

CITY OF ALLENTOWN

Pennsylvania

COMPREHENSIVE ANNUAL FINANCIAL REPORT



RAY O'CONNELL
INTERIM MAYOR

BRENT HARTZELL
DIRECTOR OF FINANCE

LUISA FOLLWEILER
TREASURY & ACCOUNTING MANAGER

For the year ended
December 31, 2018

**CITY OF ALLENTOWN, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018**



INTERIM MAYOR

Ray O'Connell

CITY COUNCIL

Roger MacLean, President
Candida Affa, Vice President
Julio Guridy
Daryl Hendricks
Cynthia Y. Mota
Courtney Robinson
Ed Zucal

CITY CONTROLLER

Jeff Glazier

CITY SOLICITOR

Vacant

Brent Hartzell, Director of Finance
Luisa Follweiler, Treasury and Accounting Manager

Zelenkofske Axelrod LLC, Certified Public Accountants

**This Report was prepared by
The Department of Finance
Luisa Follweiler, Manager of Treasury and Accounting**

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., PPL and Mack Trucks have selected Lehigh County as their headquarters or as the location of 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 10,000 seat PPL Arena serves as home to the Lehigh Valley Phantoms of the American Hockey League. It is also a popular concert venue. The City maintains 2,000 acres of park land, well above the national average.

CITY OF ALLENTOWN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Page</u>
INTRODUCTORY	
Transmittal Letter	i-iv
Certificate of Achievement for Excellence in Financial Reporting	v
Organization Chart	vi
FINANCIAL	
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 19
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	20 - 21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds	23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	26
Statement of Net Position – Proprietary Funds	27 - 28
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Fiduciary Net Position – Fiduciary Funds	31
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	32
Statement of Net Position – Component Units	33
Statement of Activities – Component Units	34
Notes to Financial Statements	35 - 91

CITY OF ALLENTOWN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (Continued)

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Budgetary Basis – General Fund	92 - 96
Notes to Required Supplementary Information – Budgetary Comparison Schedule	97 - 98
Schedule of Changes in the Net Pension Liability and Related Ratios – Police Pension Plan	99
Schedule of Changes in the Net Pension Liability and Related Ratios – Firemen Pension Plan	100
Schedule of Changes in the Net Pension Liability and Related Ratios – Officers & Employees Pension Plan	101
Schedule of Changes in the Net Pension Liability and Related Ratios – PMRS Plan	102
Schedule of Changes in the Net Pension Liability and Related Ratios – Parking Authority	103
Schedule of City Contributions and Investment Returns	104 - 105
Schedule of Parking Authority Contributions and Investment Returns	106
Note to Required Supplementary Information – Pension Information	107 - 108
Schedule of Changes in the Total OPEB Liability	109
Schedule of Changes in the Net OPEB Liability - Parking Authority	110
Note to Required Supplementary Information – OPEB Plans	111 - 112
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS AND SCHEDULES:	
Other Nonmajor Governmental Funds:	
Combining Balance Sheet	113
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	114
Budgetary Comparison Schedule – Budgetary Basis – Capital Projects Fund	115
Budgetary Comparison Schedule – Budgetary Basis – Debt Service Fund	116
Budgetary Comparison Schedule – Budgetary Basis – Liquid Fuels Fund	117
Budgetary Comparison Schedule – Budgetary Basis – Community Development Block Grant Fund	118
Budgetary Comparison Schedule – Budgetary Basis – Trexler Fund	119
Budgetary Comparison Schedule – Budgetary Basis – E-911 Fund	120
Budgetary Comparison Schedule – Budgetary Basis – Grants Fund	121
Budgetary Comparison Schedule – Budgetary Basis – A.O. Fund	122
Budgetary Comparison Schedule – Budgetary Basis – Stormwater Fund	123
Combining Statement of Fiduciary Net Position – Pension Trust Funds	124
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds	125
Combining Schedules of Changes in Assets and Liabilities - Agency Funds	126

CITY OF ALLENTOWN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Concluded)

	<u>Page</u>
STATISTICAL	
Contents	127
Net Position by Component	128
Changes in Net Position	129 - 130
Governmental Activities Tax Revenues by Source	131
Fund Balances of Governmental Funds	132
Changes in Fund Balances of Governmental Funds	133
Assessed Value and Estimated Actual Value of Taxable Property	134
Property Tax Rates	135
Principal Property Taxpayers	136
Property Tax Levies and Collections	137
Ratios of Outstanding Debt by Type	138
Ratios of General Bonded Debt Outstanding	139
Direct and Overlapping Governmental Activities Debt	140
Legal Debt Margin Information	141
Demographic and Economic Statistics	142
Principal Employers	143
Full-time Equivalent Employees by Function	144
Operating Indicators by Function	145 - 146
Capital Asset Statistics by Function	147
APPENDIX	
Financial Management Policies	148 - 150

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Brent A. Hartzell
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Honorable Mayor and Members of City Council
Allentown, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the City of Allentown, Pennsylvania, for the fiscal year ended December 31, 2018 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, including police and fire protection; emergency medical services; sanitation services; the construction and maintenance of streets, roads, and infrastructure; the delivery of community health services through the City's Health Bureau; recreational and parks activities; community and economic development including planning and zoning; 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 internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse. The City is further responsible to ensure 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 controls are 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) which provides an analysis of the City's financial condition for 2018.

Budgetary Controls: The City also maintains budgetary controls intended to ensure compliance with legal provisions embodied in the annual appropriated budget as approved by City Council. Activities of the General Fund, certain Special Revenue Funds, and the Debt Service Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The City Charter requires the City's legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) to be established at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance up to \$5,000 between accounts within a fund, thereby lowering the practical level of budgetary control to the account level. Transfers exceeding \$5,000 must be approved by City Council.

Encumbrance Accounting: The City 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

The City's Administrative Code requires that an annual audit of the books of accounts, financial records, and transactions of the City be performed by independent certified public accountants. The accounting firm of Zelenkofske Axelrod, LLC, was selected by City Council to perform the annual audit for fiscal years 2016 through 2018. 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.

Allentown saw continuing growth in Center City connected to the Neighborhood Improvement Zone (NIZ) in 2018. Via state legislation unique to Allentown, the NIZ is comprised of 128 acres in center city and along the western side of the Lehigh River waterfront within which certain state and local tax revenues generated by new and existing businesses can be used to pay debt service on bonds and loans issued for qualifying capital improvements. The modern PPL Center arena, several office buildings, and numerous retail establishments and restaurants have been developed as a result of the NIZ. Nearly \$1 billion has been invested in NIZ projects since the inception of the program, creating thousands of jobs and generating millions of dollars of new revenue for the local taxing bodies. In addition, more than 400 apartments have been built in center city since 2013. The 12-story Tower 6 opened early in 2018 and ushered in a new wave of office construction expected both in center city and the waterfront area, including a newly constructed 13-story Five City Center office building which will be fully occupied in the fall of 2019. Another 450 market-rate apartments and 350 workforce adaptive housing units are in construction or planning stages in and around center city Allentown at this time.

The City is finalizing its 10-year Comprehensive and Economic Development Plan initiative, Allentown Vision 2030. This community-based plan will provide the roadmap for economic development throughout the City for the next decade. In addition, the City partners with the Allentown Economic Development Corporation to provide low-interest loans for the benefit of small businesses. And finally, the City is advancing 62 properties through our “blighted property” process with the intent of compelling property owners to bring their vacant residential structures into code compliance.

With respect to public safety, the City continues to employ and expand its usage of high-technology tools such as multiple remote camera sites to assist the Police Department, and the Fire Department remains a regional pacesetter in emergency management training and preparedness.

At December 31, 2018, Standard and Poor's has assessed the City's bond rating at A with a negative outlook, and Moody's has affirmed the City's A3 rating also with a negative outlook. The accumulated draws on City financial reserves in recent years raised concerns from these rating agencies about ongoing financial stability and caused the outlook status

to be downgraded. In response, the City administration worked diligently with City Council and the Controller to achieve significant cost containment. Additionally, recurring revenues exceeded expenditures in 2018 without the use of reserves, and the 2019 budget forecasts a similar result.

