent assets	56,307,257	24,257,807
<b>Total Assets</b>	<b>63,352,071</b>	<b>37,859,876</b>

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

Business-type Activities - Enterprise Funds			
Municipal Golf Course	Solid Waste Fund	Total	Internal Service Fund
\$ 56,270	\$ 2,814,341	\$ 6,000,746	\$ 1,210,443
-	-	7,900,604	-
-	1,562,532	1,562,532	-
-	-	755,907	144,000
-	-	6,891,581	-
-	1,562,532	17,110,624	144,000
-	950,127	4,236,350	-
-	612,405	12,874,274	144,000
-	3,268,297	8,523,176	1,057,706
46,986	-	46,986	-
103,256	6,695,043	27,445,182	2,412,149
1,134,759	-	3,759,049	-
227,475	1,017,066	41,869,203	-
3,061,949	1,438,630	25,337,449	-
823,333	2,378,270	37,829,347	-
308,119	3,194,415	8,334,032	-
37,465	-	52,431,011	-
-	38,498	1,066,789	-
5,593,100	8,066,879	170,626,880	-
(2,873,615)	(4,582,050)	(85,565,653)	-
2,719,485	3,484,829	85,061,227	-
-	-	1,708,151	-
2,719,485	3,484,829	86,769,378	-
2,822,741	10,179,872	114,214,560	2,412,149

(Continued)

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2011  
(Continued)

	Water Fund	Sewer Fund
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	609,720	541,017
Wages payable	54,752	71,145
Accrued interest payable	76,169	134,673
Claims liability	-	-
Other liabilities	119,777	-
Due to other funds	1,439,673	181,180
Compensated absences	296,508	337,610
Capital leases payable	-	-
Bonds payable	2,599,000	1,325,000
Total current liabilities	5,195,599	2,590,625
Noncurrent liabilities:		
Capital leases payable	-	-
Compensated absences	34,047	38,767
Bonds payable	9,661,200	11,315,000
Other post-employment benefit liability	249,530	286,791
Total noncurrent liabilities	9,944,777	11,640,558
<b>Total Liabilities</b>	<b>15,140,376</b>	<b>14,231,183</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	44,184,756	14,771,518
Unrestricted	4,026,939	8,857,175
<b>Total Net Assets</b>	<b>\$ 48,211,695</b>	<b>\$ 23,628,693</b>

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

Business-type Activities - Enterprise Funds			
<u>Municipal Golf Course</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
16,470	945,848	2,113,055	1,379,254
5,318	19,380	150,595	2,075
-	-	210,842	-
-	-	-	870,740
1,172	83,953	204,902	-
6,282	37,895	1,665,030	-
26,058	115,002	775,178	12,575
-	104,539	104,539	-
-	-	3,924,000	-
<u>55,300</u>	<u>1,306,617</u>	<u>9,148,141</u>	<u>2,264,644</u>
-	360,559	360,559	-
2,992	13,205	89,011	3,505
-	-	20,976,200	-
-	95,449	631,770	-
<u>2,992</u>	<u>469,213</u>	<u>22,057,540</u>	<u>3,505</u>
<u>58,292</u>	<u>1,775,830</u>	<u>31,205,681</u>	<u>2,268,149</u>
2,719,485	3,019,731	64,695,490	-
44,964	5,384,311	18,313,389	144,000
<u>\$ 2,764,449</u>	<u>\$ 8,404,042</u>	<u>\$ 83,008,879</u>	<u>\$ 144,000</u>

(Concluded)

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



**CITY OF ALLENTOWN, PENNSYLVANIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>
<b>Operating Revenues:</b>		
Charges for services:		
Metered charges	\$ 12,358,233	\$ 7,583,218
Refuse collections	-	-
Recycling	-	-
Other charges	2,283,247	7,910,918
Miscellaneous	237,301	101,033
Total operating revenues	<u>14,878,781</u>	<u>15,595,169</u>
<b>Operating Expenses:</b>		
Personnel services	6,207,593	7,499,052
Utility services	692,288	849,479
Contracted services	295,324	498,128
Materials and supplies	1,280,253	1,789,339
Claims and benefits	-	-
Depreciation and amortization	2,146,717	2,025,375
Miscellaneous	120,226	390,391
Total operating expenses	<u>10,742,401</u>	<u>13,051,764</u>
<b>Operating Income (Loss)</b>	<u>4,136,380</u>	<u>2,543,405</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest expense	(565,813)	(481,779)
Gain on sale of capital assets	-	-
Grants	87,184	179,085
Total non-operating revenues (expenses)	<u>(478,629)</u>	<u>(302,694)</u>
Income (loss) before transfers	3,657,751	2,240,711
Transfers out	<u>(2,129,111)</u>	<u>(1,941,395)</u>
<b>Change in Net Assets</b>	1,528,640	299,316
<b>Net Assets:</b>		
Beginning of year	<u>46,683,055</u>	<u>23,329,377</u>
End of year	<u><u>\$ 48,211,695</u></u>	<u><u>\$ 23,628,693</u></u>

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

Business-type Activities - Enterprise Funds			
<u>Municipal Golf Course</u>	<u>Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ -	\$ -	\$ 19,941,451	\$ -
-	12,672,147	12,672,147	-
-	782,290	782,290	-
1,176,158	-	11,370,323	16,252,081
145,264	238,468	722,066	268,722
<u>1,321,422</u>	<u>13,692,905</u>	<u>45,488,277</u>	<u>16,520,803</u>
676,000	2,174,594	16,557,239	-
18,156	15,991	1,575,914	-
72,185	10,111,825	10,977,462	-
212,989	334,490	3,617,071	-
-	-	-	16,789,120
168,256	469,837	4,810,185	-
5,286	63,529	579,432	-
<u>1,152,872</u>	<u>13,170,266</u>	<u>38,117,303</u>	<u>16,789,120</u>
<u>168,550</u>	<u>522,639</u>	<u>7,370,974</u>	<u>(268,317)</u>
-	-	(1,047,592)	-
6,500	17,833	24,333	-
4,152	533,537	803,958	2,076
<u>10,652</u>	<u>551,370</u>	<u>(219,301)</u>	<u>2,076</u>
179,202	1,074,009	7,151,673	(266,241)
(398,843)	(601,727)	(5,071,076)	(53,251)
(219,641)	472,282	2,080,597	(319,492)
<u>2,984,090</u>	<u>7,931,760</u>	<u>80,928,282</u>	<u>463,492</u>
<u>\$ 2,764,449</u>	<u>\$ 8,404,042</u>	<u>\$ 83,008,879</u>	<u>\$ 144,000</u>

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2011

	Water Fund	Sewer Fund
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 14,882,411	\$ 11,043,860
Payments to suppliers for services	(2,025,928)	(3,406,295)
Payments to employees	(6,115,840)	(7,409,842)
Net cash provided by (used in) operating activities	6,740,643	227,723
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Operating grants received	87,184	179,085
Transfers out	(2,202,730)	(1,760,215)
Net cash used in non-capital financing activities	(2,115,546)	(1,581,130)
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(686,640)	(1,014,993)
Advance from/to other fund	(840,382)	(4,177,593)
Proceeds from issuance of capital debt	6,005,000	5,190,000
Payments for bond issuance costs	(103,406)	(225,551)
Principal paid on capital debt	(2,390,400)	(1,270,000)
Principal paid on refunded debt	(4,710,000)	(1,105,000)
Payments of obligations under capital leases	(34,005)	(136,021)
Interest paid on long-term obligations	(627,317)	(455,063)
Net cash used in capital and related financing activities	(3,387,150)	(3,194,221)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,237,947	(4,547,628)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	1,891,888	4,547,928
End of year	\$ 3,129,835	\$ 300
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>		
Operating income	\$ 4,136,380	\$ 2,543,405
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,146,717	2,025,375
Loss on disposal of capital asset	-	-
Changes in:		
Accounts receivable	3,630	(4,551,309)
Inventories	-	-
Accounts payable	346,505	121,042
Accrued payroll	(2,731)	1,307
Claims liability	-	-
Other liabilities	15,658	-
Compensated absences	41,001	27,499
Other post-employment benefit liability	53,483	60,404
Total adjustments	2,604,263	(2,315,682)
Net cash provided by (used in) operating activities	\$ 6,740,643	\$ 227,723
<b>Non-cash capital and related financing activities:</b>		
Issuance of capital lease	\$ -	\$ -

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

**Business-type Activities - Enterprise Funds**

<u>Municipal Golf Course</u>	<u>Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ 1,321,422	\$ 13,616,073	\$ 40,863,766	\$ 16,460,063
(286,965)	(10,454,051)	(16,173,239)	(17,444,088)
(669,309)	(2,132,211)	(16,327,202)	4,599
<u>365,148</u>	<u>1,029,811</u>	<u>8,363,325</u>	<u>(979,426)</u>
4,152	533,537	803,958	2,076
(398,843)	(563,832)	(4,925,620)	(53,251)
<u>(394,691)</u>	<u>(30,295)</u>	<u>(4,121,662)</u>	<u>(51,175)</u>
(44,331)	(454,691)	(2,200,655)	-
6,282	(3,268,297)	(8,279,990)	(1,057,706)
-	-	11,195,000	-
-	-	(328,957)	-
-	-	(3,660,400)	-
-	-	(5,815,000)	-
-	(151,861)	(321,887)	-
-	-	(1,082,380)	-
<u>(38,049)</u>	<u>(3,874,849)</u>	<u>(10,494,269)</u>	<u>(1,057,706)</u>
<u>(67,592)</u>	<u>(2,875,333)</u>	<u>(6,252,606)</u>	<u>(2,088,307)</u>
123,862	5,689,674	12,253,352	3,298,750
<u>\$ 56,270</u>	<u>\$ 2,814,341</u>	<u>\$ 6,000,746</u>	<u>\$ 1,210,443</u>
<u>\$ 168,550</u>	<u>\$ 522,639</u>	<u>\$ 7,370,974</u>	<u>\$ (268,317)</u>
168,256	469,837	4,810,185	-
6,500	17,833	24,333	-
-	(76,832)	(4,624,511)	(60,740)
5,603	-	5,603	-
8,923	51,160	527,630	676,881
1,206	490	272	28
-	-	-	(1,331,849)
625	2,791	19,074	-
5,485	21,129	95,114	4,571
-	20,764	134,651	-
<u>196,598</u>	<u>507,172</u>	<u>992,351</u>	<u>(711,109)</u>
<u>\$ 365,148</u>	<u>\$ 1,029,811</u>	<u>\$ 8,363,325</u>	<u>\$ (979,426)</u>
<u>\$ -</u>	<u>\$ 549,500</u>	<u>\$ 549,500</u>	<u>\$ -</u>

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2011

	Pension Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 2,293,323
Interest receivable	45,624	-
Due from City's General Fund	461,595	-
Other receivables	66,875	-
Investments, at fair value:		
Common stock	10,807	-
Money market funds	6,185,453	-
Negotiable certificates of deposit	702,658	-
Equity mutual funds	73,458,952	-
Bond mutual funds	30,992,480	-
<b>Total Assets</b>	<b>111,924,444</b>	<b>2,293,323</b>
<b>Liabilities</b>		
Accounts payable	8,915	-
Payroll tax liability	-	1,193,027
Due to other governments	-	1,100,296
<b>Total Liabilities</b>	<b>8,915</b>	<b>\$ 2,293,323</b>
<b>Net Assets</b>		
Held in trust for pension benefits	<b>\$ 111,915,529</b>	

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

**CITY OF ALLENTOWN, PENNSYLVANIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Pension Trust Fund</u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 12,423,170
Plan members	<u>1,761,017</u>
Total contributions	<u>14,184,187</u>
Investment income:	
Net depreciation in fair value of investments	(2,527,615)
Interest and dividends	2,732,845
Less investment expenses	<u>(178,300)</u>
Net investment income	<u>26,930</u>
Other income:	
Miscellaneous	<u>19,374</u>
Total additions	<u>14,230,491</u>
<b>Deductions:</b>	
Benefits paid to recipients	17,870,280
Administrative and other fees	<u>29,726</u>
Total deductions	<u>17,900,006</u>
<b>Decrease in Net Assets</b>	<u>(3,669,515)</u>
<b>Net Assets:</b>	
Beginning of year	<u>115,585,044</u>
End of year	<u><u>\$111,915,529</u></u>

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF NET ASSETS COMPONENT UNITS

DECEMBER 31, 2011

<b>Assets</b>	<b>Allentown Redevelopment Authority</b>	<b>Allentown Parking Authority</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 103,986	\$ 765,492	\$ 869,478
Cash and cash equivalents - restricted	1,774	-	1,774
Certificates of deposit	-	1,356,418	1,356,418
Accounts receivable	1,500	142,522	144,022
Other current assets	6,133	269,922	276,055
Due from other governments	44,644	-	44,644
Total current assets	158,037	2,534,354	2,692,391
<b>Noncurrent assets:</b>			
Land	-	8,495,248	8,495,248
Land and building improvements	-	33,465,227	33,465,227
Vehicles	-	100,404	100,404
Total capital assets, net	-	42,060,879	42,060,879
Loans and notes receivable	888,000	-	888,000
Property held for development	2,250,264	-	2,250,264
Other assets	-	279,305	279,305
Total noncurrent assets	3,138,264	42,340,184	45,478,448
<b>Total Assets</b>	<b>3,296,301</b>	<b>44,874,538</b>	<b>48,170,839</b>

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF NET ASSETS COMPONENT UNITS

DECEMBER 31, 2011

	Allentown Redevelopment Authority	Allentown Parking Authority	Total
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other current liabilities	22,197	395,825	418,022
Other liabilities	-	83,811	83,811
Unearned revenue	-	380,580	380,580
Line of credit	-	340,853	340,853
Bonds payable, current maturities	-	1,411,119	1,411,119
Mortgage and note payable, current maturities	400,000	-	400,000
Total current liabilities	422,197	2,612,188	3,034,385
Noncurrent liabilities:			
Unearned revenue	-	9,693,460	9,693,460
Other post-employment benefit liability	-	30,913	30,913
Bonds payable	-	16,617,775	16,617,775
Total noncurrent liabilities	-	26,342,148	26,342,148
<b>Total Liabilities</b>	422,197	28,954,336	29,376,533
<b>Net Assets</b>			
Invested in capital assets, net of related debt	-	23,691,132	23,691,132
Restricted	888,000	-	888,000
Unrestricted (deficit)	1,986,104	(7,770,930)	(5,784,826)
<b>Total Net Assets</b>	<b>\$ 2,874,104</b>	<b>\$ 15,920,202</b>	<b>\$ 18,794,306</b>

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



# CITY OF ALLENTOWN, PENNSYLVANIA

## STATEMENT OF ACTIVITIES COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2011

Component Units:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Allentown Redevelopment Authority	Allentown Parking Authority	Total Component Units
Allentown Redevelopment Authority	\$ 1,098,137	\$ 272,022	\$ 369,257	\$ (456,858)	\$ -	\$ (456,858)
Allentown Parking Authority	5,372,378	5,513,896	-	-	141,518	141,518
<b>Total component units</b>	<b>\$ 6,470,515</b>	<b>\$ 5,785,918</b>	<b>\$ 369,257</b>	<b>(456,858)</b>	<b>141,518</b>	<b>(315,340)</b>
General revenues:						
Investment earnings				86	12,127	12,213
Total general revenues				86	12,127	12,213
<b>Change in Net Assets</b>				<b>(456,772)</b>	<b>153,645</b>	<b>(303,127)</b>
Net Assets:						
Beginning of year				3,330,876	15,766,557	19,097,433
End of year				<b>\$ 2,874,104</b>	<b>\$ 15,920,202</b>	<b>\$ 18,794,306</b>

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

#### 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 118,000 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 segments 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*.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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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 and other taxes are recognized as revenues in the year for which they are levied or the underlying transaction has taken place. 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, pension, other post-employment benefits, and compensated absences expenditures are recorded only when payment is due.

Property and other 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 to the extent that they meet the available criteria. 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 accounted for in another fund.

Liquid Fuels 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.

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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Revolving Loan Fund – is used to account for loans for community and economic development activities that are eligible under the Housing and Redevelopment Assistance grant program.

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 outlay.

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.

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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The City's fiduciary funds consist of 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.

The City and its component units follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally 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 (GASB). 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 and capital 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 funds are charges to customers for services. Operating expenses for the enterprise funds 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.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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When both restricted and unrestricted resources are available for use, it is the City and the Allentown Redevelopment Authority'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 funds and certain 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. All investments are held in the capital projects fund and the pension trust fund. 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 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

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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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.