Acknowledgments: The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of many City staff, including the entire staff of the Department of Finance. We especially want to express our appreciation to staff accountants Michael Sinclair, Melody Sajeski, Sue Crawford and Maria Quigney for their considerable help in compiling the data needed to ensure the accuracy of this report. We also thank Heather Ondush, Tricia Dickert, Seth O'Neill, and Audrey Danek for their contributions to the supporting information herein. Lastly, we 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,



Brent Hartzell
Director of Finance



Luisa Follweiler
Treasury and Accounting Manager



Government Finance Officers Association

**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

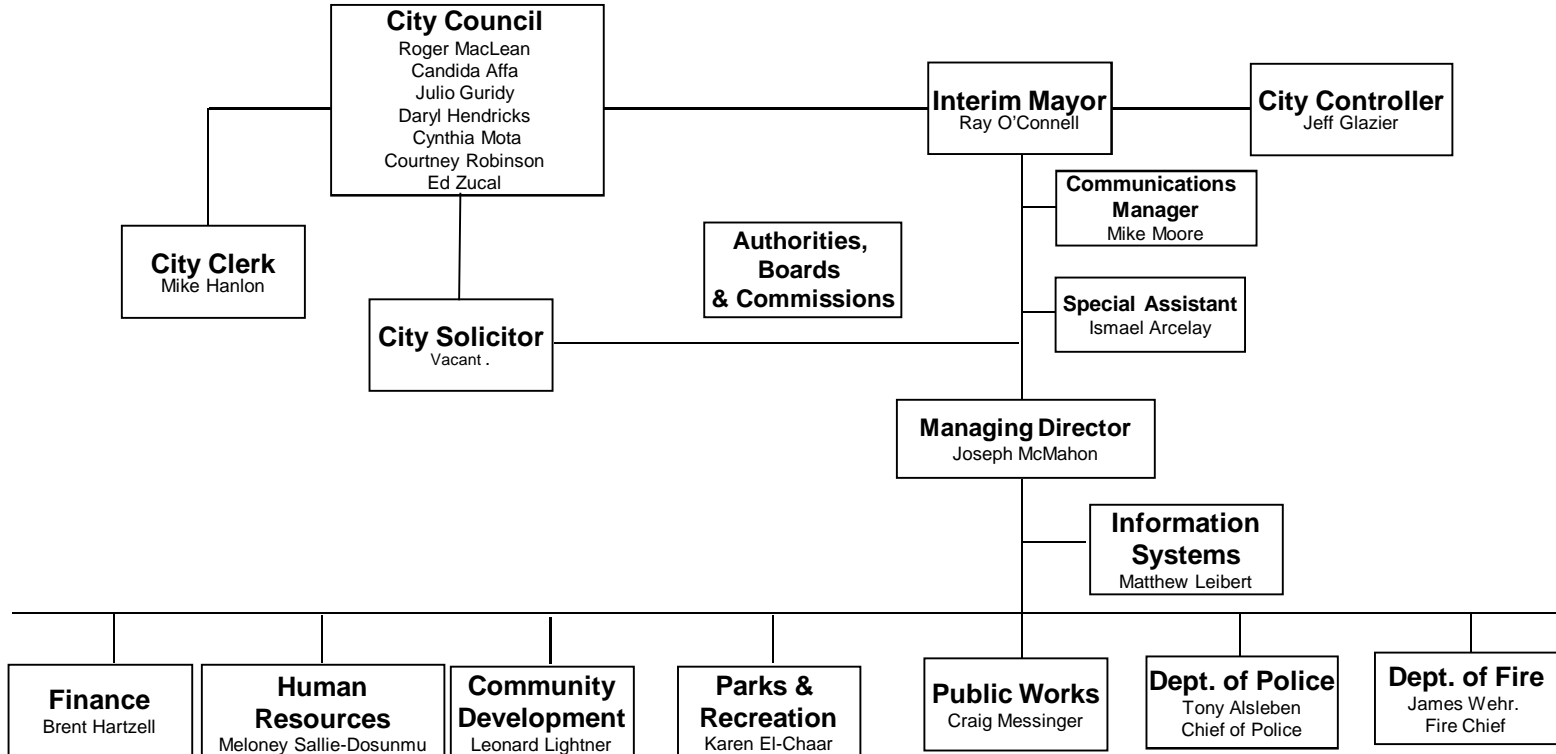
December 31, 2017

Christopher P. Morill

Executive Director/CEO

City of Allentown

2018 Organizational Chart





Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report of the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component units' financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority, which represents 100% of the assets, net position, and revenues of the aggregate discretely presented component units. Those 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 aggregate discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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Honorable Mayor and Members of City Council
City of Allentown, Pennsylvania
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2018 the City of Allentown adopted the provisions of Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the provisions of Statement No. 85, *Omnibus 2017*, and the provisions of Statement No. 86, *Certain Debt Extinguishment Issues*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other postemployment benefit information on pages 4 through 19 and 92 through 112 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 and other auditors 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 about 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 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.



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City of Allentown, Pennsylvania
Page 3

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other budgetary comparison schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
July 31, 2019

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

INTRODUCTION

This Management Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City of Allentown (City) for the year ended December 31, 2018. 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, 2018. Additional information is provided in the Transmittal Letter preceding this MD&A which can be found on pages i-iv 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

The City of Allentown has addressed a structural funding deficit by raising revenues and constraining expenditures over the past several years. Cash reserves also have been utilized in past years to achieve budgetary balance, but this was avoided in 2018. The City during the year saw the implementation of a stormwater management fee and the realization of a significant General Fund budget surplus. The City's 2019 budget continues this commitment to fiscal responsibility by budgeting higher revenues than expenditures in the General Fund.

The 2018 City budget anticipated a \$3.9 million reduction in General Fund reserves due to the use of such reserves to effectively balance the budget. **Instead, the General Fund realized a \$5.6 million surplus for the year**, with lower-than-budgeted operating costs supplemented by considerable increases in grant and license fee revenue while tax collection remained robust due to good economic conditions. The City's current fiscal challenges center on maintaining a balance between recurring revenues and recurring expenditures over the next five years. A strong economy has enabled significant growth in tax collection, bolstering the efforts of City staff to improve collection of inspection fees and delinquent taxes. Conversely, rising benefit costs enable expenditures to grow at a similar pace.

This Comprehensive Annual Financial Report for the City of Allentown (CAFR) introduces the provisions of Governmental Accounting Standards Board Statement 75 (GASB 75) for the first time. This statement requires local governments to report the life cycle costs of other postemployment benefits — such as health care coverage for City retirees under age 65 — for the first time on the City's statement of net position. This follows the implementation of GASB 68 three years ago that required the life cycle cost of pension obligations to be added to the statement of net position, and their combined impact on the City's net position is negative to a large degree. Both of these costs result from the health insurance options and defined benefit retirement plans available to City employees, and the life cycle costs of these provisions are now stated clearly for public review in this and all subsequent CAFR documents. During 2018, the City's total net position decreased by \$60.4 million due the recognition of other postemployment benefit lifecycle costs. The net position of governmental activities decreased by \$56.5 million and the net position of business-type activities decreased by \$3.9 million.

The net position now reveals fully the life cycle costs of pensions and other postemployment benefits to City employees and retirees, assuring Allentown citizens transparent presentation all obligations for which the City is responsible. Importantly, the City assures its citizens that it has been aware of these life cycle costs for a long time, and the City timely pays what is required by law to ensure stable pension funds and health care services within available revenues without sacrificing the quality of essential public services such as police and fire protection, public works, parks and recreation, and community and economic development.

Property tax rates as a composite of land and improvement assessments remained at 5.81 mills for 2018. A 1.50 mill composite increase takes effect for the 2019 tax year. Resident earned income tax was assessed at a 1.975 percent rate in 2018, of which a 1.475 percent rate is remitted to the City government, and non-residents were assessed a 1.28 percent earned income tax rate.

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 postemployment benefit plans and budget-to-actual figures for the General Fund. In addition to these required elements, an optional supplementary section is included with other statements that provide particulars about nonmajor 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 fund 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 fund statements* offer short-term and long-term financial information about the activities the City operates like a business, such as the Solid Waste Fund.
 - *Fiduciary fund 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 relate to one another.

Table A-1: Comprehensive annual financial report arrangement and relationship flowchart

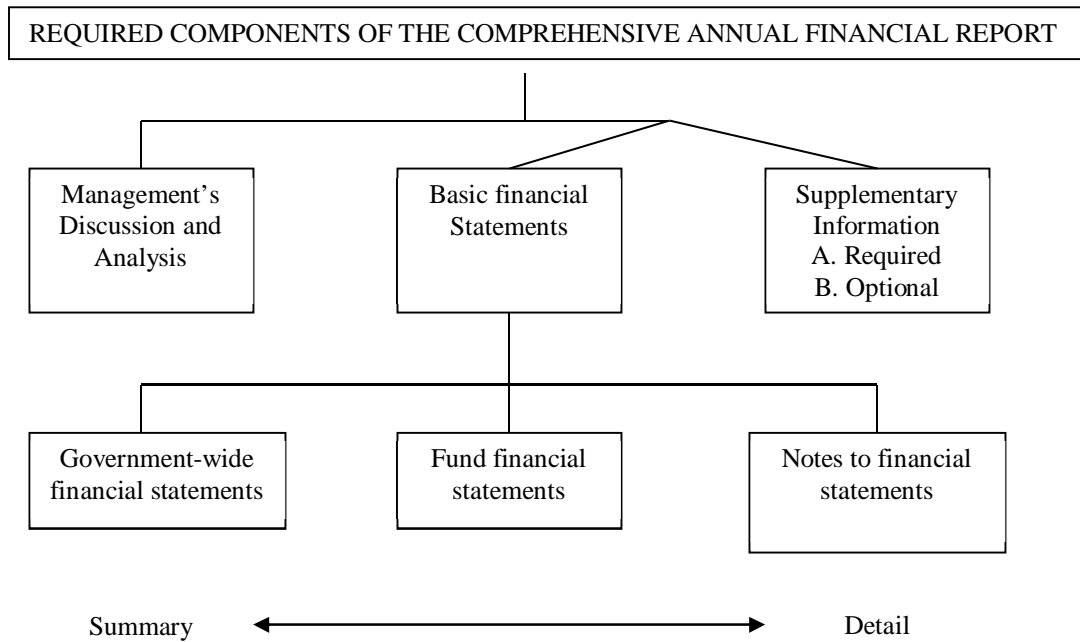


Table A-2 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

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

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

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

Government-wide financial statements

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

- The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, except fiduciary funds, with the difference reported as net position. 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 position 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 the net position 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 position is one way to measure the City's financial position. Over time, increases or decreases in the City's net position 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: the Allentown Parking Authority and the Redevelopment Authority of the City of Allentown.

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, and parks and recreation. Property taxes and operating grants and revenues finance most of these activities.
- *Business-type activities* such as the solid waste fund and the municipal golf course fund charge a fee to customers to help cover the cost of services.

Net position of the governmental activities differs 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 other financing sources 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 position:

- 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 position balances as follows:
 - Net investment in capital assets
 - Restricted net position includes items 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 position is net position that does not meet any of the above criteria

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 measurement focus and modified accrual accounting established by the Governmental Accounting Standards Board 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 governmental funds that the City maintains (General, Liquid Fuels, Community Development Block Grant, Revolving Loan, Debt Service, Capital Projects, Trexler, E-911, Lease A.O., Stormwater and Grants) are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental fund financial 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 position and the statement of activities) and governmental funds is described in reconciliations that follow the governmental fund financial statements.

The City adopts an annual budget for the General, Liquid Fuels, Debt Service, Community Development Block Grant, Trexler, E-911, Capital Projects, Lease A.O., Stormwater and Grants funds, as required by Pennsylvania law. Budgetary comparisons for the general fund are presented as required supplementary information. Budgetary comparisons for the Capital Projects, Liquid Fuels, Community Development Block Grant, Trexler, E-911, Debt Service, Lease A.O., Stormwater and Grants funds 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 Police Pension Fund, the Firemen 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 that the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. 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 Position

The City's total assets were \$332,205,417 at December 31, 2018. Of this amount, \$244,843,156 was capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 52,451,311	\$ 43,823,551	\$ 8,496,912	\$ 9,762,581	\$ 60,948,223	\$ 53,586,132
Capital assets, net	238,769,956	238,383,228	6,073,200	6,011,701	244,843,156	244,394,929
Other non-current assets	26,414,038	27,053,356	-	-	26,414,038	27,053,356
Total Assets	317,635,305	309,260,135	14,570,112	15,774,282	332,205,417	325,034,417
Deferred Outflows of Resources:						
Deferred outflows of resources for pensions	34,153,218	20,948,404	666,542	1,056,787	34,819,760	22,005,191
Deferred outflows of resources for OPEB	12,073,010	-	770,617	-	12,843,627	-
Deferred charge on refunding	341,323	361,399	-	-	341,323	361,399
Total Deferred Outflows of Resources	46,567,551	21,309,803	1,437,159	1,056,787	48,004,710	22,366,590
Current and other liabilities	18,988,662	20,358,002	1,458,671	2,279,943	20,447,333	22,637,945
Long-term liabilities	274,665,060	188,556,482	7,239,023	3,649,389	281,904,083	192,205,871
Total Liabilities	293,653,722	208,914,484	8,697,694	5,929,332	302,351,416	214,843,816
Deferred Inflows of Resources:						
Utility system concession lease	212,104,503	212,631,820	-	-	212,104,503	212,631,820
Deferred inflows of resources for OPEB	1,348,907	-	86,100	-	1,435,007	-
Deferred inflows of resources for pensions	12,385,606	7,851,522	1,307,470	1,302	13,693,076	7,852,824
Total Deferred Inflows of Resources	225,839,016	220,483,342	1,393,570	1,302	227,232,586	220,484,644
Net position:						
Net investment in capital assets	192,129,736	189,628,005	5,368,849	4,971,644	197,498,585	194,599,649
Restricted	15,759,253	9,034,864	-	-	15,759,253	9,034,864
Unrestricted	(363,578,871)	(297,490,757)	547,157	4,864,161	(363,031,714)	(292,626,596)
Total Net Position (Deficit)	\$ (155,289,882)	\$ (98,827,888)	\$ 5,916,006	\$ 9,835,805	\$ (149,373,876)	\$ (88,992,083)

City of Allentown, Pennsylvania
Management's Discussion and Analysis

The following statement of activities represents changes in net position for the years ended December 31, 2018 and 2017. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

Table A-4: Condensed Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 28,852,560	\$ 19,372,974	\$ 15,681,285	\$ 17,301,125	\$ 44,533,845	\$ 36,674,099
Operating grants and contributions	19,945,131	8,285,549	1,060,856	555,724	21,005,987	8,841,273
Capital grants	802,464	698,555	-	-	802,464	698,555
General revenues:						
Taxes	78,881,070	73,585,762	-	-	78,881,070	73,585,762
Investment earnings	609,832	88,062	-	-	609,832	88,062
Unrestricted grants/contributions	11,798,217	14,592,416	-	-	11,798,217	14,592,416
Total revenues	140,889,274	116,623,318	16,742,141	17,856,849	157,631,415	134,480,167
Expenses:						
General government	17,862,356	14,870,717	-	-	17,862,356	14,870,717
Public safety	70,750,446	67,712,399	-	-	70,750,446	67,712,399
Community development	11,768,151	8,735,099	-	-	11,768,151	8,735,099
Public works	21,858,634	21,464,580	-	-	21,858,634	21,464,580
Health and sanitation	3,374,484	3,527,955	-	-	3,374,484	3,527,955
Parks and recreation	6,623,619	6,806,202	-	-	6,623,619	6,806,202
Water and sewer	-	-	-	-	-	-
Interest on long-term debt	4,341,979	4,601,557	-	-	4,341,979	4,601,557
Municipal golf course	-	-	1,230,685	1,259,924	1,230,685	1,259,924
Solid waste fund	-	-	14,389,435	14,377,533	14,389,435	14,377,533
Total expenses	136,579,669	127,718,509	15,620,120	15,637,457	152,199,789	143,355,966
Change in net position before transfers	4,309,605	(11,095,191)	1,122,021	2,219,392	5,431,626	(8,875,799)
Transfers	1,364,031	1,154,762	(1,364,031)	(1,154,762)	-	-
Change in net position	5,673,636	(9,940,429)	(242,010)	1,064,630	5,431,626	(8,875,799)
Net position (deficit) beginning, as restated	(160,963,518)	(88,887,459)	6,158,017	9,835,805	(154,805,501)	(79,051,654)
Net position (deficit) ending	\$ (155,289,882)	\$ (98,827,888)	\$ 5,916,007	\$ 10,900,435	\$ (149,373,875)	\$ (87,927,453)

During 2018, the City's net position was restated significantly downward due to the implementation of GASB 75 for other postemployment benefits as mentioned in the Financial Highlights discussion above. However, in terms of only revenues and expenses, net position actually increased by \$5.4 million during 2018.

Total government-wide revenues of \$157.6 million in 2018 came primarily from taxes of \$78.9 million, representing 50.0 percent of the total. Charges for services at \$44.5 million made up the second largest source at 28.3 percent, followed by operating grants and contributions of \$21.0 million, or 13.3 percent. The increase in revenue from 2017 to 2018 was largely attributable to additional licensure and grant revenue, as well as collections above budget for earned income tax and business privilege tax.

Total expenses for all programs in 2018 were \$152.2 million. The expenses cover a range of services, with the largest being public safety at \$70.8 million or 46.5 percent. The next largest program areas were public works at \$21.9 million or 14.4 percent, general government at \$17.9 million or 11.7 percent, and the solid waste fund at \$14.4 million or 9.5 percent.

Net cost of services

Net cost of services indicates the amount of support required from taxes and other general revenues for programs of the government. Table A-5 depicts the net program expenses for the years ended December 31, 2018 and 2017.