The deposit and investment activity of the Allentown Parking Authority adheres to state statutes, prudent business practices, and applicable trust indentures, which are more restrictive than existing state statutes. Pennsylvania law stipulates the investment and deposit types the Allentown Parking Authority may purchase as follows:

- a. U.S. Treasury bills.
- b. Short-term obligations of the U.S. government or its agencies.
- c. Demand, savings, and time deposits with institutions insured by Federal insurance or collateralized with securities as provided by law.
- d. Obligations of the United States or any of its agencies, the Commonwealth of Pennsylvania or any of its agencies, or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies, providing the obligations are backed by the full faith and credit of the political subdivisions.

The Allentown Parking Authority had no deposit or investment transactions during the year ended December 31, 2011 which were in violation of state statutes or applicable trust indentures.

### Restricted Assets

Cash and investments of the City and the Allentown Parking Authority, received from the issuance of long-term debt, have been presented as restricted assets because the usage of such assets are limited to that set forth in the bond documents.

The Allentown Redevelopment Authority's restricted cash accounts are those accounts with externally imposed withdrawal restrictions.

### Internal Balances

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

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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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."

### Allowance for Uncollectible Receivables

All property tax, per capita tax, curb and sidewalk, water, sewer, and solid waste charges for service receivables are shown net of an allowance for uncollectibles. All allowances have been calculated based on historical collections. The allowance for property tax and per capita tax, presented in the General Fund, was approximately \$2.2 million at December 31, 2011. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$235,000 at December 31, 2011. The allowance for water, sewer, and solid waste, presented in their respective funds, was approximately \$1.8 million, \$1.5 million, and \$1 million, respectively, at December 31, 2011.

The Authority loans funds to private developers in connection with redevelopment projects in the City. The collectability of the loans is evaluated and an allowance is recorded for amounts which may not be collected by the Authority. The loans are under a revolving loan fund program financed by the Commonwealth of Pennsylvania, Department of Community and Economic Development.

### 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, 2011 are immaterial.

Inventories at the Allentown Municipal Golf Course are valued at average cost.

For the Parking Authority, inventory consists of parking meters, their related components, salt, and chemicals and is stated at cost (FIFO).

### Capital Assets

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

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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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.

The City's 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

The Parking Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-44
Parking garages and components	5-50
Equipment and vehicles	3-20

The Parking Authority charges normal maintenance and repairs to operations as incurred. Renewals and betterments are capitalized and depreciated based upon the expected life of such improvements. Amortization of assets under capital lease has been included as part of depreciation expense.

### Property Held for Development

The Authority acquires properties in the City for future development which are recorded at cost. When the Authority enters into agreements with private developers for sale of the properties, the carrying amount of the properties are reduced to the future net realizable amounts in the agreements with the private developers through an allowance for losses.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payment are incurred. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City reports encumbrances in its governmental funds as assigned fund balance, if the individual fund's fund balance is not presented as restricted. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but is not reported on the statement of net assets. At December 31, 2011, the City had encumbrances of \$354,123 in the Sewer Fund related to wastewater treatment facility administration and operations as well as sewer line maintenance.

### Fund Balance

In the fund financial statements, fund balance of governmental funds is classified in five separate categories. The five categories, and their general meaning are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid expenditures and inventory.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by City Council. Such commitment is made via a resolution by City Council and must be made prior to the end of the year. Removal of this commitment requires a resolution by City Council.
- Assigned – This category represents intentions of the an individual or group designated by City Council to use the funds for specific purposes. Through a resolution of City Council, the designee has been delegated the responsibility to assign funds.
- Unassigned – This category represents all other funds not otherwise defined.

The City's policy is to use funds in the order of the most restrictive to the least restrictive.

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### Net Assets

Net assets are classified into three components: invested in capital assets, net of related liabilities, restricted, and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt, net of unspent bond proceeds, that is attributable to the acquisition, construction and improvement of those assets. Restricted net assets are restricted by laws or regulations of other governments. Unrestricted consists of all other net assets not included in the above categories.

### 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 \$20 per day, depending upon employees' classification, up to 125 days upon retirement.

For the Parking Authority, vacation pay for both salaried and union employees is based on length of service and accrues as of each employee's anniversary date. Sick pay for both salaried and union employees is based on eight days per calendar year for the year ended December 31, 2011.

### Deferred/Unearned Revenues

Deferred/unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. In governmental funds, such amounts are measurable but are not available. Deferred/unearned 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.

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### Deferred Refunding Losses

Deferred refunding losses are deferred and amortized over the term of the new or refunded bonds, whichever is shorter, using the bond outstanding method, which approximates the interest method. Deferred refunding losses are deducted from the bonds outstanding.

### Conduit Debt and Related Receivable

In July 2006, the Authority and a developer entered into a financing agreement for the Authority to provide a \$3.4 million Section 108 Loan through the Federal Department of Housing and Urban Development (HUD) for a project (Allentown Brew Works).

The loan is secured by a second lien mortgage on the property and the corporate and personal guarantees of the developer and the assignment of leases and rents. In November 2011, the note was converted from a variable interest rate to a fixed interest rate as a result of a public offering of the note by HUD.

The Authority has an indemnity agreement from the developer, which limits the Authority's obligation to repay the loan to amounts it receives from the developer.

The Authority treats this loan as conduit debt and, therefore, does not recognize either the loan receivable or long-term debt on its statement of net assets.

The balance on this loan at December 31, 2011 is \$3.242 million.

### 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 City real estate taxes are certified to Portnoff Law Associates for further collection and possible tax sales over an additional 30-month period.

The 2011 tax levy was 17.53 mills.

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### 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, 2011, 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, 2011, the City carried excess loss insurance policies, which limited its liability to \$500,000 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 \$870,740 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.

### Budgets

Annual budgets as required by the City Charter are adopted by City Council on a cash basis for revenues and modified accrual basis for expenditures, including appropriations to cover prior and anticipated current encumbrances. Appropriations not reserved for encumbrances

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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lapse at year-end. Budgets are legally adopted for the General Fund, Liquid Fuels Fund, Capital Projects Fund, and Debt Service Fund.

The City Administration, 60 days prior to the beginning of the new fiscal year, 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 ordinance 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.

### 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.

### Adoption of GASB Statement

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. As a result of this Statement, the titles and definitions of governmental fund balances have changed.

### Pending Changes in Accounting Principles

GASB has issued the following Statements, which will become effective in future years as shown below. Management has not yet determined the impact of these Statements on the City's financial statements.

GASB Statement No. 61, "*The Financial Reporting Entity*." The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The provisions of this Statement are effective for the City's December 31, 2013 financial statements.

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" Statement No. 63 provides guidance on reporting deferred inflows and outflows of resources, which are distinctly different from assets and liabilities. As a result of reporting these additional elements, the residual balances will be considered as net position, rather than net assets. The provisions of this Statement are effective for the City's December 31, 2012 financial statements.

GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for the City's December 31, 2013 financial statements.

## 2. REPORTING ENTITY

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 (Authority), an entity legally separate from the City, is governed by a board appointed by the Mayor. The Authority, in collaboration with the City's Department of Community and Economic Development, addresses urban revitalization. The Authority is financially dependent on the City.

### Allentown Parking Authority

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

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### 3. DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2011 consist of the following:

Petty cash	\$ 8,100
Deposits	17,802,895
Investments	<u>121,085,669</u>
	<u>\$ 138,896,664</u>

#### Reconciliation to Statements of Net Assets

Cash and cash equivalents:	
Governmental activities	\$ 9,516,926
Business-type activities	6,000,746
Fiduciary funds	<u>2,293,323</u>
	<u>17,810,995</u>
Investments:	
Governmental activities	9,735,319
Fiduciary funds	<u>111,350,350</u>
	<u>121,085,669</u>
	<u>\$ 138,896,664</u>

#### Cash and Cash Equivalents

The City's available cash is invested in demand deposit accounts and certificates of deposit.

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, 2011, the City's book balance was \$17,810,995 and the bank balance was \$25,537,600. Of the bank balance, \$4,269,856 was covered by federal depository insurance, \$176,209 was covered by National Credit Union Administration deposit insurance, and \$21,091,535 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure



# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

### Investments

As of December 31, 2011, the City's investments were comprised of the following:

Money market fund	\$ 14,917,569
Negotiable certificates of deposit	702,658
Equity mutual fund	73,458,952
Bond mutual fund	30,992,480
Common stock	10,807
U.S. Treasury bond/note	1,003,203
Total	<u>\$ 121,085,669</u>

As of December 31, 2011, the City had the following investments in fixed income securities:

Investment Type	Fair Value	2012	2013 - 2017	2018 - 2022	2023+	Rating
Negotiable certificates of deposit	\$ 702,658	\$ 702,658	\$ -	\$ -	\$ -	Unrated
Bond mutual fund	40,000	-	-	40,000	-	A
Bond mutual fund	128,583	-	128,583	-	-	A1
Bond mutual fund	29,662,676	-	-	29,499,344	163,332	AA
Bond mutual fund	143,656	-	-	143,656	-	Aa1
Bond mutual fund	103,722	-	103,722	-	-	Aa2
Bond mutual fund	537,267	-	413,459	123,808	-	Aaa
Bond mutual fund	109,121	-	-	109,121	-	B
Bond mutual fund	88,728	-	-	-	88,728	Baa
Bond mutual fund	178,727	-	76,518	-	102,209	Unrated
U.S. Treasury bond/note	1,003,203	1,003,203	-	-	-	AA+
Total fixed income securities	<u>\$ 32,698,341</u>	<u>\$ 1,705,861</u>	<u>\$ 722,282</u>	<u>\$ 29,915,929</u>	<u>\$ 354,269</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.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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The City's pension plans have a formal investment policy that has set a three to five year investment horizon.

### 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, 2011, all of the City's investments are held by the investment's counterparty, not in the name of the City. The City does not have a formal policy limiting the amount of investments that can be held by counterparties.

### Component Units' Custodial Credit Risk - Deposits

#### *Authority*

The Authority's available cash is invested in demand deposit accounts. At December 31, 2011, the carrying amount of the Authority's bank deposits was \$105,760. The corresponding bank balance at December 31, 2011 was \$118,125, all of which was directly covered by depository insurance of a federal agency.

#### *Parking Authority*

The Parking Authority invests its idle funds in various instruments, including external investment pools, which invest in government secured instruments, certificates of deposit with federally insured financial institutions, and money market funds. The investments are valued at fair value, except for those that have a remaining maturity at the time of purchase of one year or less, which are valued at amortized cost. The Authority's investment in external investment pools and money market funds are stated at fair value, which approximates cost and is classified as cash and cash equivalents on the statement of net assets. The Authority's investments in certificates of deposit in federally-insured financial institutions are valued at cost because they are considered non-negotiable, non-participating contracts for which redemption terms do not consider market rates.

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# **CITY OF ALLENTOWN, PENNSYLVANIA**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

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Custodial credit risk is the risk that in the event of a bank failure, the Parking Authority's deposits may not be returned to it. The Parking Authority does not have a deposit policy for custodial credit risk. As of December 31, 2011, \$803,508 of the Parking Authority's bank balance of \$2,219,595 was exposed to custodial credit risk.

Deposits are included in the statement of net assets as cash and cash equivalents and certificates of deposit.

Amounts invested in external investment pools are not categorized because securities are not used as evidence of the investment.

External investment pools:

### **Pennsylvania Treasury Department INVEST Program (INVEST)**

The Parking Authority has an agreement with Pennsylvania Treasury Department to pool funds to enhance interest earnings. The INVEST program allows Pennsylvania municipalities to utilize the investment expertise of Treasury personnel to purchase investments with other local governmental units. Because of the large volume of money invested, the longer average investment maturity and low administrative charges; the State is able to provide a high rate of return. Funds deposited in the INVEST program require either one or ten day's notice for withdrawal. The INVEST pool is not SEC regulated. The investment policy of INVEST is guided by Pennsylvania statute for respective shareholder participants. The policy is consistent with investment criteria for a "AAA" rating from the Standard & Poor's and Fitch rating agencies. An oversight committee comprised of the State Treasurer, the State Secretary of the Budget, and the State House of Representatives Majority and Minority Chairmen, together with three independent third party investment experts, provide investment advice and strategies to be utilized by the INVEST program. The fair value of the Authority's position in the INVEST pool is the same as the value of the pool shares. The Authority's investment in INVEST has been rated AAAM, the highest rating available, by Standard & Poor's, an independent investment rating company. The Parking Authority's investment in INVEST has also been rated AAA/V1+, the highest rating available, by Fitch, an independent investment rating company.

### **Pennsylvania School District Liquid Asset Fund (PSDLAF)**

The Parking Authority invests in the PSDLAF, a customized cash management program created in 1982 by the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials to provide a unique set of benefits and enhancements for investing public funds. The general objective of the PSDLAF is to provide its investors current income while preserving capital in a manner compatible with the needs

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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and requirements of public school and local government entities in Pennsylvania. The pool is not SEC regulated. The investment policy of PSDLAF is guided by Section 440.1 of the Pennsylvania School Code, which governs the temporary investment of funds by school entities.

The fund is managed by a Board of Trustees, which oversees, reviews, and supervises the activities of all consultants and professional advisers to PSDLAF. The Trustees also retain an Executive Director of the Fund who acts as a consultant to PSDLAF and performs such consulting and advisory services with respect to matters concerning the operations and activities of PSDLAF as may from time to time be reasonably requested by the Trustees. An independent investment company has been appointed by the Trustees to act as PSDLAF's investment adviser. The fair value of the Parking Authority's position in PSDLAF is the same as the value of the pool shares. The Parking Authority's investment in PSDLAF has been rated AAAM, the highest rating available, by Standard & Poor's, an independent investment rating company.

As of December 31, 2011, the carrying amounts of external investment pool assets were \$80,431. The fair value of external investment pool assets approximate their carrying values as of December 31, 2011. As required by the GASB, investments in external investment pools are uncategorized with regard to risk and are not included in the custodial credit risk presented above.

#### 4. LOANS AND MORTGAGES RECEIVABLE

##### *Authority – Loans Receivable*

Loans receivable as of December 31, 2011 consist of the following:

The Authority has a loan receivable of \$500,000 at 2% with a private developer for the Farr Loft Project. Repayment of the loan was to commence in May 2009 with monthly principal and interest payments through April 2022. In July 2009, the loan agreement was amended, whereby payments of interest only at a rate of 2% would be made for a period of two years. No modifications to the loan agreement and payment schedule were made after the amendment expired in August 2011. Payments of interest only under the terms of the July 2009 agreement have continued. The Authority Board will review the agreement in June 2012. The Authority holds a third lien mortgage position on the property, furnishings, fixtures, and equipment related to the property and has established an allowance for 100% of the loan.

The Authority has an interest-free loan receivable of \$888,000 with a private developer for the Cosmopolitan Project. The Authority will receive varying principal payments as set forth

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

in the agreement starting in 2018 and continuing through 2050. A "voluntary sale" notice must be provided to the Authority for any sale or transfer of the Project prior to the maturity date of the note.

### 5. CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2011 is as follows:

	January 1, 2011	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2011
Government activities:				
Capital assets not being depreciated:				
Land	\$ 8,409,945	\$ -	\$ -	\$ 8,409,945
Art	95,166	-	-	95,166
Construction in progress	15,888,719	9,001,250	(6,215,740)	18,674,229
Total capital assets not being depreciated	24,393,830	9,001,250	(6,215,740)	27,179,340
Capital assets being depreciated:				
Buildings	23,956,504	-	-	23,956,504
Land and building improvements	23,390,039	1,831,964	-	25,222,003
Machinery and equipment	23,370,199	4,175,191	-	27,545,390
Vehicles	15,847,854	462,394	(312,220)	15,998,028
Infrastructure	63,213,271	657,427	-	63,870,698
Total capital assets being depreciated	149,777,867	7,126,976	(312,220)	156,592,623
Less accumulated depreciation for:				
Buildings	16,872,624	514,920	-	17,387,544
Land and building improvements	11,821,350	880,351	-	12,701,701
Machinery and equipment	13,522,679	1,282,287	-	14,804,966
Vehicles	12,254,384	714,011	(308,412)	12,659,983
Infrastructure	29,312,529	885,197	-	30,197,726
Total accumulated depreciation	83,783,566	4,276,766	(308,412)	87,751,920
Total capital assets being depreciated, net	65,994,301	2,850,210	(3,808)	68,840,703
Governmental activities capital assets, net	\$ 90,388,131	\$ 11,851,460	\$ (6,219,548)	\$ 96,020,043

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

	January 1, 2011	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,759,049	\$ -	\$ -	\$ 3,759,049
Construction in progress	817,318	1,073,316	(823,845)	1,066,789
Total capital assets not being depreciated	4,576,367	1,073,316	(823,845)	4,825,838
Capital assets being depreciated:				
Buildings	41,869,203	-	-	41,869,203
Land and building improvements	25,337,449	-	-	25,337,449
Machinery and equipment	36,205,896	1,623,451	-	37,829,347
Vehicles	7,848,360	566,421	(80,749)	8,334,032
Distribution and collection systems	52,124,358	328,107	(21,454)	52,431,011
Total capital assets being depreciated	163,385,266	2,517,979	(102,203)	165,801,042
Less accumulated depreciation for:				
Buildings	24,594,519	1,062,830	-	25,657,349
Land and building improvements	9,499,564	706,114	-	10,205,678
Machinery and equipment	26,045,840	1,889,940	-	27,935,780
Vehicles	6,322,492	353,218	(63,454)	6,612,256
Distribution and collection systems	14,635,816	540,228	(21,454)	15,154,590
Total accumulated depreciation	81,098,231	4,552,330	(84,908)	85,565,653
Total capital assets being depreciated, net	82,287,035	(2,034,351)	(17,295)	80,235,389
Business-type activities capital assets, net	<u>\$ 86,863,402</u>	<u>\$ (961,035)</u>	<u>\$ (841,140)</u>	<u>\$ 85,061,227</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 348,448
Public safety	965,554
Community development	44,782
Public works	2,226,948
Health and sanitation	96,256
Parks and recreation	594,778
Total	<u>\$ 4,276,766</u>

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Depreciation expense was charged to business-type activities as follows:

Water Fund	\$ 1,966,697
Sewer Fund	1,947,540
Municipal Golf Course	168,256
Solid Waste Fund	469,837
Total	<u>\$ 4,552,330</u>

### Component Units' Capital Assets

#### Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2011 is as follows:

	January 1, 2011	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2011
Parking Authority:				
Capital assets not being depreciated:				
Land	\$ 8,495,248	\$ -	\$ -	\$ 8,495,248
Total capital assets not being depreciated	8,495,248	-	-	8,495,248
Capital assets being depreciated:				
Land and building improvements	44,174,964	176,237	-	44,351,201
Vehicles	1,503,755	-	-	1,503,755
Total capital assets being depreciated	45,678,719	176,237	-	45,854,956
Less accumulated depreciation for:				
Land and building improvements	9,394,046	1,491,928	-	10,885,974
Vehicles	1,319,943	83,408	-	1,403,351
Total accumulated depreciation	10,713,989	1,575,336	-	12,289,325
Total capital assets being depreciated, net	34,964,730	(1,399,099)	-	33,565,631
Parking Authority capital assets, net	<u>\$ 43,459,978</u>	<u>\$ (1,399,099)</u>	<u>\$ -</u>	<u>\$ 42,060,879</u>

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

### 6. INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2011 is as follows:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	Trexler	Short-term loan/negative cash	\$ 17,977
		Cash advance for AP	112,591
			<u>130,568</u>
CDBG	General	Pension State Aid	<u>51,140</u>
Capital Projects	Water	Bond proceeds	1,346,413
		Capital project expenditures	678,574
			<u>2,024,987</u>
E-911	General	Unallowable expenses	<u>73,692</u>
Water	Sewer	Short-term loan/negative cash	<u>73,619</u>
Sewer	Capital	Bond proceeds	<u>5,181,260</u>
Solid Waste	Capital	Short-term loan/negative cash	2,650,203
		Short-term loan/negative cash	618,094
			<u>3,268,297</u>
Risk	General	Insurance reimbursement	766,430
	Liquid Fuels	Insurance reimbursement	22,935
	CDBG	Insurance reimbursement	7,801
	Trexler	Insurance reimbursement	15,542
	Water	Insurance reimbursement	93,260
	Sewer	Insurance reimbursement	107,561
	Golf	Insurance reimbursement	6,282
	Solid Waste	Insurance reimbursement	<u>37,895</u>
			<u>1,057,706</u>
Pension	General	Police pension - DROP	38,104
	General	Interest and unfunded liability	423,491
			<u>461,595</u>
			<u>\$ 12,322,864</u>



# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

### 7. INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2011 consisted of the following:

	Transfers in:				Total
	General Fund	Debt Service Fund	Capital Projects	E-911 Fund	
Transfers out:					
General	\$ -	\$ 7,038,684	\$ -	\$ 936,601	\$ 7,975,285
CDBG	462,007	17,046	-	-	479,053
Trexler	19,845	-	170,160	-	190,005
E-911	7,738	17,046	-	-	24,784
Risk	53,251	-	-	-	53,251
Water	2,129,111	-	-	-	2,129,111
Sewer	1,907,303	34,092	-	-	1,941,395
Golf	292,363	106,480	-	-	398,843
Solid Waste	601,727	-	-	-	601,727
	<u>\$ 5,473,345</u>	<u>\$ 7,213,348</u>	<u>\$ 170,160</u>	<u>\$ 936,601</u>	<u>\$ 13,793,454</u>

The majority of interfund transfers were for recurring annual transfers. Transfers totaling \$5,473,345 were made to the General Fund for reimbursement of services rendered by the General Fund for other operating funds. A transfer totaling \$170,160 was made to Capital Projects for the enhancement of the park system. A transfer from the General Fund to the E-911 Fund was made to cover ineligible expenses as required by the Pennsylvania Public Safety Emergency Telephone Act.

Transfers from the funds were made to the Debt Service Fund to cover the debt requirement. Transfers were made to the General Fund from the Water and Sewer Funds for Homeland Security and from the CDBG Fund for reimbursement of salaries.

### 8. PENSION PLANS

#### Plan Descriptions

The City has three single-employer defined benefit pension plans covering Police, Firemen, and certain non-uniformed employees (Officers and Employees Plan). The Plans provide for retirement, disability, vested and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the Police, Firemen, and Officers and Employees Retirement Boards. All full-time City employees hired prior to June 9, 1976 are

# **CITY OF ALLENTOWN, PENNSYLVANIA**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

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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 non-uniformed City employees hired after June 8, 1976 are eligible to participate in the PMRS Plan. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR), which may be obtained by writing to 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 a statement of changes in fiduciary net assets for the City's three single-employer defined benefit plans:

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

	Officers and Employees Pension Fund	Police Pension Fund	Firemen Pension Fund	Total Pension Trust Fund
<b>Statement of Plan Net Assets</b>				
<b>Assets:</b>				
Interest receivable	\$ 6,264	\$ 22,816	\$ 16,544	\$ 45,624
Due from City's General Fund	18,136	297,232	146,227	461,595
Other receivables	-	-	66,875	66,875
Investments, at fair value	14,012,014	57,495,243	39,843,093	111,350,350
Total Assets	14,036,414	57,815,291	40,072,739	111,924,444
<b>Liabilities:</b>				
Accounts payable	2,628	3,659	2,628	8,915
Total liabilities	2,628	3,659	2,628	8,915
<b>Net Assets:</b>				
Held in trust for pension benefits	\$ 14,033,786	\$ 57,811,632	\$ 40,070,111	\$ 111,915,529
<b>Statement of Changes in Plan Net Assets</b>				
<b>Additions:</b>				
<b>Contributions:</b>				
Employer	\$ 532,150	\$ 7,597,844	\$ 4,293,176	\$ 12,423,170
Plan members	16,574	666,081	1,078,362	1,761,017
Total contributions	548,724	8,263,925	5,371,538	14,184,187
<b>Investment income:</b>				
Net depreciation in fair value of investments	(352,872)	(1,224,523)	(950,220)	(2,527,615)
Interest and dividends	367,076	1,383,820	981,949	2,732,845
Less investment expenses	(29,083)	(66,727)	(82,490)	(178,300)
Net investment income	(14,879)	92,570	(50,761)	26,930
Other income, miscellaneous	4,289	9,999	5,086	19,374
Total additions	538,134	8,366,494	5,325,863	14,230,491
<b>Deductions:</b>				
Benefits paid to recipients	2,588,633	9,321,603	5,960,044	17,870,280
Administrative and other fees	4,430	14,522	10,774	29,726
Total deductions	2,593,063	9,336,125	5,970,818	17,900,006
Decrease in net assets	(2,054,929)	(969,631)	(644,955)	(3,669,515)
<b>Net assets held in trust for pension benefits:</b>				
Beginning of year	16,088,715	58,781,263	40,715,066	115,585,044
End of year	\$ 14,033,786	\$ 57,811,632	\$ 40,070,111	\$ 111,915,529

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### Valuation of Investments

All investments of the pension plans are reported at fair value based on quoted market values. Investments that do not have an established market value are reported at estimated fair value. Insurance holdings, if any, are valued at reported contract values.

### Summary of Significant Accounting Policies

The financial statements of the pension plans are reported using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The following table provides information concerning types of covered employees and benefit provisions for each of the three City Plans at January 1, 2011 and at December 31, 2011 for the PMRS Plan. Benefit provisions and their amendments are authorized by the separate Pension Boards for the Police, Firemen, and Officers and Employees Plans and by the Pennsylvania State Act 15 for the PMRS Plan.

	Officers and Employees	Police	Firemen	PMRS
		All full-time members of the Police Force	All full-time members of the Fire Department	All full-time employees not previously covered
Covered Employees	Closed 6/8/1976			
Number of active plan members	5	175	134	509
Number of retirees and beneficiaries receiving benefits	196	286	183	280
Terminated employees entitled to deferred benefits	-	1	-	19

### 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' annual actuarial valuation. The most recent valuation for all of the City's Plans was completed as of January 1, 2011. The MMO includes the normal cost, estimated

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

administrative expenses, and an amortization of the unfunded actuarial accrued liability. Act 44 provided for a reduction in the amortization requirement by 25% for the five-year period from 2010 through 2014. This reduction is reflected in the final MMO calculation. The state provides an allocation of funds that must be used for pension funding. Any financial requirements established by the MMO that exceed state and member contributions must be funded by the employer.

Police 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 Police, Firemen, and Officers and Employees Defined Benefit Pension Plans for the current year were as follows:

	Officers and Employees	Police	Firemen
Annual required contribution (MMO)	\$ 514,014	\$ 7,338,716	\$ 4,146,949
Interest on net pension asset	(2,353)	(38,443)	(23,029)
Adjustment to annual required contribution	2,773	45,318	27,147
Annual pension cost	514,434	7,345,591	4,151,067
Contributions made	532,150	7,597,844	4,293,176
(Increase) decrease in net pension asset	(17,716)	(252,253)	(142,109)
Net pension (asset), beginning of year	(29,409)	(480,537)	(287,857)
Net pension (asset), end of year	\$ (47,125)	\$ (732,790)	\$ (429,966)

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

	Three-Year Trend Information			
	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
Officers and Employees	12/31/09	\$ 451,486	99.9%	\$ 29,836
	12/31/10	343,958	99.9%	29,409
	12/31/11	514,434	103.4%	47,125
Police	12/31/09	7,122,571	99.9%	487,512
	12/31/10	5,733,695	99.9%	480,537
	12/31/11	7,345,591	103.4%	732,790
Firemen	12/31/09	3,569,299	100.5%	292,035
	12/31/10	3,137,617	99.9%	287,857
	12/31/11	4,151,067	103.4%	429,966
Pennsylvania Municipal Retirement Plan	12/31/09	1,217,945	100.0%	-
	12/31/10	1,186,454	100.0%	-
	12/31/11	1,367,093	100.0%	-

The annual required contribution for each of the Plans for the current year was determined as part of the January 1, 2009 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 the Police and Officers and Employees Plans, 3.4% for 2009 to 2011 and 5% after 2011 for the Firemen Plan, and 5.2% for the PMRS Plan. The actuarial value of assets was based on market value plus end of year accrual adjustments, if any.

### Investments That Represent Five Percent or More of Plan Net Assets

At December 31, 2011, 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 on a closed basis. The remaining amortization period is 10.57 years for the Officers and Employees Plan, 14.37 years for the Police Plan, and 16.00 years for the Firemen Plan.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

### Funded Status and Funding Progress:

The funded status of the City's pension funds as of January 1, 2011, the most recent actuarial valuation date, is as follows:

	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/(AAL) as a Percentage of Covered Payroll (b-a/c)
Officers and Employees Plan	\$ 16,902,051	\$ 20,896,120	\$ 3,994,069	80.89%	\$ 314,909	1268.32%
Police Pension Fund Plan	\$ 62,355,723	\$ 142,839,885	\$ 80,484,162	43.65%	\$ 13,821,650	582.31%
Firemen Pension Fund Plan	\$ 43,052,580	\$ 90,866,138	\$ 47,813,558	47.38%	\$ 10,475,590	456.43%
Pennsylvania Municipal Retirement System Plan	\$ 126,518,465	\$ 132,493,119	\$ 5,974,654	95.49%	\$ 28,305,537	21.11%

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Firemen Plan was amended to provide benefits to same-sex domestic partners and to permit all participants who become disabled in the line of duty with less than 20 years of service to receive a benefit of 50.5% of final pensionable pay. These plan changes were reflected in the January 1, 2011 valuation.

The Police Plan was amended to provide benefits to same-sex domestic partners and to permit all participants who become disabled in the line of duty with less than 10 years of service to receive a benefit of 50.5% of final pensionable pay. These plan changes were reflected in the January 1, 2011 valuation.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### Discretely Presented Component Units' Pension Plan

#### *Authority*

The Authority has a defined contribution pension plan as established under Code Section 403(b) for all employees. The Authority matches 100% of employee contributions up to the first 7% of employee deferral contributions. The Authority's pension expense for the year ended December 31, 2011 was \$3,590.

#### *Parking Authority*

##### *Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan*

The Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan is designed to provide retirement benefit to the Parking Authority's eligible union employees. The plan covers all eligible employees over the age of 19 with one year of service with the Parking Authority. Employer contributions to the plan are established by the Union's collective bargaining agreement. Employer contributions were fixed at 5% by the collective bargaining agreement for the year ended December 31, 2010. Participant contributions are on a voluntary basis up to 10% of compensation. The plan's provisions may be amended by resolution of the Parking Authority's Board of Directors, subject to 90 days' written notice to the plan's Trustee. No modification that affects the rights, duties, and responsibilities of the Trustee may be made without the Trustee's consent.

##### *Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan*

Effective January 1, 2011, the Parking Authority established a defined contribution retirement plan designed to provide retirement benefits to the Authority's eligible salaried employees. The plan covers all salaried employees effective from their date of hire or plan effective date. The Authority contributes on behalf of each salaried employee an amount of 2.0% match for every 1.0% employee contribution. The employer's matching contribution is limited to 10% of earnings and may change from year-to-year. Salaried employees are 100% vested in the plan at time of enrollment. All salaried employee participants contributed a minimum of 5.0% of salary during 2011 and received the maximum employer match of 10.0%.

##### *Allentown Parking Authority Salaried Employees Defined Benefit Pension Plan*

The Parking Authority has established the Salaried Employees Defined Benefit Pension Plan (DB Plan), a single employer plan, to provide normal retirement, postponed, disability,

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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vested, and death benefits to plan members and beneficiaries of the Parking Authority's eligible salaried employees. The DB Plan has been frozen as of December 31, 2010.

### Funding Policy

The contribution requirements of the plan members and the Parking Authority and the DB Plan's benefit provisions are established by Pennsylvania Act 205 and the plan document and may be amended only by the Parking Authority Board. Plan members were required to contribute 5% of their compensation as a condition of membership; however, this condition has been waived as of December 31, 2010. The Authority is required to contribute annually the minimum municipal obligation under PA Act 205.

### Annual Pension Cost and Net Pension Obligation

The annual required contribution was determined as part of an actuarial valuation dated January 1, 2011 using the entry age normal cost valuation method. The Parking Authority's annual pension cost and net pension obligation to the plan for the plan year ended December 31, 2011 was as follows:

Annual required contribution	\$ 102,500
Interest on net pension asset	(12,394)
Adjustment to annual required contribution	<u>21,013</u>
Annual pension cost	111,119
Contributions made	<u>102,500</u>
Decrease in net pension asset	8,619
Net pension (asset), beginning of year	<u>(165,250)</u>
Net pension (asset), end of year	<u><u>\$ (156,631)</u></u>

The actuarial assumptions of the Plan include the following:

- (a) Investment return - 7.5%
- (b) Post-retirement costs were estimated using the 1983 Group Mortality Table. Female mortality is assumed equal to that of males six years younger.
- (c) No salary increase is assumed.
- (d) Retirement is assumed at normal retirement age of 55 or age on valuation date if greater.
- (e) Post-retirement benefits assume a life annuity with 120 monthly payments guaranteed.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

### Asset Valuation

Plan assets are valued using a five-year fresh start smoothing method described in the Internal Revenue Procedure 2000-40, Approval 16. PA Act 44 allows the actuarial value of assets to not be greater than 130% or less than 70% of market value.