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

	Total cost of services		Net cost of services	
	2018	2017	2018	2017
Program:				
General government	\$ 17,862,356	\$ 14,870,717	\$ 4,422,276	\$ 10,519,111
Public safety	70,750,446	67,712,399	64,740,975	62,199,692
Community development	11,768,151	8,735,099	2,412,397	655,301
Public works	21,858,634	21,464,580	11,723,180	19,993,828
Health and sanitation	3,374,484	3,527,955	825,825	1,424,243
Parks and recreation	6,623,619	6,806,202	3,480,685	4,260,433
Water and sewer	-	-	(4,967,803)	(4,292,734)
Interest on long-term debt	4,341,979	4,601,557	4,341,979	4,601,557
Municipal golf course	1,230,685	1,259,924	(9,950)	(63,986)
Solid waste fund	14,389,435	14,377,533	(1,112,071)	(2,155,406)
Total expenses	\$ 152,199,789	\$ 143,355,966	\$ 85,857,493	\$ 97,142,039

The City relied on real estate tax, Act 511 taxes such as earned income tax and business privilege tax, and other general revenues to fund 56.4 percent of its governmental and business-type activities in 2018. These revenues covered 24.8 percent of general government spending with the remainder coming from grants and fees for specific services. These revenues also covered 91.5 percent of public safety spending with the remainder coming from grants, fines, and court costs.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Capital assets

The City's investment in capital assets at December 31, 2018, net of accumulated depreciation, was \$244.8 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Detailed information about the City's capital assets can be found in Note 5, Notes to Financial Statements. Table A-6 is a summary of capital assets at December 31, 2018 and 2017.

Table A-6: Capital assets at December 31, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 9,809,945	\$ 9,809,945	\$ 1,134,759	\$ 1,134,759	\$ 10,944,704	\$ 10,944,704
Assets under concession lease - LCA	83,608,608	79,445,780	-	-	83,608,608	79,445,780
Assets under concession lease - COA	5,717,653	5,054,907	-	-	5,717,653	5,054,907
Construction in progress	3,459,131	6,340,966	-	-	3,459,131	6,340,966
Buildings	4,229,910	4,661,491	649,534	676,216	4,879,444	5,337,707
Land and building improvements	20,065,187	17,601,333	1,029,570	1,196,589	21,094,757	18,797,922
Machinery and equipment	12,208,352	13,606,365	2,186,524	1,802,292	14,394,876	15,408,657
Vehicles	7,648,105	6,222,405	1,044,997	1,173,651	8,693,102	7,396,056
Infrastructure	92,023,065	95,640,036	-	-	92,023,065	95,640,036
Distribution and collection systems	-	-	27,816	28,194	27,816	28,194
Total	\$ 238,769,956	\$ 238,383,228	\$ 6,073,200	\$ 6,011,701	\$ 244,843,156	\$ 244,394,929

Debt administration

Long-term debt:

At December 31, 2018, the City had \$100.7 million of debt outstanding, including bonds, notes, and capital leases. This was a net decrease of \$0.3 million from the end of 2017. Detailed information about the City's Long-term Debt can be found in Note 9, Notes to Financial Statements. Table A-7 provides a summary of outstanding debt.

Table A-7: Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital leases	\$ 4,003,545	\$ 3,756,786	\$ 704,351	\$ 499,495	\$ 4,707,896	\$ 4,256,281
Bonds and notes	83,778,507	84,048,953	-	-	83,778,507	84,048,953
Pension obligation bonds	12,175,000	12,660,000	-	-	12,175,000	12,660,000
Total	\$ 99,957,052	\$ 100,465,739	\$ 704,351	\$ 499,495	\$ 100,661,403	\$ 100,965,234

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, 2018 was approximately \$252.0 million, and the total debt outstanding was \$101.1 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2018 was approximately \$352.7 million and the total applicable debt outstanding was \$101.1 million, which is also below the legal debt limit. For computation purposes, the \$101.1 million has been reduced by \$12.2 million, which is the outstanding balance

of the 2004 General Obligation bond issue used to finance the City's pension liability as allowed by the statute.

Bond rating

At December 31, 2018, the City is rated A3 with a negative outlook by Moody's Investors Service and A with a negative outlook by S&P. The City is hopeful that the positive change in General Fund balance during 2018 will at least restore a stable outlook from the rating agencies.

GOVERNMENTAL FUNDS

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

The focus of governmental 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, schedules are 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 uses. 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 to be used for capital projects. 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, 2018 and 2017 are as follows. Table A-8 also presents changes from 2017 to 2018.

Table A-8: Revenues by source, governmental funds

	2018	2017	Changes from 2017 to 2018	Percent change
Revenues:				
Taxes	\$ 76,085,821	\$ 71,512,921	\$ 4,572,900	6.4%
Licenses and permits	8,768,619	6,095,884	2,672,735	43.8%
Charges for services	6,094,400	4,450,086	1,644,314	37.0%
Fines and forfeits	623,181	593,368	29,813	5.0%
Investment earnings	609,832	87,816	522,016	594.4%
Intergovernmental revenues	32,875,745	24,512,139	8,363,606	34.1%
Other	8,842,875	2,989,734	5,853,141	195.8%
Total revenues	\$ 133,900,473	\$ 110,241,948	\$ 23,658,525	21.5%

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Governmental fund revenues totaled \$133.9 million for the year ended December 31, 2018. This is an increase of \$23.7 million from 2017, primarily due to increased tax and grant revenue and increased license and permit fee collection.

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2018 and 2017 are as follows. Table A-9 also presents changes from 2017 to 2018.

Table A-9: Expenditures by function, governmental funds

	2018	2017	Changes from 2017 to 2018	Percent change
Expenditures:				
General government	\$ 17,015,637	\$ 10,073,023	\$ 6,942,614	68.9%
Public safety	64,725,057	61,595,723	3,129,334	5.1%
Community development	11,500,007	8,523,967	2,976,040	34.9%
Public works	16,589,541	15,009,623	1,579,918	10.5%
Health and sanitation	3,489,864	3,543,585	(53,721)	(1.5%)
Parks and recreation	5,889,408	5,939,343	(49,935)	(0.8%)
Debt service:				
Principal	13,686,108	17,121,284	(3,435,176)	(20.1%)
Interest	2,459,911	2,899,745	(439,834)	(15.2%)
Capital outlay	5,834,064	10,728,546	(4,894,482)	(45.6%)
Total expenditures	\$ 141,189,597	\$ 135,434,839	\$ 5,754,758	4.2%

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered major funds. Nonmajor funds which are presented separately in the combining balance sheet - other nonmajor governmental funds and in the combining statement of revenues, expenditures, and changes in fund balance - other nonmajor governmental funds.

Governmental fund expenditures totaled \$141.2 million for the year ended December 31, 2018, an increase of 4.2 percent from 2017.

Governmental fund balances and net position of enterprise funds

Table A-10 reflects ending fund balances for governmental funds and the net position for enterprise funds at December 31, 2018 and 2017.

Table A-10: Ending fund balances, governmental funds, and net position, enterprise funds

	2018		2017	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	\$ 18,896,146	\$ -	\$ 13,251,806	\$ -
Liquid Fuels Fund	2,087,203	-	1,920,781	-
Community Development				
Block Grant	4,150,650	-	4,509,378	-
Trexler	614,819	-	193,988	-
Capital Projects	4,973,906	-	5,121,069	-
E-911	(246,234)	-	(118,840)	-
Revolving Loan	1,328,577	-	1,327,791	-
Grants Fund	-	-	-	-
Stormwater Fund	1,864,391	-	-	-
Lease A.O. Fund	1,139,707	-	1,082,926	-
Municipal Golf Course	-	858,174	-	1,962,590
Solid Waste Fund	-	5,057,833	-	8,937,845
Total	\$ 34,809,165	\$ 5,916,007	\$ 27,288,899	\$ 10,900,435

The City's governmental funds reported a combined fund balance of \$34.8 million at December 31, 2018, up \$7.5 million from a year previously. Of this total fund balance, \$4.2 million is restricted for Community Development Block Grant projects, \$5.0 million is restricted for capital acquisitions, \$2.1 million is restricted for the Liquid Fuels Fund, \$1.3 million is restricted for the Revolving Loan Fund, \$1.1 million is restricted for the Lease A.O. Fund, and \$0.6 million is restricted for the Trexler fund.

The General Fund balance increased by \$5.6 million, largely attributable to constrained expenditures compared to budget, additional licensure/permit and grant revenue, and collections above budget for earned income tax and business privilege tax. The new Stormwater Fund added \$1.9 million, the Capital Fund balance decreased by \$0.1 million, and the Lease A.O. Fund balance increased by less than \$0.1 million.

Budgetary considerations

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 revenues are budgeted when received, and the anticipated related expenditure is budgeted at the same time

Because the City's fiscal year differs from those of 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 or for grants received but not anticipated.

The \$5.6 million increase in General Fund balance resulted from both revenue exceeding budget and expenditures coming in well below budget. Regarding revenue, business privilege tax has seen a significant increase in recurring taxes, fees for emergency medical service have increased with higher demand for health emergencies, grant revenue has increased sharply, and rental inspection program revenue has benefitted from a new collection schedule and collection procedures. Regarding expenditures, all City operations spent considerably less than budgeted amounts except for the public safety sector that consists primarily of personnel costs.