### Trend Information

Trend information for the DB Plan is as follows

Three-Year Trend Information			
Fiscal Year	Annual Pension	Percentage	Net
	Cost (APC)	of APC Contributed	Pension Asset
12/31/09	\$ 135,884	93%	\$ 174,344
12/31/10	190,125	95%	165,250
12/31/11	111,119	92%	156,631

The Parking Authority's pension expense amounted to \$213,544 for the year ended December 31, 2011.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

As of January 1, 2011, the Parking Authority Salaried Employees Defined Benefit Pension Plan was terminated by the Parking Authority's Board of Directors.

## 9. LONG-TERM DEBT

The City issues notes and bonds payable to finance the capital projects of the City. Long-term debt activity of the City's governmental activities for the year ended December 31, 2011 was as follows:

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

	Notes and Bonds	Balance Outstanding January 1, 2011	Additions	Reductions	Balance Outstanding December 31, 2011	Current Portion
2001	General Obligation Bond, 2.25% to 5.00% interest, refunded in 2011 with Series of 2011A Bonds	\$ 3,635,000	\$ -	\$ 3,635,000	\$ -	\$ -
2003	General Obligation Bond, 4.00% to 5.50% interest, serial portion payable in annual installments of \$605,000 in 2012 to \$725,000 in 2022	6,555,000	-	-	6,555,000	605,000
2004	Federally Taxable General Obligation Refunding Pension Bond, 3.18% to 5.25% interest, serial portion payable in increasing annual installments of \$275,000 in 2012 to \$2,260,000 in 2034	31,325,000	-	770,000	30,555,000	275,000
2004	Federally Taxable General Obligation Refunding Bond, 3.18% to 4.44% interest, serial portion payable in increasing annual installments of \$470,000 in 2013 to \$695,000 in 2014	1,250,000	-	85,000	1,165,000	-
2004	Tax-Exempt General Obligation Bond, 4.00% to 5.00% interest, serial portion payable in increasing annual installments of \$295,000 in 2012 to \$490,000 in 2024	5,300,000	-	280,000	5,020,000	295,000
2006	Note, 3.85% interest, varying principal annual payments of \$266,000 in 2012 to \$286,400 in 2014	1,080,400	-	253,600	826,800	266,000
2006	Guaranteed Lease Revenue Note, 5.84% to 2016, then LIBOR plus 40 basis points, capped at 9.40%, payable in annual installments of \$146,750 in 2012 to \$917,578 in 2031	9,504,868	-	138,500	9,366,368	146,750

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Notes and Bonds	Balance Outstanding January 1, 2011	Additions	Reductions	Balance Outstanding December 31, 2011	Current Portion
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	18,088,778	1,256,991	-	19,345,769	-
2007 Taxable General Obligation Note, 5.62% to 5.87% payable in varying annual installments of \$35,000 in 2012 to \$45,000 in 2021	7,920,000	-	35,000	7,885,000	35,000
2008 Taxable General Obligation Bond, 3.00% to 3.7% payable in varying annual installments of \$1,080,000 in 2012 to \$315,000 in 2018	5,145,000	-	1,045,000	4,100,000	1,080,000
2009 Tax-Exempt General Obligation Bond, 4.13% interest, serial portion payable in increasing annual installments of \$283,000 in 2012 to \$465,000 in 2024	5,049,000	-	272,000	4,777,000	283,000
2011 Tax-Exempt General Obligation Bond, 2.00% to 5.50% payable in varying annual installments of \$90,000 in 2012 to \$540,000 in 2036	-	6,350,000	-	6,350,000	90,000
2011 Series A Tax-Exempt General Obligation Bond, 2.00% to 4.75% payable in varying annual installments of \$555,000 in 2012 to \$255,000 in 2036	-	7,340,000	-	7,340,000	555,000
Total Governmental Activities Notes and Bonds	94,853,046	14,946,991	6,514,100	103,285,937	3,630,750
Discount on bond issuance	959,536	87,436	68,890	978,082	-
Total	<u>\$ 95,812,582</u>	<u>\$ 15,034,427</u>	<u>\$ 6,582,990</u>	<u>\$ 104,264,019</u>	<u>\$ 3,630,750</u>

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Long-term debt activity of the City's business-type activities for the year ended December 31, 2011 was as follows:

Notes and Bonds				Balance Outstanding January 1, 2011	Additions	Reductions	Balance Outstanding December 31, 2011	Current Portion
2001	Guaranteed Bonds,	Water 4.50% to serial interest, payable in installments of \$320,000 in 2012, partially refunded with Series A of 2011 Bonds	Revenue 5.50% portion annual in	\$ 6,005,000	\$ -	\$ 5,685,000	\$ 320,000	\$ 320,000
2001	Guaranteed Bonds,	Sewer 4.10% to refunded interest, in 2011 with Series A of 2011 Bonds	Revenue 5.00% in	1,190,000	-	1,190,000	-	-
2003	Guaranteed Refunding Bonds,	Water 3.55% to serial interest, payable in installments of \$85,000 in 2012 to \$110,000 in 2019	Revenue 3.55% to serial portion annual in	840,000	-	80,000	760,000	85,000
2003	Guaranteed Refunding Bonds,	Sewer 3.55% to serial interest, payable in installments of \$325,000 in 2012 to \$255,000 in 2020	Revenue 3.55% to serial portion annual in	3,600,000	-	315,000	3,285,000	325,000
2004	Guaranteed Bonds,	Water 3.00% to serial interest, payable in installments of \$135,000 in 2012 to \$95,000 in 2024	Revenue 4.40% portion annual in	1,910,000	-	135,000	1,775,000	135,000
2004	Guaranteed Bonds,	Sewer 3.00% to serial interest, payable in installments of \$25,000 in 2012 to \$35,000 in 2018	Revenue 4.00% portion annual in	235,000	-	25,000	210,000	25,000
2006	Water Note,	3.85% interest, varying principal annual payments of \$399,000 in 2012 to \$429,600 in 2014		1,620,600	-	380,400	1,240,200	399,000

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Notes and Bonds				Balance Outstanding January 1, 2011	Additions	Reductions	Balance Outstanding December 31, 2011	Current Portion
2008	Guaranteed	Water	Revenue					
	Bonds, 3.00% to 3.70%							
	interest, varying principal							
	annual payments of \$845,000							
	in 2012 to \$30,000 in 2018			2,980,000	-	820,000	2,160,000	845,000
2008	Guaranteed	Sewer	Revenue					
	Bonds, 3.00% to 3.70%							
	interest, varying principal							
	annual payments of \$865,000							
	in 2012 to \$490,000 in 2018			4,800,000	-	840,000	3,960,000	865,000
2011	Tax-Exempt	General	Obligation					
	Bonds - Water, 2.00% to 5.00%							
	interest, varying principal							
	annual payments of \$5,000							
	in 2012 to 305,000 in 2026			-	1,210,000	-	1,210,000	5,000
2011	Tax-Exempt	General	Obligation					
	Bonds - Sewer, 2.00% to 5.00%							
	interest, varying principal							
	annual payments of \$5,000							
	in 2012 to 735,000 in 2026			-	4,050,000	5,000	4,045,000	5,000
2011	Series A Tax-Exempt	General	Obligation					
	Bonds - Water, 2.00%							
	to 3.38% interest, varying							
	principal annual payments of							
	\$810,000 in 2012 to \$80,000 in							
	2021			-	4,795,000	-	4,795,000	810,000
2011	Series A Tax-Exempt	General	Obligation					
	Bonds - Sewer, 2.00%							
	to 3.38% interest, varying							
	principal annual payments of							
	\$105,000 in 2012 to \$130,000 in							
	2021			-	1,140,000	-	1,140,000	105,000
Total				\$ 23,180,600	\$ 11,195,000	\$ 9,475,400	\$ 24,900,200	\$ 3,924,000

In May 2011, the City issued General Obligation Bonds, Series of 2011 (Series of 2011 Bonds), in the amount of \$11,610,000. The proceeds of the Series of 2011 bonds were used to (1) provide funds for various capital projects; (2) provide funds for new capital improvements to the water system; (3) provide funds for new capital improvements to the sewer system; and (4) pay the costs of issuing the bonds.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

The Series of 2011 Bonds bear interest from 2.00% to 5.50% and are due in semi-annual installments ranging from \$5,000 to \$1,365,000 beginning October 15, 2011 through October 15, 2036.

In August 2011, the City issued General Obligation Note, Series of 2011 (Series of 2011 Note), in the amount of \$2,000,000. The proceeds of the Series of 2011 Note are to fund the City's automatic meter reading project on an interim basis. The Series of 2011 Note is a draw-down note and bears interest at 2.75% with principal and interest payments due quarterly beginning November 1, 2011. The City drew down \$22,000 on the Series of 2011 Note during 2011 to pay the costs associated with settlement of the Series of 2011 Note. No additional amounts were drawn down in 2011.

In November 2011, the City issued General Obligation Bonds, Series A of 2011 (Series A of 2011 Bonds), in the amount of \$13,275,000. The proceeds of the Series A of 2011 Bonds were used to (1) provide funds for various capital projects; (2) currently refund the City's General Obligation Bonds, Series of 2001; (3) currently refund the City's Guaranteed Sewer Revenue Bonds, Series of 2001; (4) currently refund a portion of the City's Guaranteed Water Revenue Bonds, Series of 2001; and (5) pay the costs of issuance of the bonds.

The Series A of 2011 Bonds bear interest from 2.00% to 4.75% and are due in semi-annual installments ranging from \$1,470,000 to \$160,000 beginning October 15, 2012 through October 15, 2036.

Debt service requirements to maturity, including interest of \$101,562,212, are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2012	\$ 7,682,787	\$ 4,793,792	\$ 12,476,579
2013	7,704,797	4,507,023	12,211,820
2014	7,709,702	3,617,402	11,327,104
2015	8,152,337	3,198,372	11,350,709
2016	8,147,670	2,001,303	10,148,973
2017-2021	40,704,288	7,047,908	47,752,196
2022-2026	40,249,553	5,472,742	45,722,295
2027-2031	39,370,586	-	39,370,586
2032-2036	39,388,087	-	39,388,087
Total	<u>\$ 199,109,807</u>	<u>\$ 30,638,542</u>	<u>\$ 229,748,349</u>

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

### 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 City's financial statements.

At December 31, 2011, \$11,495,000 of general obligation bonds, \$2,090,000 of water revenue bonds, and \$3,775,000 of sewer revenue bonds outstanding are considered defeased.

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

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Current Portion
Compensated absences:					
Governmental activities	\$ 2,601,102	\$ 3,937,965	\$ 3,530,608	\$ 3,008,459	\$ 2,286,706
Business-type activities	769,075	925,852	830,738	864,189	775,178
Total accrued compensated absences	<u>\$ 3,370,177</u>	<u>\$ 4,863,817</u>	<u>\$ 4,361,346</u>	<u>\$ 3,872,648</u>	<u>\$ 3,061,884</u>
Capital leases:					
Governmental activities	\$ 1,219,995	\$ -	\$ 313,809	\$ 906,186	\$ 251,454
Business-type activities	237,485	549,500	321,887	465,098	104,539
Total capital leases	<u>\$ 1,457,480</u>	<u>\$ 549,500</u>	<u>\$ 635,696</u>	<u>\$ 1,371,284</u>	<u>\$ 355,993</u>

Within the governmental activities, the General Fund is typically used to liquidate the compensated absences and capital lease obligations.

The capital assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Machinery, equipment, and vehicles	\$ 2,495,494	\$ 663,077
Less accumulated depreciation	984,467	125,981
	<u>\$ 1,511,027</u>	<u>\$ 537,096</u>



# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Debt service requirements for capital lease obligations are as follows:

Year Ending	Governmental Activities	Business-type Activities	Total
2012	\$ 288,367	\$ 118,970	\$ 407,337
2013	147,534	96,699	244,233
2014	147,534	96,699	244,233
2015	147,534	96,699	244,233
2016	147,534	96,699	244,233
Thereafter	147,534	-	147,534
	1,026,037	505,766	1,531,803
Less interest	119,851	40,668	160,519
Total	\$ 906,186	\$ 465,098	\$ 1,371,284

### Discretely Presented Component Units' Long-Term Debt:

#### *Authority*

At December 31, 2011, notes payable consist of the following:

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Current Portion
Note payable with a private developer at a rate of 6.00%, due June 30, 2011, secured by a property	\$ 800,000	\$ -	\$ 800,000	\$ -	\$ -
A non-interest bearing note payable to the Allentown Economic Development Corporation (AEDC) with no defined payback term	45,000	-	45,000	-	-
A commercial real estate loan, to a maximum availability of \$500,000, secured by property with a bank at the Wall Street Journal prime rate of 4.50% (4.50% at December 31, 2011), due upon the sale of the property	-	400,000	-	400,000	400,000
	<u>\$ 845,000</u>	<u>\$ 400,000</u>	<u>\$ 845,000</u>	<u>\$ 400,000</u>	<u>400,000</u>

In November 2011, the Authority entered into an agreement with the Allentown Commercial and Industrial Authority (ACIDA), Allentown Economic Development Corporation (AEDC),

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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and the City, whereby certain properties valued at \$800,003 were transferred or conveyed to ACIDA. As part of the agreement, ACIDA assumed the outstanding developer note payable and accrued interest of \$848,000. AEDC reimbursed the Authority for costs related to the properties of \$135,071, which is net of the \$45,000 note payable to AEDC.

### *Parking Authority*

Long-term debt activity of the Parking Authority for the year ended December 31, 2011 consisted of the following:

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Current Portion
2003 Guaranteed Parking Revenue Bonds, 3.25% to 3.90% interest, serial portion payable in increasing annual installments of \$310,000 in 2012 to \$355,000 in 2016	\$ 1,955,000	\$ -	\$ 295,000	\$ 1,660,000	\$ 310,000
2004 Guaranteed Parking Revenue Refunding Bonds, 3.25% to 3.50% interest, serial portion payable in increasing annual installments of \$670,000 in 2012 to \$695,000 in 2013	2,015,000	-	650,000	1,365,000	670,000
2005 Guaranteed Parking Revenue Bonds, 4.00% to 5.00% interest, serial portion payable in increasing annual installments of \$265,000 in 2012 to \$730,000 in 2035	11,100,000	-	260,000	10,840,000	265,000
2007 Parking Revenue Bond, 4.20%, serial portion payable in increasing annual installments of \$85,000 in 2012 to \$275,000 in 2031	3,430,000	-	80,000	3,350,000	85,000
2009 Parking Revenue Bond, total available \$1,200,000, payable in quarterly installments of principal and interest over a ten-year period ending June 30, 2020, 3.21% through June 30, 2015 when the interest rate will be reset to the five-year cost of funds plus 116 basis points for the remaining term of the bond, interest is capped at 10%. Refunded in 2011 using Series 2011 Parking Revenue Bonds.	1,053,953	-	1,053,953	-	-
2011 Parking Revenue Bond, variable interest at 65% prime (2.11% at December 31, 2011), serial portion payable in annual installments of \$121,250 through 2019	-	970,000	-	970,000	121,250
	19,553,953	970,000	2,338,953	18,185,000	1,451,250
Less unamortized deferred costs of refunding	196,992	-	40,886	156,106	40,131
	19,356,961	970,000	2,298,067	18,028,894	\$ 1,411,119
Deferred revenue	10,047,268	-	353,808	9,693,460	
OPEB liability	10,063	20,850	-	30,913	
	<u>\$ 29,414,292</u>	<u>\$ 990,850</u>	<u>\$ 2,651,875</u>	<u>\$27,753,267</u>	

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

The Parking Authority has established a line of credit with a local bank in the amount of \$1,000,000. The purpose of the line of credit is to provide temporary funding for improvements to the Parking Authority's parking facilities. The interest rate on the line of credit is equal to the bank's floating taxable prime rate with a floor of 3.5%. As of December 31, 2011, the rate of this line is 3.5%.

Short-term debt activity for the year ended December 31, 2011 is as follows:

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011
Line of credit	\$ 340,853	\$ -	\$ -	\$ 340,853

The City guarantees the Parking Authority's 2003, 2004, and 2005 parking revenue bonds. All of the Parking Authority's parking revenue bonds are secured by the pledge of the Parking Authority's revenues.