Economic Condition and Outlook

LOCATION & DEMOGRAPHIC ADVANTAGES

Allentown is the largest city in the four-county Allentown-Bethlehem-Easton Metropolitan Statistical Area and serves as the seat of Lehigh County. Allentown is home to 121,000 residents per recent United States Census estimates, thus making it the third-largest city in Pennsylvania. Allentown recorded one of the fastest rates of growth of any municipality in the Commonwealth between the 2000 and 2010 Censuses, and the City's rapidly growing Hispanic population now comprises 50.6% of total City population according to the Census's 2016 American Community Survey.

Known as "The City Without Limits," Allentown is strategically located within a 300-mile radius of the largest metropolitan areas on the eastern seaboard of the United States, enabling the greater Lehigh Valley to become a major regional logistics and distribution center for several large corporations. Excellent transportation systems and close proximity to both New York and Philadelphia make Allentown attractive to businesses and families desiring to live in a community that offers clean air, good water, diverse neighborhoods and more than 2,000 acres of the best municipal parks and recreation systems in the country.

ECONOMIC DEVELOPMENT ACHIEVEMENTS

Allentown has long served as the economic engine for the Lehigh Valley. Augmented by sharply growing corporate activity in several new office buildings in the Center City area, Allentown is home to the corporate headquarters of utility firms PPL (a Fortune 500 company) and Talen Energy. The City's large employment concentration includes the Allentown School District, the government of Lehigh County, Muhlenberg College, Cedar Crest College and a branch campus of Lehigh Carbon Community College. Major regional health care institutions also employ thousands of people within Allentown. Lehigh Valley Health Network and St. Luke's University Health Network each maintain various acute-care facilities across the City. Finally, banking and financial service industries in the City continue to have a strong presence as well as other business service firms. This is evidenced by ADP, a Fortune 500 payroll and human resources firm, announcing the location of approximately 1500 workers in a new regional headquarters building in downtown Allentown.

As noted in the introductory letter of this report, economic development is occurring rapidly in Allentown, predominantly in but not limited to the center city. Allentown is experiencing employment growth in such sectors as legal and financial services, banking, insurance, financial planning, tourism, entertainment, and destination visiting. The City is completing its 10-year comprehensive and economic development plan, Allentown Vision 2030, which will guide the economic development efforts of the City administration and community leaders for the next decade.

Manufacturing employment in the Allentown-Bethlehem-Easton Metropolitan Statistical Area in the apparel, food, electrical/electronic equipment, industrial machinery and printing and publishing areas are strong components of the overall employment picture. In the greater Lehigh Valley region, Air Products, B. Braun, Lutron, Amazon.com, Lehigh Portland Cement, Nestle, Olympus, Dun & Bradstreet, FedEx, Uline and LSI are just a few of the companies that have selected the area as either a headquarters or the location of major regional facilities.

SUMMARY

The City of Allentown saw significant economic development in 2018, and City government dedicated its resources toward achieving long-term financial and community stability. Much work remains for the City to continue being effective stewards of the City's public services. While most City expenses throughout 2018 remained relatively stable due to stringent monitoring and management practices, certain costs continue to increase at rates above the Consumer Price Index, particularly in personnel benefits and risk management. Revenue initiatives and cost control measures will continue to be implemented to mitigate financial risk. Working with Council and the City Controller, the City Administration will lead the way to ensure that the successes of recent years are strengthened in the years to come.

The 2019 General Fund budget for the City of Allentown forecasts revenues of \$117.1 million and expenditures of \$116.2 million, avoiding any use of cash reserves. The increase in revenue is driven largely by a 1.50 mill or 26 percent increase in the City's effective property tax rate, now established at 7.31 mills. This rate is a weighted combination of separate millage assessments for land valuation and property improvements, both of which were raised by the same 26 percent amount to ensure that all taxpayers equitably funded the tax increase.

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 POSITION
DECEMBER 31, 2018

Assets	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current assets:				
Cash and cash equivalents	\$ 26,182,581	\$ 3,583,243	\$ 29,765,824	\$ 3,122,722
Investments - restricted	4,761,222	-	4,761,222	1,450,000
Receivables (net of allowance for uncollectible):				
Taxes	19,421,221	-	19,421,221	-
Accounts	2,691,297	1,542,129	4,233,426	180,082
Grants	1,657,238	516,056	2,173,294	-
Other current assets	7,758	-	7,758	14,927
Inventory	-	19,844	19,844	26,618
Prepaid expenses	74,184	-	74,184	132,687
Prepaid debt insurance	491,450	-	491,450	-
Due from other governments	-	-	-	61,783
Internal balances	(2,835,640)	2,835,640	-	-
Total current assets	52,451,311	8,496,912	60,948,223	4,988,819
Noncurrent assets:				
Capital assets, net:				
Land	9,809,945	1,134,759	10,944,704	8,301,151
Assets under concession lease-LCA	83,608,608	-	83,608,608	-
Assets under concession lease-City	5,717,653	-	5,717,653	-
Buildings	4,229,910	649,534	4,879,444	46,294,180
Land and building improvements	20,065,187	1,029,570	21,094,757	-
Machinery and equipment	12,208,352	2,186,524	14,394,876	622,138
Vehicles	7,648,105	1,044,997	8,693,102	227,746
Distribution and collection systems	-	27,816	27,816	-
Construction in progress	3,459,131	-	3,459,131	15,007
Infrastructure	92,023,065	-	92,023,065	-
Total capital assets, net	238,769,956	6,073,200	244,843,156	55,460,222
Loans and notes receivable	4,629,598	-	4,629,598	2,137,937
Utility system concession lease receivable	21,784,440	-	21,784,440	-
Property held for development	-	-	-	61,418
Total noncurrent assets	265,183,994	6,073,200	271,257,194	57,659,577
Total Assets	317,635,305	14,570,112	332,205,417	62,648,396
Deferred Outflows of Resources				
Deferred outflows of resources for pensions	34,153,218	666,542	34,819,760	139,565
Deferred outflows of resources for OPEB	12,073,010	770,617	12,843,627	-
Deferred charge on refunding	341,323	-	341,323	571,649
Total Deferred Outflows of Resources	46,567,551	1,437,159	48,004,710	711,214

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018
(Continued)

Liabilities	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current liabilities:				
Accounts payable and other current liabilities	3,420,514	923,096	4,343,610	791,639
Wages payable	1,915,931	83,610	1,999,541	-
Accrued interest payable	289,098	-	289,098	-
Claims liability	383,319	-	383,319	-
Other liabilities	955,458	407	955,865	47,222
Due to other governments	1,584,900	-	1,584,900	-
Compensated absences	2,004,066	183,971	2,188,037	-
Unearned revenue	-	-	-	265,285
Facility contractual obligation	139,182	-	139,182	-
Capital leases payable	993,628	267,587	1,261,215	19,793
Notes and bonds payable, current maturities	7,302,566	-	7,302,566	1,160,588
Total current liabilities	<u>18,988,662</u>	<u>1,458,671</u>	<u>20,447,333</u>	<u>2,284,527</u>
Noncurrent liabilities:				
Capital leases payable	3,009,917	436,764	3,446,681	75,766
Compensated absences	1,259,643	26,391	1,286,034	-
Unearned revenue	-	-	-	8,121,602
Net pension liability	91,795,685	1,109,411	92,905,096	44,235
Total other postemployment benefit liability	88,774,503	5,666,457	94,440,960	944,331
Notes and bonds payable	89,825,312	-	89,825,312	33,199,317
Total noncurrent liabilities	<u>274,665,060</u>	<u>7,239,023</u>	<u>281,904,083</u>	<u>42,385,251</u>
Total Liabilities	<u>293,653,722</u>	<u>8,697,694</u>	<u>302,351,416</u>	<u>44,669,778</u>
Deferred Inflows of Resources				
Utility system concession lease	212,104,503	-	212,104,503	-
Deferred inflows of resources for OPEB	1,348,907	86,100	1,435,007	-
Deferred inflows of resources for pensions	12,385,606	1,307,470	13,693,076	2,722
Total Deferred Inflows of Resources	<u>225,839,016</u>	<u>1,393,570</u>	<u>227,232,586</u>	<u>2,722</u>
Net Position				
Net investment in capital assets	192,129,736	5,368,849	197,498,585	21,576,407
Restricted for:				
Capital projects	4,973,906	-	4,973,906	-
Public works	5,091,301	-	5,091,301	-
Community development	5,479,227	-	5,479,227	-
Public safety	-	-	-	888,988
Parks and recreation	614,819	-	614,819	-
Unrestricted	(363,578,871)	547,158	(363,031,713)	(3,778,285)
Total Net Position (Deficit)	<u>\$ (155,289,882)</u>	<u>\$ 5,916,007</u>	<u>\$ (149,373,875)</u>	<u>\$ 18,687,110</u>