Debt service requirements to maturity, including interest of \$9,670,300, are as follows for the Parking Authority:

<u>Year Ending</u>	<u>Total</u>
2012	\$ 2,221,802
2013	2,222,008
2014	1,508,772
2015	1,513,145
2016	1,511,139
2017-2021	5,461,748
2022-2026	5,135,597
2027-2031	5,218,339
2032-2035	3,062,750
Total	<u>\$ 27,855,300</u>

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

### 10. 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:

	2011	2010
Accrued claims liability, January 1	\$ 2,202,589	\$ 1,592,767
Incurring claims, including estimated claims incurred by not reported as of December 31):		
Provision for current year events	1,309,903	2,646,222
Payments	(2,641,752)	(2,036,400)
Accrued claims liability, December 31	\$ 870,740	\$ 2,202,589
Current portion	\$ 870,740	\$ 2,202,589

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. The City estimates all the accrued claims liability will be liquidated by December 31, 2012.

#### Discretely Presented Component Units' Risk Management

##### *Parking Authority*

The Parking Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and errors and omissions. The Parking Authority purchases commercial insurance to cover most insurable risks.

The Parking Authority is a member of the Lehigh Valley Insurance Cooperative (LVIC), a pool of municipalities to purchase health insurance coverage. The purpose of the cooperative is to control escalating health care premiums by allowing municipalities the potential for volume discounts and annual premium returns for favorable claims experience. Rates for each municipality are developed annually with a final reconciliation of total premiums to actual claims made approximately six months after each policy year-end. Allocation of any surplus is determined by a board of officers appointed by participants. Unfavorable

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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experience is included in the following year rates. Maximum limits for any one claim are established to minimize cost exposure. A 10% reserve is built into the rates to cover the cooperative's operating costs and any unfavorable experience.

### 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

#### Plan description:

The City provides healthcare coverage for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Eligible retirees may elect to enroll in the healthcare coverage provided to active employees. The plan provides health care, prescription drug, dental, and vision coverage for the retiree, spouse and dependents until Medicare eligibility (normally age 65). Retirees contribute between 25% and 50% of the monthly healthcare premiums established by the City.

#### Funding policy and annual OPEB cost:

The City retiree healthcare plan is a self-funded program, which retiree premiums are determined annually based on comparable premium rates offered by health insurance providers. The cost of the benefits provided by the plan is currently being paid by the City on a pay-as-you-go basis.

The City's annual other post-employment benefit (OPEB) cost expense for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The City's annual OPEB cost for the current year and the related information for the plan are as follows:

Annual required contribution (ARC)	\$ 3,892,027
Interest on net OPEB obligation	219,052
Adjustment to ARC	<u>(335,360)</u>
Annual OPEB cost	3,775,719
Contributions made	<u>2,479,931</u>
(Increase) decrease in net OPEB obligation	1,295,788
Net OPEB obligation, beginning of year	<u>5,476,295</u>
Net OPEB obligation, end of year	<u><u>\$ 6,772,083</u></u>

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 3,695,574	49%	\$ 3,918,257
12/31/2010	3,681,997	58%	5,476,295
12/31/2011	3,775,719	66%	6,772,083

### Funded status and funding progress:

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation, was as follows:

<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
\$ -	\$ 61,446,071	0%	\$ 45,638,245	135%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedules of Funding Progress presented as supplementary information provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

### Actuarial methods and assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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Actuarial valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed period
Remaining amortization period	26 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4% per annum
Projected salary increases	3.5% per year due to inflation plus 1.5% due to merit
Healthcare inflation rate	Declining scale from a 10% increase in 2012, decreasing 2% to an 8% increase in 2013, followed by a 9% increase in 2014, an 8% increase in 2015, and a 6.5% increase in 2016, then decreasing by 0.5% each year to a 5% increase for 2019 and later

### Discretely Presented Component Units' OPEB Plan

#### *Parking Authority*

The Parking Authority has established a single-employer defined benefit postemployment benefit plan (OPEB Plan) to provide for payment of health care insurance premiums for eligible retired employees. The OPEB Plan's financial statements are included as a trust fund in the Parking Authority's financial statements.

The Parking Authority provides continuation of medical insurance coverage to employees who retire at a minimum age of 55 from a management position with at least 20 years of management service. The employee must be actively employed up to age 55 to be eligible. The single employer plan allows for participation in the Parking Authority's "basic" medical plan, which includes a prescription drug benefit. The authority under which obligations to contribute are established is the OPEB Plan document and the Board of Directors. The Parking Authority will pay a percentage of the cost of single coverage to age 65 or until the retiree becomes eligible for Medicare benefits, whichever comes first, at a rate of 80% and 100% for retired employees with more than 20 and 25 years of service, respectively. Coverage may be deferred until a later date prior to eligibility for Medicare, provided the

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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retiree has documentation of continued medical and prescription drug coverage. During the deferment period, the Parking Authority will pay the retiree 25% of the cost of "basic" single coverage.

All benefits to management employees will be reviewed at various times in the future and, thus, costs and benefits are subject to change with the approval of the Parking Authority's Board of Directors.

The number of participants as of January 1, 2011, the date of the OPEB valuation, is 12 active employees and one retired employee. There have been no significant changes in the number covered or the type of coverage since that date.

### Funding Status and Progress

In 2009, the Parking Authority established a trust to accumulate and invest assets necessary to pay for the accumulated and current liabilities. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

### Annual OPEB Cost and Net OPEB Obligation

The Parking Authority's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Parking Authority's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and changes in the Parking Authority's net OPEB obligation to the OPEB Plan:

Annual required contribution (ARC)	\$ 52,062
Interest on net OPEB obligation	553
Adjustment to ARC	(724)
Annual OPEB cost	51,891
Contributions made	31,041
(Increase) decrease in net OPEB obligation	20,850
Net OPEB obligation, beginning of year	10,063
Net OPEB obligation, end of year	<u>\$ 30,913</u>

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the year ending December 31, 2011 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 33,574	40%	\$ 20,021
12/31/2009	33,574	115%	15,042
12/31/2010	33,574	115%	10,063
12/31/2011	51,891	60%	30,913

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011, actuarial valuation, the liabilities were computed using the entry age normal cost method and level dollar amortization. The actuarial assumptions utilized a 5.5% discount rate and based on full funding of the liability. The valuation assumes a 9% healthcare cost trend increase for fiscal year 2011, decreasing by 0.5% per year to 5% in 2019 and thereafter. The valuation provides for 5% per year wage inflation and merit increases. The actuarial value of assets is valued at fair value.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### 12. LEASING ACTIVITIES

#### *Parking Authority*

The Parking Authority leases office space and parking facilities to third parties under operating lease agreements. The rents are determined based on the square footage being rented and are subject to periodic increases. The agreements also include various renewal options after the initial term expires. Minimum future rental income from the operating leases as of December 31, 2011 is as follows:

<u>Year Ending</u>	<u>Total</u>
2012	\$ 99,920
2013	99,920
2014	99,920
2015	99,920
2016	99,920
Thereafter	7,520,092
Total	<u>\$ 8,019,692</u>

### 13. COMMITMENTS AND CONTINGENCIES

#### Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2011 of approximately \$12 million.

#### 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, 2011, 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.

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# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### Litigation

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.

### Discretely Presented Component Units' Commitments and Contingencies

#### *Authority*

The Authority has entered into an agreement for the rehabilitation of properties with a private developer totaling \$535,000 (523-525 N. 7th Street Project). Funding for this project is provided by a combination of state and local grants and draws on the Authority's line of credit. At December 31, 2011, the remaining commitment to be paid to the developer under the terms of the agreement is \$75,000.

In the normal course of business, the Authority is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

#### *Parking Authority*

In the normal course of business, the Parking Authority is involved in various civil disputes. It is believed that any potential losses on these various claims and lawsuits will not have a material impact on the Parking Authority.

## 14. SUBSEQUENT EVENTS

In January 2012, the City entered into two loan agreements with the Pennsylvania Infrastructure Authority (PennVest) for water main repairs and an automatic meter reading project in the amount of \$672,000 and \$8,612,681, respectively. The loans are structured as interest only loans during the construction period, with principal and interest payments beginning at the completion of construction and continuing for a period of 20 years. The loans are secured by the revenues of the water system.

In March 2012, the City issued General Obligation Bonds, Series of 2012, in the aggregate principal amount of \$5,910,000. The proceeds of the Bonds will be used for: (1) advance refunding a portion of the City's General Obligation Bonds, Series of 2003, and (2) paying the costs of issuing and insuring the Bonds.

# CITY OF ALLENTOWN, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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In March 2012, the City entered into an agreement with Delta Thermo Energy A, LLC (DTE) for the design, manufacture, and implementation of innovative technological energy solutions for the conversion of waste to energy. The City agreed to lease certain land to DTE to construct and operate a waste-to-energy facility which will produce electrical power that will be used to power the DTE facility and any excess electrical power to be sold to the power-producing grid. The lease term will begin when the DTE facility is operational and expire 35 years from the operational date. The agreement may be renewed for an additional 10 years up to a total of two 10-year terms.

### *Authority*

In March 2012, the Authority Board entered into an agreement with ACIDA to convey three properties to ACIDA for \$153,523 to be paid upon sale of the properties to a third party. The City also agreed to provide funding of not less than \$130,000 for eligible expenses for the period from July 1, 2011 through June 30, 2012.

In March 2012, the Authority Board sold the property held as collateral on the commercial loan. Proceeds from the sale were used to pay off the outstanding balance on the loan.

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# CITY OF ALLENTOWN, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues:</b>				
<b>Taxes:</b>				
Real estate:				
Current	\$28,894,873	\$28,894,873	\$28,325,361	\$ (569,512)
Prior year	1,100,000	1,100,000	1,088,362	(11,638)
Lehigh County Tax Claims	5,000	5,000	446	(4,554)
Total real estate taxes	<u>29,999,873</u>	<u>29,999,873</u>	<u>29,414,169</u>	<u>(585,704)</u>
Act 511 taxes:				
Earned income	17,896,213	17,896,213	12,691,723	(5,204,490)
Earned income escrow - prior years	228,766	228,766	228,766	-
Residence per capita	225,000	225,000	192,026	(32,974)
Amusement devices	25,000	25,000	19,268	(5,732)
Deed transfer	1,000,000	1,000,000	725,189	(274,811)
Local services tax	2,200,000	2,200,000	2,095,069	(104,931)
Business privilege	6,400,100	6,400,100	6,550,477	150,377
Total Act 511 taxes	<u>27,975,079</u>	<u>27,975,079</u>	<u>22,502,518</u>	<u>(5,472,561)</u>
Total taxes	<u>57,974,952</u>	<u>57,974,952</u>	<u>51,916,687</u>	<u>(6,058,265)</u>
Licenses and permits:				
Business licenses	405,000	405,000	384,861	(20,139)
Billboard and sign permits/licenses	8,000	8,000	10,233	2,233
Building permits and licenses	564,200	564,200	568,672	4,472
Plumbing permits and licenses	175,000	175,000	87,070	(87,930)
Electrical permits and licenses	235,000	235,000	183,780	(51,220)
Sheet metal technician license	115,000	115,000	60,270	(54,730)
Liquor licenses	60,000	60,000	57,500	(2,500)
Health bureau permits and licenses	152,000	152,000	171,145	19,145
Rental inspection program	1,624,060	1,624,060	1,921,650	297,590
Presales inspection program	100,000	100,000	113,100	13,100
Zoning permits and fees	90,000	90,000	77,370	(12,630)
Fire department inspection fees	87,000	87,000	72,038	(14,962)
CATV franchise fees	1,100,000	1,100,000	1,130,696	30,696
Shade tree permits/fees	2,500	2,500	50	(2,450)
Other permits and licenses	162,000	162,000	192,511	30,511
Total licenses and permits	<u>4,879,760</u>	<u>4,879,760</u>	<u>5,030,946</u>	<u>151,186</u>
Fines and forfeits:				
District court	300,000	300,000	343,399	43,399
Parking Authority reimbursement	-	-	13,565	13,565
Fines and restitution	180,000	180,000	161,386	(18,614)
Total fines and forfeits	<u>480,000</u>	<u>480,000</u>	<u>518,350</u>	<u>38,350</u>

(Continued)

See accompanying notes to required supplementary information.

# CITY OF ALLENTOWN, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues (Continued):</b>				
Intergovernmental revenue:				
Health grants Acts 315 and 12	804,000	804,000	799,512	(4,488)
Health categorical grants	1,200,000	1,321,068	1,150,560	(170,508)
Police/fire training	300,000	300,000	239,297	(60,703)
State aid for pension	3,633,424	3,633,424	6,012,254	2,378,830
Police grants/reimbursements	2,582,391	2,582,940	980,318	(1,602,622)
Forfeiture receipts	-	-	104,545	104,545
American Recovery & Reinvest Act	686,282	686,282	378,871	(307,411)
Casino fee	3,242,000	3,242,000	3,495,085	253,085
Other grants/miscellaneous	1,240,250	2,042,080	898,225	(1,143,855)
Total intergovernmental revenue	13,688,347	14,611,794	14,058,667	(553,127)
Charges for services:				
Departmental earnings:				
Tax/municipal certifications	100,000	100,000	88,020	(11,980)
A.S.D. tax billing/reimbursement	60,000	60,000	54,443	(5,557)
Police extra duty jobs	570,000	570,000	549,707	(20,293)
Health bureau services	16,000	16,000	21,816	5,816
Street excavation/restoration	30,000	30,000	27,038	(2,962)
Printing and copier fees	92,000	92,000	86,051	(5,949)
Other charges for service	250,000	257,308	201,324	(55,984)
Vehicle towing agreement	198,000	198,000	187,000	(11,000)
EMS transit fees	3,400,000	3,400,000	3,194,593	(205,407)
Warrants of survey	12,000	12,000	8,616	(3,384)
Total departmental earnings	4,728,000	4,735,308	4,418,608	(316,700)
Municipal recreation:				
Swimming pool fees	150,000	150,000	158,348	8,348
Recreation fees	73,000	73,000	80,425	7,425
Total municipal recreation	223,000	223,000	238,773	15,773
General Fund service charges:				
Water service charges	2,029,111	2,029,111	2,029,111	-
Sewer service charges	1,807,303	1,807,303	1,807,303	-
Other service charges	988,409	988,409	974,924	(13,485)
Total General Fund service charges	4,824,823	4,824,823	4,811,338	(13,485)
Total charges for service	9,775,823	9,783,131	9,468,719	(314,412)
Investment income	101,500	101,500	2,717	(98,783)

(Continued)

See accompanying notes to required supplementary information.



# CITY OF ALLENTOWN, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues (Continued):</b>				
Other income:				
Rental of city property	122,016	122,016	89,867	(32,149)
Contributions	249,000	309,769	207,917	(101,852)
Damage to city property	60,000	60,000	44,322	(15,678)
Lights in parkway	127,775	134,775	178,857	44,082
Pennsylvania Utility Realty Tax	70,000	70,000	64,764	(5,236)
Allentown Housing Authority	25,000	25,000	47,035	22,035
Sale of city property	1,347,100	1,347,100	596,560	(750,540)
City auction proceeds	35,000	35,000	15,297	(19,703)
Equipment fund transfer	1,011,703	1,011,703	1,011,703	-
Recreation/special events	3,500	3,500	8,835	5,335
Miscellaneous	1,260,000	1,502,045	1,112,132	(389,913)
Total other income	4,311,094	4,620,908	3,377,289	(1,243,619)
Total revenues	91,211,476	92,452,045	84,373,375	(8,078,670)
<b>Expenditures:</b>				
General government:				
Nondepartmental:				
City Council	397,110	397,110	315,897	81,213
Office of the Mayor	343,142	343,180	338,199	4,981
City Controller	229,235	229,235	209,569	19,666
Law	606,975	606,975	580,289	26,686
General and civic	4,860,843	4,860,843	2,495,081	2,365,762
Total nondepartmental	6,437,305	6,437,343	3,939,035	2,498,308
Department of Finance	3,304,398	4,456,192	4,191,919	264,273
Total Department of Finance	3,304,398	4,456,192	4,191,919	264,273
Human Resources	549,837	549,837	462,636	87,201
Total Human Resources	549,837	549,837	462,636	87,201
Management Systems:				
Management Director and Information Services	1,699,834	1,739,279	1,658,821	80,458
Emergency Medical Services	3,190,789	3,237,397	3,220,985	16,412
Total Management Systems	4,890,623	4,976,676	4,879,806	96,870
Total general government	15,182,163	16,420,048	13,473,396	2,946,652

(Continued)

See accompanying notes to required supplementary information.

# CITY OF ALLENTOWN, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Expenditures (Continued):</b>				
Public safety:				
Department of Public Safety:				
Police	30,126,184	30,854,371	28,990,574	1,863,797
Fire	18,827,113	18,988,510	18,392,239	596,271
Communications	853,291	862,792	788,807	73,985
Total public safety	49,806,588	50,705,673	48,171,620	2,534,053
Public works:				
Department of Public Works:				
Director's office	67,113	106,492	96,753	9,739
Building maintenance	2,071,853	2,153,698	1,786,495	367,203
Fleet maintenance operation	2,900,849	2,900,849	2,892,087	8,762
Streets	1,779,554	1,782,861	1,684,056	98,805
Traffic planning and control	717,298	746,692	689,679	57,013
Street lighting	584,020	594,752	545,415	49,337
Total public works	8,120,687	8,285,344	7,694,485	590,859
Health and sanitation:				
Department of Community Development:				
Health	2,803,441	2,967,672	2,778,098	189,574
Total health and sanitation	2,803,441	2,967,672	2,778,098	189,574
Parks and recreation:				
Department of Community Development:				
Park maintenance	468,595	481,450	429,485	51,965
Recreation	502,814	512,764	473,568	39,196
Swimming pool operation	339,929	339,954	327,979	11,975
Total parks and recreation	1,311,338	1,334,168	1,231,032	103,136
Community development:				
Department of Community Development:				
Director's office	1,298,353	1,858,326	1,734,013	124,313
Planning and zoning	1,167,894	1,432,374	1,345,735	86,639
Building standards and safety	2,870,431	3,063,214	2,451,722	611,492
Total community development and planning	5,336,678	6,353,914	5,531,470	822,444
Capital outlays	1,011,703	1,097,536	1,067,812	29,724
Total capital outlays	1,011,703	1,097,536	1,067,812	29,724
Total expenditures	83,572,598	87,164,355	79,947,913	7,216,442

(Continued)

See accompanying notes to required supplementary information.

# CITY OF ALLENTOWN, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	7,638,878	5,287,690	4,425,462	(862,228)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
Homeland Security for water/sewer	200,000	200,000	200,000	-
CD Block Grant reimbursement	555,176	555,176	655,811	100,635
Transfers out:				
Debt Service Fund	(7,340,722)	(7,340,722)	(7,038,684)	302,038
E-911 Fund	(350,000)	(350,000)	(350,000)	-
Total other financing sources (uses)	<u>(6,935,546)</u>	<u>(6,935,546)</u>	<u>(6,532,873)</u>	<u>402,673</u>
<b>Net Change in Fund Balance</b>	<u>\$ 703,332</u>	<u>\$ (1,647,856)</u>	<u>(2,107,411)</u>	<u>\$ (459,555)</u>
Add back reservation for encumbrances			1,780,903	
Budgetary change in fund balance less encumbrances			(326,508)	
Net effect of agency fund, other income, and expenditure accruals			(869,610)	
<b>Net Change in Fund Balance</b>			(1,196,118)	
<b>Fund Balance (Deficit):</b>				
Beginning of year			3,116,664	
End of year			<u>\$ 1,920,546</u>	

(Concluded)

See accompanying notes to required supplementary information.

# CITY OF ALLENTOWN, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues:</b>				
Intergovernmental revenues:				
PA Liquid Fuels Tax	\$1,906,824	\$1,906,824	\$1,951,992	\$ 45,168
State aid for pension	13,061	13,061	21,796	8,735
Total intergovernmental revenues	<u>1,919,885</u>	<u>1,919,885</u>	<u>1,973,788</u>	<u>53,903</u>
Investment income	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Other income:				
Miscellaneous	5,000	5,854	67,101	61,247
Total other income	<u>5,000</u>	<u>5,854</u>	<u>67,101</u>	<u>61,247</u>
Total revenues	<u>1,934,885</u>	<u>1,935,739</u>	<u>2,040,889</u>	<u>105,150</u>
<b>Expenditures:</b>				
Public works:				
Department of Public Works:				
Streets	<u>2,287,973</u>	<u>2,319,453</u>	<u>2,241,131</u>	<u>78,322</u>
Total public works	<u>2,287,973</u>	<u>2,319,453</u>	<u>2,241,131</u>	<u>78,322</u>
Total expenditures	<u>2,287,973</u>	<u>2,319,453</u>	<u>2,241,131</u>	<u>78,322</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(353,088)</u>	<u>(383,714)</u>	<u>(200,242)</u>	<u>183,472</u>
<b>Net Change in Fund Balance</b>	<u>\$ (353,088)</u>	<u>\$ (383,714)</u>	<u>(200,242)</u>	<u>\$ 183,472</u>
 Add back reservation for encumbrances			<u>55,887</u>	
<b>Net Change in Fund Balance</b>			<u>(144,355)</u>	
<b>Fund Balance:</b>				
Beginning of year			<u>933,500</u>	
End of year			<u>\$ 789,145</u>	

See accompanying notes to required supplementary information.

# **CITY OF ALLENTOWN, PENNSYLVANIA**

## **NOTES TO BUDGETARY COMPARISON SCHEDULE**

**YEAR ENDED DECEMBER 31, 2011**

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### **1. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets as required by the City Charter are adopted by City Council on a cash basis for revenues and modified accrual basis for expenditures, including appropriations to cover prior and anticipated current encumbrances. Appropriations not reserved for encumbrances lapse at year-end. Budgets are legally adopted for the General Fund, Liquid Fuels Fund, Debt Service Fund, and Capital Projects Fund.

The City Administration, 60 days prior to the beginning of the new fiscal year, 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 ordinance 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, 2011, for all legally budgeted funds, budgetary expenditures did not exceed appropriations.

# CITY OF ALLENTOWN, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS

### 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)
1/1/2007	\$ 101,184,335	\$ 87,426,679	\$ (13,757,656)	115.74%	\$ 24,003,648	-57.31%
1/1/2009	115,563,078	100,741,210	(14,821,868)	114.71%	27,337,110	-54.22%
1/1/2011	126,518,465	132,493,119	5,974,654	95.49%	28,305,537	21.11%

### 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)
1/1/2009	\$ 17,238,602	\$ 23,095,953	\$ 5,857,351	74.64%	\$ 370,644	1580.32%
1/1/2010	18,745,413	22,356,710	3,611,297	83.85%	386,999	933.15%
1/1/2011	16,902,051	20,896,120	3,994,069	80.89%	314,909	1268.32%

#### Police 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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ 62,199,346	\$ 132,505,514	\$ 70,306,168	46.94%	\$ 11,384,012	617.59%
1/1/2010	63,645,665	138,286,771	74,641,106	46.02%	13,001,025	574.12%
1/1/2011	62,355,723	142,839,885	80,484,162	43.65%	13,821,650	582.31%

#### Firemen 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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ 42,706,507	\$ 77,233,681	\$ 34,527,174	55.30%	\$ 9,386,995	367.82%
1/1/2010	43,397,737	83,711,449	40,313,712	51.84%	10,179,600	396.02%
1/1/2011	43,052,580	90,866,138	47,813,558	47.38%	10,475,590	456.43%

#### Other Post-Employment Benefit 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)
1/1/2009	\$ -	\$ 51,107,112	\$ 51,107,112	0.00%	\$ 48,978,980	104.34%
1/1/2010	-	50,225,539	50,225,539	0.00%	47,201,802	106.41%
1/1/2012	-	61,446,071	61,446,071	0.00%	45,638,245	134.64%

# CITY OF ALLENTOWN, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS

### Parking Authority:

#### Defined Benefit 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)
1/1/2007	\$ 1,976,195	\$ 2,192,368	\$ 216,173	90.14%	\$ 589,249	36.69%
1/1/2009	2,140,629	2,687,113	546,484	79.66%	619,827	88.17%
1/1/2011	2,793,687	2,732,901	(60,786)	102.22%	N/A	N/A

#### Other Post-Employment Benefit 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)
1/1/2008	\$ -	\$ 345,602	\$ 345,602	0.00%	\$ 605,005	57.12%
1/1/2011	52,414	449,381	396,967	11.66%	615,954	64.45%

# CITY OF ALLENTOWN, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER'S CONTRIBUTIONS

Year	Officers and Employees		Police		Firemen	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2006	\$ -	N/A	\$ 3,010,528	100%	\$ 1,241,367	100%
2007	528,875	100%	5,841,327	100%	3,049,326	100%
2008	355,279	100%	6,022,935	100%	3,106,329	100%
2009	451,053	100%	7,115,495	100%	3,565,384	101%
2010	343,531	100%	5,726,720	100%	3,133,439	100%
2011	514,014	104%	7,338,716	104%	4,146,949	104%

Year	Pennsylvania Municipal Retirement System		Other Post-Employment Benefits	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2006	\$ 446,843	100%		
2007	1,263,532	100%		
2008	1,374,389	100%	\$ 3,856,279	47%
2009	1,217,945	100%	3,734,207	49%
2010	1,186,454	100%	3,760,413	56%
2011	1,367,093	100%	3,892,027	64%



# CITY OF ALLENTOWN, PENNSYLVANIA

## REQUIRED SUPPLEMENTARY INFORMATION ACTUARIAL INFORMATION

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Other Post-Employment Benefits
Valuation date	January 1, 2011	January 1, 2011	January 1, 2011	January 1, 2012
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed period	Level dollar, closed period	Level dollar, closed period	Level percentage of payroll, closed period
Amortization period	14.37 years	16.00 years	10.57 years	26 years
Asset valuation method	*	*	*	N/A
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	4.00%
Projected salary increases	5.00%	3.4% - 5.0%	5.00%	3.5% per year due to inflation plus 1.5% due to merit

\* Five-year smooting method described in Internal Revenue Procedures 2000-40, Section 3.16

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**CITY OF ALLENTOWN, PENNSYLVANIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGETARY BASIS - CAPITAL PROJECTS AND DEBT SERVICE FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Capital Projects			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 131,566	\$ 131,566
Intergovernmental revenues	15,000,000	18,071,506	6,797,961	(11,273,545)
Other	-	307,500	314,640	7,140
Total revenues	<u>15,000,000</u>	<u>18,379,006</u>	<u>7,244,167</u>	<u>(11,134,839)</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Capital outlay	55,617,827	68,179,920	27,196,972	40,982,948
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>55,617,827</u>	<u>68,179,920</u>	<u>27,196,972</u>	<u>40,982,948</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(40,617,827)</u>	<u>(49,800,914)</u>	<u>(19,952,805)</u>	<u>29,848,109</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long term debt	11,000,000	24,124,263	14,873,726	(9,250,537)
Transfers in	850,000	1,020,160	1,020,160	-
Total other financing sources (uses)	<u>11,850,000</u>	<u>25,144,423</u>	<u>15,893,886</u>	<u>(9,250,537)</u>
<b>Net Change in Fund Balance</b>	<u><u>\$(28,767,827)</u></u>	<u><u>\$(24,656,491)</u></u>	<u>(4,058,919)</u>	<u><u>\$ 20,597,572</u></u>
Add bank reservation for encumbrances - reimbursement grants			12,512,336	
Add back reservation for encumbrances - other			<u>4,001,715</u>	
Budgetary change in fund balance less encumbrances			12,455,132	
Net effect of other income and expenditure accruals			<u>(6,270,125)</u>	
<b>Net Change in Fund Balance</b>			6,185,007	
<b>Fund Balance:</b>				
Beginning of year			<u>1,541,552</u>	
End of year			<u><u>\$ 7,726,559</u></u>	

Debt Service

Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
35,000	35,000	5,078	29,922
-	-	-	-
3,449,100	3,449,100	3,264,100	185,000
4,031,286	4,031,286	3,944,170	87,116
7,515,386	7,515,386	7,213,348	302,038
(7,515,386)	(7,515,386)	(7,213,348)	302,038
7,515,386	7,515,386	7,213,348	(302,038)
7,515,386	7,515,386	7,213,348	(302,038)
\$ -	\$ -	-	\$ -
		-	
		-	
		-	
		-	
		-	
		-	
		-	
		\$ -	

# CITY OF ALLENTOWN, PENNSYLVANIA

## COMBINING SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2011

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011
<b>Earned Income Tax Escrow</b>				
Assets:				
Cash and cash equivalents	\$ 797,892	\$ 923,323	\$ 679,357	\$ 1,041,858
Total assets	<u>\$ 797,892</u>	<u>\$ 923,323</u>	<u>\$ 679,357</u>	<u>\$ 1,041,858</u>
Liabilities:				
Due to other funds	\$ -	\$ 228,766	\$ 228,766	\$ -
Due to other governments	797,892	694,557	450,591	1,041,858
Total liabilities	<u>\$ 797,892</u>	<u>\$ 923,323</u>	<u>\$ 679,357</u>	<u>\$ 1,041,858</u>
<b>Payroll Withholding Funds</b>				
Assets:				
Cash and cash equivalents	\$ 1,148,757	\$ 16,276,239	\$ 16,211,428	\$ 1,213,568
Total assets	<u>\$ 1,148,757</u>	<u>\$ 16,276,239</u>	<u>\$ 16,211,428</u>	<u>\$ 1,213,568</u>
Liabilities:				
Payroll tax liability	\$ 1,148,757	\$ 16,220,879	\$ 16,176,609	\$ 1,193,027
Due to other governments	-	55,360	34,819	20,541
Total liabilities	<u>\$ 1,148,757</u>	<u>\$ 16,276,239</u>	<u>\$ 16,211,428</u>	<u>\$ 1,213,568</u>
<b>Tax Collection Fund</b>				
Assets:				
Cash and cash equivalents	\$ 2,521,801	\$ 20,196,951	\$ 22,680,855	\$ 37,897
Total assets	<u>\$ 2,521,801</u>	<u>\$ 20,196,951</u>	<u>\$ 22,680,855</u>	<u>\$ 37,897</u>
Liabilities:				
Due to other funds	\$ -	\$ 20,018,912	\$ 20,018,912	\$ -
Due to other governments	2,521,801	178,039	2,661,943	37,897
Total liabilities	<u>\$ 2,521,801</u>	<u>\$ 20,196,951</u>	<u>\$ 22,680,855</u>	<u>\$ 37,897</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 4,468,450	\$ 37,396,513	\$ 39,571,640	\$ 2,293,323
Total assets	<u>\$ 4,468,450</u>	<u>\$ 37,396,513</u>	<u>\$ 39,571,640</u>	<u>\$ 2,293,323</u>
Liabilities:				
Payroll tax liability	\$ 1,148,757	\$ 16,220,879	\$ 16,176,609	\$ 1,193,027
Due to other funds	-	20,247,678	20,247,678	-
Due to other governments	3,319,693	927,956	3,147,353	1,100,296
Total liabilities	<u>\$ 4,468,450</u>	<u>\$ 37,396,513</u>	<u>\$ 39,571,640</u>	<u>\$ 2,293,323</u>

# 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.

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## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 1

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

	Fiscal Year								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	\$ 20,127,498	\$ 19,175,187	\$ 25,370,253	\$ 30,108,596
Restricted	9,006,858	8,421,791	8,910,203	9,594,133	7,971,503	9,304,474	6,172,117	6,107,402	6,648,978
Unrestricted	(36,797,413)	(39,083,486)	(37,369,388)	(21,666,333)	(7,510,520)	(20,610,569)	(23,777,059)	(22,257,663)	(26,754,250)
<b>Total governmental activities net assets</b>	<u>3,264,028</u>	<u>(9,754,596)</u>	<u>(1,623,712)</u>	<u>8,491,147</u>	<u>17,559,428</u>	<u>8,821,403</u>	<u>1,570,245</u>	<u>9,219,992</u>	<u>10,003,324</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	60,620,384	62,390,291	63,445,317	64,695,490
Unrestricted	15,657,853	16,817,214	16,656,539	16,984,799	14,828,068	16,822,538	15,462,445	17,482,965	18,313,389
<b>Total business - type activities net assets</b>	<u>60,194,750</u>	<u>65,070,708</u>	<u>70,060,448</u>	<u>74,133,272</u>	<u>73,440,811</u>	<u>77,442,922</u>	<u>77,852,736</u>	<u>80,928,282</u>	<u>83,008,879</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	80,747,882	81,565,478	88,815,570	94,804,086
Restricted	9,006,858	8,421,791	8,910,203	9,594,133	7,971,503	9,304,474	6,172,117	6,107,402	6,648,978
Unrestricted	(21,139,560)	(22,266,272)	(20,712,849)	(4,681,534)	7,317,548	(3,788,031)	(8,314,614)	(4,774,698)	(8,440,861)
<b>Total primary government activities net assets</b>	<u>\$ 63,458,778</u>	<u>\$ 55,316,112</u>	<u>\$ 68,436,736</u>	<u>\$ 82,624,419</u>	<u>\$ 91,000,239</u>	<u>\$ 86,264,325</u>	<u>\$ 79,422,981</u>	<u>\$ 90,148,274</u>	<u>\$ 93,012,203</u>