(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary government:								
Governmental activities:								
General government	\$ 17,862,356	\$ 5,252,229	\$ 8,187,851	\$ -	\$ (4,422,276)	\$ -	\$ (4,422,276)	\$ -
Public safety	70,750,446	4,623,068	1,386,403	-	(64,740,975)	-	(64,740,975)	-
Community development	11,768,151	6,514,071	2,841,683	-	(2,412,397)	-	(2,412,397)	-
Public works	21,858,634	6,508,377	3,216,209	410,868	(11,723,180)	-	(11,723,180)	-
Health and sanitation	3,374,484	397,593	2,151,066	-	(825,825)	-	(825,825)	-
Parks and recreation	6,623,619	589,419	2,161,919	391,596	(3,480,685)	-	(3,480,685)	-
Water and sewer	-	4,967,803	-	-	4,967,803	-	4,967,803	-
Interest on long-term debt	4,341,979	-	-	-	(4,341,979)	-	(4,341,979)	-
Total governmental activities	<u>136,579,669</u>	<u>28,852,560</u>	<u>19,945,131</u>	<u>802,464</u>	<u>(86,979,514)</u>	<u>-</u>	<u>(86,979,514)</u>	<u>-</u>
Business-Type activities:								
Solid Waste Fund	14,389,435	14,461,730	1,039,776	-	-	1,112,071	1,112,071	-
Municipal Golf Course	1,230,685	1,219,555	21,080	-	-	9,950	9,950	-
Total business-type activities	<u>15,620,120</u>	<u>15,681,285</u>	<u>1,060,856</u>	<u>-</u>	<u>-</u>	<u>1,122,021</u>	<u>1,122,021</u>	<u>-</u>
Total primary government	<u>\$ 152,199,789</u>	<u>\$ 44,533,845</u>	<u>\$ 21,005,987</u>	<u>\$ 802,464</u>	<u>(86,979,514)</u>	<u>1,122,021</u>	<u>(85,857,493)</u>	<u>-</u>
Component units:								
Redevelopment Authority of the City of Allentown	\$ 353,697	\$ 7,499	\$ 125,202	\$ -	-	-	-	(220,996)
Allentown Parking Authority	8,602,044	7,914,364	-	-	-	-	-	(687,680)
Total component units	<u>\$ 8,955,741</u>	<u>\$ 7,921,863</u>	<u>\$ 125,202</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(908,676)</u>
General revenues:								
Property taxes					31,353,086	-	31,353,086	-
Act 511					45,795,949	-	45,795,949	-
Utility realty					71,924	-	71,924	-
Deed transfer tax					1,660,111	-	1,660,111	-
Grants and contributions not restricted to specific purposes					11,798,217	-	11,798,217	-
Investment earnings					609,832	-	609,832	43,714
Transfers					1,364,031	(1,364,031)	-	-
Total general revenues and transfers					<u>92,653,150</u>	<u>(1,364,031)</u>	<u>91,289,119</u>	<u>43,714</u>
Change in Net Position					5,673,636	(242,010)	5,431,626	(864,962)
Net Position:								
Beginning of year, as restated					(160,963,518)	6,158,017	(154,805,501)	19,552,072
End of year					<u>\$ (155,289,882)</u>	<u>\$ 5,916,007</u>	<u>\$ (149,373,875)</u>	<u>\$ 18,687,110</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 16,526,271	\$ 1,182,767	\$ -	\$ 7,038,636	\$ 24,747,674
Investments - restricted	654,030	4,107,192	-	-	4,761,222
Receivables, net:					
Taxes	19,421,221	-	-	-	19,421,221
Loans	119,150	-	-	4,510,448	4,629,598
Accounts	1,229,992	-	-	243,666	1,473,658
Grants	429,371	127,553	-	1,100,314	1,657,238
Utility system concession lease	21,784,440	-	-	-	21,784,440
Interest	-	-	-	7,758	7,758
Due from other funds	1,456,009	-	-	55	1,456,064
Total Assets	<u>\$ 61,620,484</u>	<u>\$ 5,417,512</u>	<u>\$ -</u>	<u>\$ 12,900,877</u>	<u>\$ 79,938,873</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>					
Liabilities:					
Accounts payable	\$ 1,176,221	\$ 384,053	\$ -	\$ 718,496	\$ 2,278,770
Wages Payable	1,785,918	-	-	123,934	1,909,852
Due to other funds	55	-	-	1,077,363	1,077,418
Due to other governments	1,584,900	-	-	-	1,584,900
Advance from other fund	3,214,286	-	-	-	3,214,286
Other liabilities	853,934	59,553	-	41,971	955,458
Total Liabilities	<u>8,615,314</u>	<u>443,606</u>	<u>-</u>	<u>1,961,764</u>	<u>11,020,684</u>
Deferred Inflows of Resources:					
Unavailable revenue - taxes	12,324,584	-	-	-	12,324,584
Unavailable revenue - utility system concession lease	21,784,440	-	-	-	21,784,440
Total Deferred Inflows of Resources	<u>34,109,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,109,024</u>
Fund Balance:					
Restricted	-	4,973,906	-	11,185,347	16,159,253
Assigned	800,480	-	-	-	800,480
Unassigned (Deficit)	18,095,666	-	-	(246,234)	17,849,432
Total Fund Balance	<u>18,896,146</u>	<u>4,973,906</u>	<u>-</u>	<u>10,939,113</u>	<u>34,809,165</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 61,620,484</u>	<u>\$ 5,417,512</u>	<u>\$ -</u>	<u>\$ 12,900,877</u>	<u>\$ 79,938,873</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balance - Governmental Funds	\$ 34,809,165
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds	238,769,956
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in governmental funds	34,109,024
Prepaid debt insurance is reported as an asset and amortized on the statement of net position	491,450
Utility system concession lease is required to be amortized over the life of the lease for the governmental activities	(212,104,503)
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	(289,098)
Facility contractual obligation	(139,182)
Notes and bonds payable	(97,127,878)
Less: deferred charge on refunding	341,323
Capital leases payable	(4,003,545)
Compensated absences	(3,259,478)
Other postemployment benefits liability, net of related deferred inflows and outflows of resources	(78,050,400)
Net pension liability, net of related deferred inflows and outflows of resources	(70,028,073)
	(252,556,331)
Assets and liabilities of the internal service fund reported in the statement of net position are used to charge the costs of insurance to individual funds and are not reported in the governmental funds	1,191,357
Total Net Position - Governmental Activities	\$ (155,289,882)

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, 2018

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 76,085,821	\$ -	\$ -	\$ -	\$ 76,085,821
Licenses and permits	8,768,619	-	-	-	8,768,619
Charges for services	5,588,354	506,046	-	-	6,094,400
Fines and forfeits	623,181	-	-	-	623,181
Investment earnings	470,898	71,868	-	67,066	609,832
Intergovernmental revenues	13,186,327	802,464	-	18,886,954	32,875,745
Other	2,587,856	30,014	-	6,225,005	8,842,875
Total revenues	<u>107,311,056</u>	<u>1,410,392</u>	<u>-</u>	<u>25,179,025</u>	<u>133,900,473</u>
Expenditures:					
Current:					
General government	11,330,246	217,017	6,555	5,461,819	17,015,637
Public safety	61,947,342	-	-	2,777,715	64,725,057
Community development	5,924,927	-	-	5,575,080	11,500,007
Public works	10,452,523	-	-	6,137,018	16,589,541
Health and sanitation	3,489,864	-	-	-	3,489,864
Parks and recreation	4,220,444	-	-	1,668,964	5,889,408
Debt service:					
Principal	-	-	13,570,108	116,000	13,686,108
Interest	-	-	2,416,130	43,781	2,459,911
Capital outlay	1,118,858	3,817,852	-	897,354	5,834,064
Total expenditures	<u>98,484,204</u>	<u>4,034,869</u>	<u>15,992,793</u>	<u>22,677,731</u>	<u>141,189,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,826,852</u>	<u>(2,624,477)</u>	<u>(15,992,793)</u>	<u>2,501,294</u>	<u>(7,289,124)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	-	-	-	653,631	653,631
Issuance of bonds	-	11,320,000	-	-	11,320,000
Bond issuance premium	-	184,212	-	-	184,212
Capital lease proceeds	1,174,098	-	-	-	1,174,098
Transfers in	3,843,893	660,297	15,992,793	11,721	20,508,704
Transfers out	(8,200,503)	(9,687,195)	-	(1,143,557)	(19,031,255)
Total other financing sources (uses)	<u>(3,182,512)</u>	<u>2,477,314</u>	<u>15,992,793</u>	<u>(478,205)</u>	<u>14,809,390</u>
Net Change in Fund Balance	5,644,340	(147,163)	-	2,023,089	7,520,266
Fund Balance:					
Beginning of year	13,251,806	5,121,069	-	8,916,024	27,288,899
End of year	<u>\$ 18,896,146</u>	<u>\$ 4,973,906</u>	<u>\$ -</u>	<u>\$ 10,939,113</u>	<u>\$ 34,809,165</u>