**Notes:**

Information is provided for years after adoption of GASB34



## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental Activities:</b>									
General government	\$ 5,900,215	\$ 6,645,606	\$ 8,363,679	\$ 11,591,907	\$ 8,496,511	\$ 14,193,579	\$ 14,514,780	\$ 7,932,586	\$ 13,916,289
Public safety	34,579,587	36,982,770	37,329,606	35,746,269	44,659,264	50,050,802	51,117,977	54,309,067	52,607,308
Community development	6,720,749	8,911,593	8,240,887	8,687,031	9,508,858	12,548,838	12,544,800	13,845,854	9,773,209
Public works	11,008,262	10,605,482	11,113,362	11,363,182	11,262,288	11,874,900	9,353,946	12,617,569	11,920,300
Health and sanitation	3,762,726	3,461,871	3,375,154	4,450,785	3,283,888	3,045,226	2,285,122	2,547,999	3,373,570
Parks and recreation	2,445,365	2,376,253	3,071,350	3,392,513	3,527,522	3,603,363	2,583,320	2,014,847	3,038,880
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	3,577,271	3,952,622	5,071,431	5,481,742
<b>Total governmental activities expenses</b>	<b>73,840,267</b>	<b>81,598,288</b>	<b>75,773,726</b>	<b>80,369,808</b>	<b>85,111,619</b>	<b>98,893,979</b>	<b>96,352,567</b>	<b>98,339,353</b>	<b>100,111,298</b>
<b>Business - type activities:</b>									
Water fund	10,203,261	9,959,147	10,726,077	10,268,694	10,846,997	10,663,179	10,932,251	11,410,407	11,308,214
Sewer fund	10,179,095	11,422,394	11,898,997	12,376,807	13,047,950	12,607,533	13,639,529	13,034,825	13,533,543
Municipal golf course	611,666	925,727	851,582	735,697	1,057,970	1,078,094	1,076,235	1,027,292	1,152,872
Solid waste fund	9,213,705	9,316,884	9,417,855	9,530,362	11,565,750	12,528,680	12,578,028	12,584,872	13,170,266
<b>Total business - type activities expenses</b>	<b>30,207,727</b>	<b>31,624,152</b>	<b>32,894,511</b>	<b>32,911,560</b>	<b>36,518,667</b>	<b>36,877,486</b>	<b>38,226,043</b>	<b>38,057,396</b>	<b>39,164,895</b>
<b>Total primary government expenses</b>	<b>\$ 104,047,994</b>	<b>\$ 113,222,440</b>	<b>\$ 108,668,237</b>	<b>\$ 113,281,368</b>	<b>\$ 121,630,286</b>	<b>\$ 135,771,465</b>	<b>\$ 134,578,610</b>	<b>\$ 136,396,749</b>	<b>\$ 139,276,193</b>
<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	\$ 5,664,480	\$ 5,849,055	\$ 2,209,673	\$ 4,680,342
Public safety	4,495,190	4,582,892	4,710,383	5,792,822	6,678,609	6,602,040	7,043,765	7,202,889	3,792,692
Community development	1,234,606	1,505,949	1,575,685	1,560,786	1,607,840	1,949,934	1,782,643	3,174,152	3,249,126
Public works	407,523	623,799	454,628	941,958	2,668,591	1,418,930	2,463,882	183,134	192,673
Health and sanitation	181,465	155,087	151,448	181,677	224,221	177,924	170,013	180,922	192,961
Parks and recreation	395,833	378,200	335,559	327,358	366,715	332,878	358,414	411,409	424,910
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	17,197,783	11,452,802	14,153,060	13,696,509
Capital grants and contributions	328,928	1,779,448	2,845,673	2,232,405	1,400,090	3,180,479	2,129,468	4,350,695	5,335,856
<b>Total governmental activities program revenues</b>	<b>17,443,370</b>	<b>17,760,376</b>	<b>25,629,696</b>	<b>29,906,946</b>	<b>26,692,078</b>	<b>36,524,448</b>	<b>31,250,042</b>	<b>31,865,934</b>	<b>31,565,069</b>
<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	14,122,453	13,194,621	15,220,117	14,878,781
Sewer fund	15,142,783	14,365,042	17,052,181	16,104,610	14,752,734	15,035,859	15,089,091	14,480,766	15,595,169
Municipal golf course	839,995	945,130	950,416	1,067,497	1,249,958	1,278,723	1,296,971	1,316,067	1,321,422
Solid waste fund	8,595,850	8,701,576	8,884,440	8,830,880	11,538,022	13,589,330	13,292,638	13,467,648	13,692,905
Operating grants and contributions	1,600,757	1,571,561	1,025,750	808,377	948,666	823,762	397,701	1,280,326	828,291
Capital grants and contributions	-	-	152,000	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>41,010,651</b>	<b>39,752,317</b>	<b>42,444,787</b>	<b>41,450,958</b>	<b>42,657,230</b>	<b>44,850,127</b>	<b>43,271,022</b>	<b>45,764,924</b>	<b>46,316,568</b>
<b>Total primary government program revenues</b>	<b>\$ 58,454,021</b>	<b>\$ 57,512,693</b>	<b>\$ 68,074,483</b>	<b>\$ 71,357,904</b>	<b>\$ 69,349,308</b>	<b>\$ 81,374,575</b>	<b>\$ 74,521,064</b>	<b>\$ 77,630,858</b>	<b>\$ 77,881,637</b>

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (expense)/revenue:									
Governmental activities	\$ (56,396,897)	\$ (63,837,912)	\$ (50,144,030)	\$ (50,462,862)	\$ (58,419,541)	\$ (62,369,531)	\$ (65,102,525)	\$ (66,473,419)	\$ (68,546,229)
Business - type activities	10,802,924	8,128,165	9,550,276	8,539,398	6,138,563	7,972,641	5,044,979	7,707,528	7,151,673
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>	<u>\$ (54,396,890)</u>	<u>\$ (60,057,546)</u>	<u>\$ (58,765,891)</u>	<u>\$ (61,394,556)</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	\$ 47,186,003	\$ 47,948,307	\$ 45,476,784	\$ 51,955,525
Grants and charges not restricted to specific purposes	6,939,484	6,833,526	6,065,052	6,146,246	6,028,421	1,313,230	5,048,294	14,121,087	12,298,352
Investment earnings	403,808	499,128	596,402	973,003	1,490,757	762,789	223,172	212,979	4,608
Transfers	3,461,374	3,427,863	4,671,851	4,946,256	7,389,315	4,369,484	4,631,594	4,813,116	5,071,076
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>	<u>53,631,506</u>	<u>57,851,367</u>	<u>64,623,966</u>	<u>69,329,561</u>
Business - type activities:									
Investment earnings	277,106	175,656	111,315	479,682	558,291	398,954	(3,571)	128,545	-
Transfers	(3,461,374)	(3,427,863)	(4,671,851)	(4,946,256)	(7,389,315)	(4,369,484)	(4,631,594)	(4,813,116)	(5,071,076)
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>	<u>(3,970,530)</u>	<u>(4,635,165)</u>	<u>(4,684,571)</u>	<u>(5,071,076)</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>	<u>\$ 49,660,976</u>	<u>\$ 53,216,202</u>	<u>\$ 59,939,395</u>	<u>\$ 64,258,485</u>
<b>Change In Net Assets</b>									
Governmental activities	\$ (5,424,711)	\$ (13,018,624)	\$ 8,107,414	\$ 10,114,859	\$ 9,068,281	\$ (8,738,025)	\$ (7,251,159)	\$ (1,849,453)	\$ 783,332
Business - type activities	7,618,656	4,875,958	4,989,740	4,072,824	(892,461)	4,002,111	409,814	3,022,957	2,080,597
Total primary government	<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>	<u>\$ (4,735,914)</u>	<u>\$ (6,841,344)</u>	<u>\$ 1,173,504</u>	<u>\$ 2,863,929</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>
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
2008	47,186,003	29,593,673	7,554,503	6,311,326	3,726,501
2009	47,948,307	29,761,519	8,555,867	6,512,894	3,118,027
2010	45,476,784	29,591,030	7,506,990	6,063,934	2,314,830
2011	51,955,525	29,310,491	12,744,483	6,795,191	3,105,360

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 4

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 1,519,207	-	-	-	-	\$ 1,571,640	\$ 840,183	\$ 810,719	\$ 1,428,755	-
Unreserved	1,993,162	\$ (1,351,217)	\$ (3,312,208)	\$ (2,711,620)	\$ 9,128,441	12,565,940	7,365,006	3,476,985	1,687,909	-
Restricted	-	\$ -	\$ -	\$ -	\$ -	-	-	-	-	\$ 147,000
Assigned	-	-	-	-	-	-	-	-	-	1,771,079
Unassigned	-	-	-	-	-	-	-	-	-	2,467
Total general fund	<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>	<u>8,205,189</u>	<u>4,287,704</u>	<u>3,116,664</u>	<u>1,920,546</u>
All other governmental funds										
Reserved	12,360,497	18,674,685	15,071,930	12,275,288	11,014,501	13,176,308	10,743,716	10,532,748	7,243,969	-
Unreserved, reported in:										
Special revenue funds	168,292	-	-	-	-	(469,193)	(1,061,877)	(629,676)	(95,108)	-
Capital projects funds	(1,061,437)	-	-	-	-	-	-	-	404,985	-
Restricted	-	-	-	-	-	-	-	-	-	14,228,537
Unassigned	-	-	-	-	-	-	-	-	-	(96,134)
Total all other governmental funds	<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>	<u>9,681,839</u>	<u>9,903,072</u>	<u>7,553,846</u>	<u>14,132,403</u>
TOTAL	<u>\$ 14,979,721</u>	<u>\$ 17,323,468</u>	<u>\$ 11,759,722</u>	<u>\$ 9,563,668</u>	<u>\$ 20,142,942</u>	<u>\$ 26,844,695</u>	<u>\$ 17,887,028</u>	<u>\$ 14,190,776</u>	<u>\$ 10,670,510</u>	<u>\$ 16,052,949</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes	\$ 36,314,207	\$ 38,926,651	\$ 39,413,259	\$ 45,635,035	\$ 47,342,430	\$ 51,368,491	\$ 47,039,202	\$ 47,630,562	\$ 45,438,333	\$ 52,770,021
Licenses and permits	2,543,809	2,805,947	3,226,492	3,062,847	3,248,191	3,477,297	3,459,268	3,571,616	4,874,549	5,030,946
Charges for services	3,151,332	4,442,950	5,674,904	4,897,309	4,612,567	6,613,544	5,864,796	7,155,768	4,853,162	4,824,140
Fines and forfeits	548,383	735,416	701,001	555,898	578,363	580,737	592,504	461,834	500,334	518,350
Investment earnings	1,049,163	403,808	573,184	497,787	961,195	1,471,916	758,833	223,172	212,979	4,608
Intergovernmental revenues	16,090,792	15,093,944	14,946,143	18,944,800	19,846,232	17,152,512	24,407,606	20,897,082	30,437,462	28,695,423
Other	4,924,515	2,398,988	2,205,131	2,091,724	4,131,305	4,177,786	3,664,260	4,374,132	5,437,568	4,906,361
<b>Total revenues</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>85,786,469</b>	<b>84,314,166</b>	<b>91,754,387</b>	<b>96,749,849</b>
<b>Expenditures</b>										
General government	3,096,579	5,654,308	6,025,189	8,350,112	11,112,672	7,806,908	7,962,093	7,656,616	7,507,262	13,765,436
Public safety	34,285,980	32,869,199	35,623,754	36,144,138	34,632,057	43,639,004	47,424,025	49,916,239	50,100,384	50,839,312
Community development	5,332,381	6,638,437	8,816,554	8,159,802	8,614,385	9,442,326	12,482,112	12,605,261	14,171,165	9,731,882
Public works	7,727,514	8,879,470	8,432,129	8,952,519	9,267,279	9,339,687	9,985,082	9,747,558	9,740,759	9,631,143
Health and sanitation	5,186,895	3,492,039	3,401,766	3,322,865	4,402,484	3,240,066	3,005,201	2,648,017	2,738,801	2,809,068
Parks and recreation	1,625,743	1,877,648	1,497,280	2,323,552	2,734,768	2,925,564	3,107,688	2,851,795	2,503,318	2,467,866
Debt service:										
Principal	5,910,000	5,955,000	4,300,000	4,630,000	5,134,432	3,618,900	2,633,800	2,575,600	3,131,400	6,514,100
Interest	4,556,516	4,456,400	2,553,329	3,971,511	3,894,144	4,395,128	3,790,899	3,960,851	3,942,027	4,423,008
Payment of loan issuance costs	-	170,385	932,830	-	251,525	4,595,871	261,309	49,786	-	-
Capital outlay	5,660,189	6,534,655	9,031,443	6,765,457	7,245,177	1,379,020	10,351,660	5,988,589	10,009,124	9,912,486
<b>Total expenditures</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>101,003,869</b>	<b>98,000,312</b>	<b>103,844,240</b>	<b>110,094,301</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(8,759,596)</b>	<b>(11,719,837)</b>	<b>(13,874,160)</b>	<b>(6,934,556)</b>	<b>(6,568,640)</b>	<b>(5,540,191)</b>	<b>(15,217,400)</b>	<b>(13,686,146)</b>	<b>(12,089,853)</b>	<b>(13,344,452)</b>
<b>Other Financing Sources (uses):</b>										
Issuance of long term debt	-	18,911,061	64,725,837	-	12,053,400	22,763,981	6,665,000	5,310,000	258,976	13,690,000
Payment to refunded bonds escrow agent	-	(8,911,809)	(60,293,007)	-	-	(17,850,000)	(6,410,000)	-	-	-
Bond premium	-	-	-	-	-	-	-	-	-	38,630
Bond discount	-	-	-	-	-	(379,897)	6,309	-	-	(126,066)
Capital lease obligations	997,406	559,778	406,540	-	105,077	273,220	1,582,940	-	-	-
Transfers in	(10,065,751)	16,053,898	9,979,882	12,726,232	14,405,814	18,766,342	12,046,134	12,408,683	12,749,243	13,793,454
Transfers out	14,849,646	(12,549,343)	(6,508,838)	(8,011,200)	(9,416,378)	(11,331,702)	(7,630,650)	(7,728,789)	(7,885,411)	(8,669,127)
<b>Total other financing sources and uses</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>6,259,733</b>	<b>9,989,894</b>	<b>5,122,808</b>	<b>18,726,891</b>
<b>Net change in fund balances</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>	<b>\$ (8,957,667)</b>	<b>\$ (3,696,252)</b>	<b>\$ (6,987,045)</b>	<b>\$ 5,382,439</b>
Debt service as a percentage of noncapital expenditures	16.6%	15.7%	9.3%	11.6%	11.5%	9.7%	6.8%	7.1%	7.3%	11.0%

## 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					
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 - 10.72	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 - 10.72	3,415,370,800	50%
2008	1,042,615,000	356,065,600	229,692,650	53,612,150	21,891,450	1,703,876,850	427,335,700	L - 50.38 I - 10.72	3,407,753,700	50%
2009	1,049,378,500	359,395,350	231,912,550	53,227,200	15,995,250	1,709,908,850	466,210,300	L - 50.38 I - 10.72	3,419,817,700	50%
2010	1,050,521,900	352,885,300	229,726,000	52,937,100	16,665,650	1,702,735,950	471,422,500	L - 50.38 I - 10.72	3,405,471,900	50%
2011	1,053,338,550	351,299,450	230,313,050	53,052,000	15,463,150	1,703,466,200	484,513,100	L - 50.38 I - 10.72	3,406,932,400	50%

## Note:

The city assesses property at approximately 50 percent of actual value for all 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**

	<b>Direct Rates</b>	<b>Overlapping Rates</b>		
	<u>Allentown City</u>	<u>School District</u>	<u>County</u>	
<u>Fiscal Year</u>	<u>Total City Millage</u>	<u>Total School Millage</u>	<u>Total County Millage</u>	<u>Total Direct &amp; Overlapping Rates</u>
2002	12.72	34.194	7.31	54.22
2003	14.72	37.490	12.39	64.60
2004	14.72	39.490	10.75	64.96
2005	17.52	41.734	10.75	70.00
2006 (1)	17.53	42.942	10.25	70.72
2007 (1)	17.53	42.942	10.25	70.72
2008 (1)	17.53	42.942	10.25	70.72
2009 (1)	17.53	42.942	10.25	70.72
2010 (1)	17.53	45.592	10.25	73.37
2011 (1)	17.53	45.592	11.90	75.02

**Notes:**

City real estate taxes are payable on June 5 with a 2% discount available if paid prior to April 6. Taxes can also be paid in four equal installments on April 15, May 15, June 15, and July 15. Delinquent taxes are certified to a private collector for collection on January 1 of the following year.

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

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).