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

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, 2018

Net Change in Fund Balance - Governmental Funds	\$	7,520,266
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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.		5,834,064
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Depreciation expense on capital assets is reported in the statement of activities but not does require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in governmental funds.		(9,602,400)
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When recognizing the disposal of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported in the governmental activities.		(7,764)
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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.		2,283,689
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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 the governmental funds.		961,727
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Activities of the internal service fund are reported as net revenue in the statement of activities.		(1,493,271)
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The issuance of capital leases provides current financial resources to governmental funds.		(1,174,098)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds.		(12,157,843)
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Principal payments on capital leases consumes the current financial resources of governmental funds.		927,339
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The repayment of principal of long-term debt consumes the current financial resources of governmental funds.		13,686,108
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The accretion of capital appreciation bonds does not consume current financial resources of governmental funds.		(2,013,034)
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Governmental funds report the effect of debt issuance premiums, discounts, insurance premiums, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.		5,381
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Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.		85,198
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The net pension liability is recorded as a liability in the government wide financial statements, but not in the fund financial statements. This amount represents the change in the net pension liability, net of related deferred inflows and outflows of resources.		(6,409,429)
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The total other postemployment liability is recorded as a liability in the government wide financial statements, but not in the fund financial statements. This amount represents the change in the total OPEB liability, net of related deferred inflows and outflows of resources.		2,531,960
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The deferred inflow of resources from the utility system concession lease is amortized over the life of the lease in the statement of activities.		4,695,743
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Change in Net Position - Governmental Activities	\$	5,673,636
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The accompanying notes are an integral part of these financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Total	Internal Service Fund
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 3,581,843	\$ 1,400	\$ 3,583,243	\$ 1,434,907
Accounts receivable:				
Refuse collection	1,651,508	-	1,651,508	-
Grants	516,056	-	516,056	-
Other	-	-	-	1,217,639
Total accounts receivable	2,167,564	-	2,167,564	1,217,639
Allowance for doubtful accounts	109,379	-	109,379	-
Net accounts receivable	2,058,185	-	2,058,185	1,217,639
Advance to other funds	642,857	-	642,857	-
Inventories	-	19,844	19,844	-
Prepaid Expenses	-	-	-	74,184
Total current assets	6,282,885	21,244	6,304,129	2,726,730
Noncurrent assets:				
Advance to other funds	2,571,429	-	2,571,429	-
Capital assets, net:				
Land	-	1,134,759	1,134,759	-
Buildings	1,017,066	265,587	1,282,653	-
Land and building improvements	1,477,128	3,385,290	4,862,418	-
Machinery and equipment	4,238,914	1,580,865	5,819,779	-
Vehicles	4,070,893	239,224	4,310,117	-
Distribution and collection systems	-	37,465	37,465	-
Total capital assets	10,804,001	6,643,190	17,447,191	-
Accumulated depreciation	(7,186,988)	(4,187,003)	(11,373,991)	-
Net capital assets	3,617,013	2,456,187	6,073,200	-
Total noncurrent assets	6,188,442	2,456,187	8,644,629	-
Total assets	12,471,327	2,477,431	14,948,758	2,726,730
<u>Deferred Outflows of Resources</u>				
Deferred outflows of resources for pensions	602,038	64,504	666,542	-
Deferred outflows of resources for OPEB	642,181	128,436	770,617	-
Total deferred outflows of resources	1,244,219	192,940	1,437,159	-

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018
(Continued)

Business-Type Activities - Enterprise Funds				
Liabilities	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Total	Internal Service Fund
Current liabilities:				
Accounts payable	911,941	11,155	923,096	1,141,744
Wages payable	72,790	10,820	83,610	6,079
Claims liability	-	-	-	383,319
Other liabilities	-	407	407	-
Due to other funds	-	378,646	378,646	-
Compensated absences	164,781	19,190	183,971	2,598
Capital leases payable	215,043	52,544	267,587	-
Total current liabilities	1,364,555	472,762	1,837,317	1,533,740
Noncurrent liabilities				
Capital leases payable	292,975	143,789	436,764	-
Compensated absences	23,395	2,996	26,391	1,633
Net pension liability	1,002,049	107,362	1,109,411	-
Other postemployment benefit liability	4,722,048	944,409	5,666,457	-
Total noncurrent liabilities	6,040,467	1,198,556	7,239,023	1,633
Total Liabilities	7,405,022	1,671,318	9,076,340	1,535,373
Deferred Inflows of Resources				
Deferred inflows of resources for pensions	1,180,941	126,529	1,307,470	-
Deferred inflows of resources for OPEB	71,750	14,350	86,100	-
Total deferred inflows of resources	1,252,691	140,879	1,393,570	-
Net Position				
Net investment in capital assets	3,108,995	2,259,854	5,368,849	-
Unrestricted (deficit)	1,948,838	(1,401,680)	547,158	1,191,357
Total Net Position	\$ 5,057,833	\$ 858,174	\$ 5,916,007	\$ 1,191,357

(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 POSITION - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Totals	Internal Service Fund
<u>Operating Revenues:</u>				
Charges for services:				
Refuse collections	\$ 14,034,039	\$ -	\$ 14,034,039	\$ -
Recycling	74,777	-	74,777	-
Other charges	-	1,219,555	1,219,555	24,639,797
Miscellaneous	352,914	-	352,914	25,335
Total operating revenues	<u>14,461,730</u>	<u>1,219,555</u>	<u>15,681,285</u>	<u>24,665,132</u>
<u>Operating Expenses:</u>				
Personnel services	3,577,615	642,542	4,220,157	-
Utility Services	13,062	12,017	25,079	-
Contracted services	9,953,506	102,555	10,056,061	-
Materials and supplies	376,597	241,677	618,274	-
Claims and benefits	-	-	-	26,054,354
Depreciation expense	421,459	220,891	642,350	-
Miscellaneous	47,196	11,003	58,199	-
Total operating expenses	<u>14,389,435</u>	<u>1,230,685</u>	<u>15,620,120</u>	<u>26,054,354</u>
Operating Income (Loss)	<u>72,295</u>	<u>(11,130)</u>	<u>61,165</u>	<u>(1,389,222)</u>
<u>Non-Operating Revenues (Expenses):</u>				
Grants	989,080	21,080	1,010,160	9,369
Gain on sale of assets	50,696	-	50,696	-
Total non-operating revenues (expenses)	<u>1,039,776</u>	<u>21,080</u>	<u>1,060,856</u>	<u>9,369</u>
Change in net position before transfers	1,112,071	9,950	1,122,021	(1,379,853)
Transfers out	(1,052,350)	(311,681)	(1,364,031)	(113,418)
Change in Net Position	<u>59,721</u>	<u>(301,731)</u>	<u>(242,010)</u>	<u>(1,493,271)</u>
<u>Net Position:</u>				
Beginning of year, as restated	4,998,112	1,159,905	6,158,017	2,684,628
End of Year	<u>\$ 5,057,833</u>	<u>\$ 858,174</u>	<u>\$ 5,916,007</u>	<u>\$ 1,191,357</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, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Totals	Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 14,455,452	\$ 1,219,555	\$ 15,675,007	\$ 23,448,993
Payments to suppliers for services	(11,405,650)	(367,714)	(11,773,364)	(26,237,285)
Payments to employees	(3,700,543)	(678,154)	(4,378,697)	(125,117)
Net cash provided by (used in) operating activities	(650,741)	173,687	(477,054)	(2,913,409)
Cash Flows From Non-Capital Financing Activities:				
Operating grants received	989,080	21,080	1,010,160	9,369
Transfers in	-	-	-	-
Transfers out	(1,052,350)	(311,681)	(1,364,031)	(113,418)
Net cash used in non-capital financing activities	(63,270)	(290,601)	(353,871)	(104,049)
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(259,864)	(16,363)	(276,227)	-
Proceeds on sale of capital assets	50,696	-	50,696	-
Advance from/to other fund	642,857	189,358	832,215	-
Payments of obligations under capital leases	(166,686)	(56,081)	(222,767)	-
Net cash provided by (used in) capital and related financing activities	267,003	116,914	383,917	-
Net Increase (Decrease) in Cash and Cash Equivalents	(447,008)	-	(447,008)	(3,017,458)
Cash and Cash Equivalents:				
Beginning of year	4,028,851	1,400	4,030,251	4,452,365
End of year	\$ 3,581,843	\$ 1,400	\$ 3,583,243	\$ 1,434,907
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 72,295	\$ (11,130)	\$ 61,165	\$ (1,389,222)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	421,459	220,891	642,350	-
Changes in:				
Accounts receivable	(6,278)	-	(6,278)	-
Prepaid expenses	-	-	-	(74,184)
Due from other governments	-	-	-	(1,216,139)
Inventories	-	(7,276)	(7,276)	-
Deferred outflows of resources for pension and OPEB	(291,951)	(88,421)	(380,372)	-
Accounts payable	(863,974)	6,731	(857,243)	(94,054)
Wages payable	10,461	1,365	11,826	2,511
Claims liability	-	-	-	(129,224)
Other liabilities	(114,233)	83	(114,150)	(14,693)
Compensated absences	28,839	1,187	30,026	1,596
Net pension liability	(1,594,629)	(177,643)	(1,772,272)	-
Other postemployment benefit liability	435,752	87,150	522,902	-
Deferred inflows of resources for pension and OPEB	1,251,518	140,750	1,392,268	-
Total adjustments	(723,036)	184,817	(538,219)	(1,524,187)
Net cash provided by (used in) operating activities	\$ (650,741)	\$ 173,687	\$ (477,054)	\$ (2,913,409)
Schedule of Noncash Investing Capital and Financing Activities				
Issuance of capital lease obligations	\$ 264,000	\$ 163,622	\$ 427,622	\$ -