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 8

Principal Property Taxpayers  
Current Year and Nine Years Ago

<u>Taxpayer</u>	2011			2002		
	<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 W Hamilton Street LP	\$ 21,570,550	1	1.27%			
Home Properties Trexler Park LLC	10,411,550	2	0.61%	\$ 4,589,150	9	0.28%
Congress Associates	6,575,850	3	0.39%	9,574,250	2	0.57%
The Lakes	5,961,050	4	0.35%	5,961,050	5	0.36%
Morris Allentown Associates LP ET	5,535,000	5	0.32%			
Lehigh Valley Hospital Inc.	5,372,750	6	0.32%			
Westmont LP	5,156,050	7	0.30%			
Allentown Commerce Park Corp.	4,900,000	8	0.29%	4,900,000	7	0.30%
230 Riverbend Apartments LLC	4,290,000	9	0.25%			
EPC-Allentown LLC	4,060,850	10	0.24%			
The Morning Call				7,237,200	3	0.44%
Sharma Baldev Raj & Sudesh				4,637,500	8	0.28%
Agere Systems/Lucent Technologies				14,233,450	1	0.86%
Mack Trucks Inc.				6,813,850	4	0.41%
Eastern Retail Holdings				5,753,700	6	0.35%
Allentown Oxford Assoc. Ltd. Partnership				4,197,500	10	0.26%
Total	<u>\$ 73,833,650</u>		<u>4.34%</u>	<u>\$ 67,897,650</u>		<u>4.11%</u>

Source:  
City of Allentown Property Tax File



**CITY OF ALLENTOWN, PENNSYLVANIA**

TABLE 9

**Property Tax Levies and Collections  
Last Ten Years**

<b>Fiscal Year Ended December 31</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Fiscal Year</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2002	\$ 21,888,395	\$ 20,383,118	93.1%	\$ 700,793	\$ 21,083,911	96.3%
2003	24,415,246	23,238,105	95.2%	913,052	24,151,157	98.9%
2004	25,221,033	23,411,082	92.8%	870,060	24,281,142	96.3%
2005	29,804,140	28,226,175	94.7%	1,016,575	29,242,750	98.1%
2006	30,984,146	28,464,063	91.9%	978,788	29,442,851	95.0%
2007	31,311,392	27,958,172	89.3%	1,179,477	29,137,649	93.1%
2008	29,796,059	28,339,285	95.1%	1,035,010	29,374,295	98.6%
2009	29,383,171	28,143,621	95.8%	942,459	29,086,080	99.0%
2010	29,349,230	28,331,648	96.5%	624,631	28,956,279	98.7%
2011	29,481,538	28,274,829	95.9%	-	28,274,829	95.9%

## 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		Sewer						
			Revenue Bonds	General Obligation Bonds	Revenue Bonds	General Obligation Bonds	Capital Leases	Other			
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
2008	91,935,249	1,907,720	18,202,400	-	12,235,000	-	1,140,421	-	125,420,790	3.18%	1,176
2009	94,669,649	1,446,352	15,832,200	-	11,055,000	-	775,574	-	123,778,775	3.04%	1,161
2010	94,853,046	1,219,995	13,355,600	-	9,825,000	-	237,485	-	119,491,126	2.63%	1,012
2011	103,285,937	906,186	6,255,200	6,005,000	7,455,000	5,185,000	465,098	-	129,557,421	2.83%	1,098

**CITY OF ALLENTOWN, PENNSYLVANIA**

TABLE 11

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

<b><u>Fiscal Year</u></b>	<b><u>General Obligation Bonds</u></b>	<b><u>Percentage of Estimated Actual Taxable Value of Property</u></b>	<b><u>Per Capita</u></b>
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
2008	91,935,249	2.70%	862
2009	94,669,649	2.77%	888
2010	94,853,046	2.79%	804
2011	103,285,937 (1)	3.03%	875

(1) Excludes Water and Sewer General Obligation Bonds issued in 2011.

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 12

**Direct and Overlapping Governmental Activities Debt  
As of December 31, 2011**

<b><u>Governmental Unit</u></b>	<b><u>Debt Outstanding</u></b>	<b><u>Estimated Percentage Applicable</u></b>	<b><u>Estimated Share of Overlapping Debt</u></b>
Allentown School District	\$ 195,198,026	100.0%	\$ 195,198,026
Lehigh County General Obligation Bonds	177,671,805	20.2%	<u>35,889,705</u>
Subtotal, overlapping debt			231,087,731
City of Allentown Direct Debt (1)			<u>103,285,937</u>
Total direct and overlapping debt			<u><u>\$ 334,373,668</u></u>

**Notes:**

- (1) Leases and Water and Sewer General Obligation Bonds issued in 2011 are not included in the Direct Debt total.
- (2) Overlapping debt is calculated by using Allentown's percentage of Lehigh County's Total Assessments. This percentage is used to determine Allentown's percent of the debt. The debt for Allentown School district is included at 100%.

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 13

Legal Debt Margin Information  
Last Ten Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 169,630,780	\$ 171,794,413	\$ 185,516,142	\$ 228,107,156	\$ 237,239,268	\$ 257,334,258	\$ 257,943,550	\$ 258,815,970	\$ 259,225,834	\$ 274,575,453
Total net debt applicable to limit	48,335,000	52,915,000	53,345,000	49,765,000	57,843,968	62,294,049	58,630,812	63,344,649	63,528,046	72,730,937
Legal debt margin	\$ 121,295,780	\$ 118,879,413	\$ 132,171,142	\$ 178,342,156	\$ 179,395,300	\$ 195,040,209	\$ 199,312,738	\$ 195,471,321	\$ 195,697,788	\$ 201,844,516
Total net debt applicable to the limit as a percentage of debt limit	28.49%	30.80%	28.75%	21.82%	24.38%	24.21%	22.73%	24.47%	24.51%	26.49%

## Legal Debt Margin Calculation for Fiscal year 2011

Borrowing base (1)	\$ 78,450,129
Percentage limitation	350%
Net debt limit	274,575,453
Debt applicable to limit:	
General obligation debt (2)	103,285,937
Less: Amount set aside for pension funding liability	(30,555,000)
	72,730,937
	<u>\$ 201,844,516</u>

## 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) Excludes Water and Sewer General Obligation Bonds issued in 2011 because they are considered self-liquidating.

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 14

Pledged-Revenue Coverage  
Last Ten Years

Fiscal Year	Water Revenue Bonds						Sewer Revenue Bonds					
	Water (1) Revenues and Other	Less: (2) Operating Expenses	Net Available Revenue	Debt Service		Coverage	Sewer(1) Revenues and Other	Less: (2) Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal (3)	Interest (3)					Principal (3)	Interest (3)	
2002	\$ 12,451,888	\$ 6,329,825	\$ 6,122,063	\$ 3,385,524	\$ 1,820,249	1.18	\$ 12,450,614	\$ 8,286,170	\$ 4,164,444	\$ 1,600,000	\$ 989,132	1.61
2003	15,086,442	6,363,846	8,722,596	3,932,351	1,636,014	1.57	15,344,641	8,083,358	7,261,283	1,630,000	827,134	2.96
2004	14,360,225	6,224,615	8,135,610	4,191,817	1,509,059	1.43	14,477,827	8,886,293	5,591,534	1,795,000	768,286	2.18
2005	14,476,432	7,083,214	7,393,218	4,310,000	1,343,246	1.31	17,101,556	9,109,843	7,991,713	1,875,000	701,711	3.10
2006	14,821,061	6,902,660	7,918,401	3,996,400	1,193,668	1.53	16,356,010	9,658,406	6,697,604	1,555,000	639,242	3.05
2007	14,244,402	7,742,146	6,502,256	2,892,600	1,041,894	1.65	14,992,046	10,490,975	4,501,071	1,105,000	590,693	2.65
2008	14,218,223	7,672,006	6,546,217	2,670,200	938,837	1.81	15,306,123	10,159,456	5,146,667	915,000	540,883	3.54
2009	13,200,194	8,072,272	5,127,922	2,370,200	820,769	1.61	15,161,966	11,266,120	3,895,846	1,180,000	469,083	2.36
2010	15,301,244	8,703,315	6,597,929	2,476,600	664,774	2.10	14,610,302	10,735,584	3,874,718	1,230,000	391,545	2.39
2011	14,965,965	8,595,684	6,370,281	2,390,400	565,813	2.15	15,774,254	11,026,389	4,747,865	1,270,000	481,779	2.71

## Notes:

(1) Water and Sewer revenue includes investment earnings, but not tap fees.

(2) Total operating expenses exclusive of depreciation and amortization.

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

(3) Includes principal and interest payments on Water and Sewer General Obligation Bonds issued in 2011.

**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>
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%
2008	106,632	3,949,329,384	37,037	17,914	8.0%
2009	106,632	4,074,195,456	38,208	17,753	12.0%
2010	118,032	4,544,822,160	38,505	17,753	12.7%
2011	118,032	4,582,946,496	38,828	17,748	11.7%

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

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Allentown School District	2,705	1	4.06%	2,689	3	2.96%
Commonwealth of Pennsylvania	1,824	2	2.74%			
PPL Co.	1,811	3	2.72%	2,029	6	2.24%
Lehigh County & Institutions	1,599	4	2.40%	2,185	5	2.41%
Breckenridge Enterprises	1,477	5	2.22%			
Lehigh Valley Hospital	1,436	6	2.15%	1,447	10	1.59%
Sacred Heart Hospital	1,096	7	1.64%	1,587	9	1.75%
City of Allentown	1,086	8	1.63%			
Allied Temporary Services	978	9	1.47%	1,980	7	2.18%
Performance Personnel	928	10	1.39%			
Contemporary Personnel				3,156	2	3.48%
Mack Trucks Inc.				2,384	4	2.63%
Muhlenberg College				1,968	8	2.17%
Agere Systems Inc.				3,440	1	3.79%
	<u>14,940</u>		<u>22.41%</u>	<u>22,865</u>		<u>25.20%</u>

## Source:

Prior to 2009 City of Allentown Earned Income Tax File

2009 and Later: Keystone Collections Group



**CITY OF ALLENTOWN, PENNSYLVANIA**

TABLE 17

**Full-Time Equivalent Employees By Function  
Last Ten Years**

<b>Function</b>	<b>Fiscal Year</b>									
	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
General Government	93	99	96	95	101	94	101	94	93	93
EMS	27	32	30	31	32	32	32	29	31	32
Public Safety										
Police										
Officers	229	248	247	235	237	207	211	203	205	209
Civilians	25	26	27	24	22	24	26	32	28	27
E-911	25	25	23	23	27	28	32	32	32	32
Fire										
Firefighters and officers	150	150	149	139	140	140	140	142	143	143
Civilians	1	1	1	1	1	1	1	1	1	1
Highways and Streets	68	68	69	59	58	58	58	53	48	46
Sanitation/Recycling	29	29	30	31	37	37	38	36	32	33
Building Maintenance	18	18	16	16	15	15	15	20	12	12
Building Standards & Safety	32	34	33	35	36	35	40	41	39	38
Culture and Recreation	42	44	43	41	41	37	39	34	25	22
Golf	3	3	4	4	6	6	6	5	5	6
Health	49	49	45	44	44	43	42	36	35	35
Water	88	89	86	86	87	93	93	89	84	85
Sewer	99	100	96	98	91	97	97	96	97	96
<b>Total</b>	<b>978</b>	<b>1,015</b>	<b>995</b>	<b>962</b>	<b>975</b>	<b>947</b>	<b>971</b>	<b>942</b>	<b>910</b>	<b>910</b>

Note: The data above are listed in the City's approved budget.

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Operating Indicators By Function  
Last Ten Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Law violations	17,418	19,612	18,103	18,336	19,072	17,381	16,794	14,906	14,433	13,794
Traffic violations (2)	12,487	14,397	16,074	11,465	8,744	5,586	5,227	6,788	9,949	10,560
Fire										
Number of calls answered (3)	6,175	6,090	5,889	5,955	6,033	6,346	8,988	12,206	11,383	11,719
Inspections and investigations	3,095	2,754	3,414	2,637	2,284	2,568	1,821	1,823	2,668	2,351
Highways and Streets										
Street reconstruction (miles)	1.2	0.9	0.7	0.0	0.1	0.15	0.29	0.13	0.02	0.00
Overlays (miles)	n/a	n/a	n/a	n/a	n/a	4.4	6.2	5.2	5.4	4.9
Potholes repaired	18,755	19,621	17,079	13,909	11,691	10,734	15,552	12,427	10,488	9,673
Sanitation										
Refuse collected (tons/year)	40,642	41,870	43,300	44,476	42,126	38,746	36,907	33,533	35,401	36,174
Recyclables collected (tons/year)	2,646	2,762	7,595	8,355	6,194	8,398	9,954	9,472	9,043	9,267
Sweep tickets issued (1)	n/a	n/a	n/a	786	3,604	4,957	5,203	6,047	6,891	6,854
Animal related complaints (4)	1,908	1,818	1,582	1,391	1,222	1,510	1,476	1,467	1,193	1,268
Health										
Home hazard surveys	207	305	363	360	243	241	319	300	439	311
Food service inspections	1,215	1,436	1,560	1,377	1,405	1,429	1,456	1,708	1,765	1,306
Number of home visits	2,493	2,695	2,720	2,412	2,228	1,658	906	384	303	428
Total lead screenings	836	718	850	857	870	690	773	849	945	916
Persons tested & counseled for HIV infection	2,478	2,500	2,500	2,268	2,160	2,324	2,472	2,544	2,656	2,624
Recreation										
Pavilion permits	n/a	173	113	178	206	325	508	389	382	294
Swimming pool season passes	255	231	196	148	152	191	195	116	211	159
Swimming pool patrons (non season pass)	24,373	18,485	12,732	17,773	13,395	43,623	56,453	65,428	64,932	47,365
Water										
Water connection permits	21	20	25	51	25	57	20	16	17	47
Water main breaks	20	25	25	25	9	29	22	18	22	23
Average daily consumption (millions of gallons)	16.06	15.46	14.85	15.26	14.48	14.75	14.80	14.50	14.75	14.39
Wastewater										
Average daily sewage treatment (millions of gallons)	29.45	35.38	31.25	31.72	31.16	30.80	32.27	30.70	31.64	31.64

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Operating Indicators By Function  
Last Ten Years

Function	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Golf										
Number of patrons	46,831	38,000	40,000	39,900	42,000	47,040	50,155	50,548	50,562	45,799
Number of days of service	330	280	310	320	225	273	305	299	293	285
E-911										
Number of calls:										
Police	95,049	112,202	116,435	107,219	105,196	107,135	103,600	112,841	112,639	127,315
EMS	11,323	11,867	12,073	12,932	12,929	13,485	13,985	13,512	13,843	14,628
Fire (3)	6,175	6,112	5,913	5,969	6,048	6,353	8,955	12,210	11,393	11,753
Other	8,344	10,071	9,582	9,156	8,952	9,556	8,760	9,259	8,572	9,653

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.
- (3) Starting in August 2008, the Fire Department starting providing EMS assistance.
- (4) Starting in 2009, Animal Related Complaints was moved from the Health Department to the Sanitation Department.

## CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 19

Capital Asset Statistics By Function  
Last Ten Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	2
Police officers	226	237	220	172	190	187	197	203	199	197
Patrol units	89	89	92	86	83	87	84	84	87	90
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6
Fire fighters	146	146	147	135	140	140	140	141	141	102
Sanitation										
Collection trucks	2	2	3	3	3	3	3	3	3	3
Highways and Streets										
Streets (miles)	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5
Streetlights	7,751	7,757	7,762	7,761	7,766	7,829	7,835	7,990	7,995	8097
Traffic signals	n/a	n/a	n/a	n/a	1,622	1,622	1,622	1,622	1,622	1622
Recreation										
Parks acreage	2,020	2,020	2,020	2,020	2,022	2,022	2,022	2,022	2,022	2022
Parks (1)	16	32	28	28	29	32	32	32	32	32
Swimming pools	5	5	5	5	5	5	5	5	4	4
Playgrounds	10	10	9	11	11	16	19	19	19	19
Water										
Water mains (miles)	273.3	300.0	300.0	300.0	300.0	310.0	310.0	310.0	310.0	310
Fire hydrants	n/a	n/a	n/a	n/a	1,708	1,819	1,819	1,816	1,818	1820
Maximum daily capacity (millions of gallons)	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30	30
Sewer										
Sanitary sewers (miles)	295.8	293.0	293.0	293.0	293.0	283.0	283.0	283.0	283	283
Storm sewers (miles)	185.0	185.0	185.0	185.0	185.0	165.0	165.0	165.0	165.0	165
Maximum daily treatment capacity (millions of gallons)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40	40
Golf										
Number of courses	1	1	1	1	1	1	1	1	1	1

## Source:

Various city departments.

## Notes:

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

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**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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