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 1,398,669
Interest receivable	110,948	-
Due from other funds	56,845	10,818
Investments, at fair value:		
Money market funds	13,735,700	-
Equity mutual funds	166,330,875	-
Bond mutual funds	36,487,116	-
Collective investment trust	14,308,963	
Corporate bonds	4,613,846	-
U.S. government obligations	21,714,313	-
U.S. government agency obligations	6,181,787	-
Total Assets	<u>263,540,393</u>	<u>1,409,487</u>
Liabilities		
Accounts payable	53,416	-
Payroll tax liability	-	1,402,794
Due to other funds	3,416	-
Due to other governments	-	6,693
Total Liabilities	<u>56,832</u>	<u>\$ 1,409,487</u>
Net Position		
Restricted for pension benefits	<u>\$ 263,483,561</u>	

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employer	\$ 10,842,186
Plan members	1,530,288
Total contributions	<u>12,372,474</u>
Investment income (loss):	
Net appreciation in fair value of investments	(18,095,118)
Interest and dividends	5,795,880
Less investment expenses	(189,220)
Net investment income (loss)	<u>(12,488,458)</u>
Total additions	<u>(115,984)</u>
<u>Deductions:</u>	
Benefits paid to recipients	20,743,468
Administrative and other fees	52,271
Total deductions	<u>20,795,739</u>
Change in Net Position	(20,911,723)
<u>Net Position:</u>	
Beginning of year	284,395,284
End of year	<u><u>\$ 263,483,561</u></u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2018

	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 353,311	\$ 2,769,411	\$ 3,122,722
Certificates of deposit	-	1,450,000	1,450,000
Accounts receivable	-	180,082	180,082
Other current assets	-	14,927	14,927
Inventory	-	26,618	26,618
Prepaid expenses	132	132,555	132,687
Due from other governments	61,783	-	61,783
Total current assets	415,226	4,573,593	4,988,819
Noncurrent assets:			
Construction in progress	-	15,007	15,007
Land	-	8,301,151	8,301,151
Land and building improvements	-	46,294,180	46,294,180
Machinery and equipment	-	622,138	622,138
Vehicles	-	227,746	227,746
Total capital assets, net	-	55,460,222	55,460,222
Loans receivable	1,737,937	-	1,737,937
Notes receivable	-	400,000	400,000
Property held for development	61,418	-	61,418
Total noncurrent assets	1,799,355	55,860,222	57,659,577
Total Assets	2,214,581	60,433,815	62,648,396
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources for pensions	-	139,565	139,565
Deferred charge on refunding	-	571,649	571,649
Total Deferred Outflows of Resources	-	711,214	711,214
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	41,390	750,249	791,639
Other liabilities	988	46,234	47,222
Unearned revenue	-	265,285	265,285
Capital lease payable	-	19,793	19,793
Notes and bonds payable, current maturities	-	1,160,588	1,160,588
Total current liabilities	42,378	2,242,149	2,284,527
Noncurrent liabilities:			
Unearned revenue	-	8,121,602	8,121,602
Capital lease payable, net of current portion	-	75,766	75,766
Net pension liability	-	44,235	44,235
Other postemployment benefit liability	-	944,331	944,331
Bonds payable	-	33,199,317	33,199,317
Total noncurrent liabilities	-	42,385,251	42,385,251
Total Liabilities	42,378	44,627,400	44,669,778
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources for pensions	-	2,722	2,722
Total Deferred Inflows of Resources	-	2,722	2,722
<u>Net Position</u>			
Net investment in capital assets	-	21,576,407	21,576,407
Restricted	888,988	-	888,988
Unrestricted (deficit)	1,283,215	(5,061,500)	(3,778,285)
Total Net Position	\$ 2,172,203	\$ 16,514,907	\$ 18,687,110

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Redevelopment Authority of The City of Allentown	Allentown Parking Authority	Total Component Units
Component Units:						
Redevelopment Authority of the City of Allentown	\$ 353,697	\$ 7,499	\$ 125,202	\$ (220,996)	\$ -	\$ (220,996)
Allentown Parking Authority	8,602,044	7,914,364	-	-	(687,680)	(687,680)
Total component units	<u>\$ 8,955,741</u>	<u>\$ 7,921,863</u>	<u>\$ 125,202</u>	<u>\$ (220,996)</u>	<u>\$ (687,680)</u>	<u>\$ (908,676)</u>
General revenues:						
Investment earnings				-	43,714	43,714
Total general revenues				-	43,714	43,714
Change in Net Position				(220,996)	(643,966)	(864,962)
Net Position:						
Beginning of year, as restated				2,393,199	17,158,873	19,552,072
End of year				<u>\$ 2,172,203</u>	<u>\$ 16,514,907</u>	<u>\$ 18,687,110</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 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, stormwater, 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 City has evaluated all related entities (authorities, commissions, and affiliates) for 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:

Redevelopment Authority of the City of Allentown

The Redevelopment Authority of the City of Allentown (Authority), an entity legally separate from the City, is governed by a board appointed by the Mayor of the City. 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. The City is the pass-through entity for the Authority's grant funding that is received from the U.S. Department of Housing and Urban Development (HUD) and the Redevelopment Assistance Capital Program (RACP).

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 five member board appointed by the Mayor of the City and can be removed from the Board at will.

Separately published financial statements of the above component units are available for public inspection at the City.

Related Organizations

The City Council and Mayor are also responsible for appointing the members of several boards, but the City's accountability for these entities does not extend beyond making appointments. These boards include: the Allentown Commercial and Industrial Development Authority (ACIDA), the Allentown Housing Authority, Allentown Neighborhood Improvement Zone Development Authority, and Allentown Economic Development Corporation.

The amounts the City appropriated to these entities during the year ended December 31, 2018 were immaterial to the basic financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension trust funds 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 postemployment 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Capital Projects Fund – is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlay including the acquisition or construction of capital facilities and other capital assets.

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.

The City reports the following nonmajor governmental funds:

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 (CDBG) – is used to account for the financial activity of the City's CDBG Program and other urban renewal and improvement grants.

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.

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).

Grants Fund – is used to account for the pass-through grants the City is responsible for administering.

Lease/A.O. – is used to account for charges pursuant to Pennsylvania Department of Environmental Protection administrative order.

Stormwater Fund – is used to collect fees from residents for stormwater improvements.

The City reports the following major proprietary fund:

Solid Waste Fund – is used to account for the administration of the collection and disposal of municipal waste and recyclables in the City.

The Municipal Golf Course Fund is the City's nonmajor proprietary fund.

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.

The City's fiduciary funds consist of the Pension Trust Funds and Agency Funds:

Pension Trust Funds – are used to account for pension benefits for employees. The principal revenue sources for these funds are employer and employee contributions. The Pension Trust Funds are accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. The Pension Trust Funds account for the City's three defined benefit pension plans: Police, Firemen, and Officers and Employees Plan.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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 service 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.

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City and the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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. Substantially, 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 investment 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents and Investments (Continued)

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

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

The deposit and investment activity of the 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 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 Parking Authority had no deposit or investment transactions during the year ended December 31, 2018 which were in violation of state statutes or applicable trust indentures.

Restricted Assets

Cash and investments of the City received from the issuance of long-term debt and not spent have been presented as restricted assets because the usage of such assets are limited to that set forth in the bond documents.

Internal Balances

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Internal Balances (Continued)

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 "advanced to/from other funds" (i.e., the concurrent 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, and solid waste charges for service receivables are shown net of an allowance for uncollectible amounts. 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 \$1.3 million at December 31, 2018. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$1.1 million at December 31, 2018. The allowance for accounts receivable presented in General Fund, was approximately \$475,000 at December 31, 2018. The allowance for doubtful accounts, presented in the Solid Waste Fund, was approximately \$109,000 at December 31, 2018.

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.

The Parking Authority's estimate of the allowance for doubtful accounts receivable is based on an analysis of specific receivables taking in to account the age of the past due receivable and the assessment of the ultimate collectability. Management has determined that no allowance is necessary at December 31, 2018.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. The City has determined that any unused materials and supplies on hand at December 31, 2018 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

The City and the Parking Authority value capital assets 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.

General infrastructure assets of the City 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.

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Capital Assets (Continued)

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

	<u>Years</u>
Buildings and improvements	35-38
Machinery and equipment	5-25
Vehicles	2-10
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>
Building and building improvements	10-44
Parking garages and components	10-50
Furniture, Equipment and vehicles	5-20
Leasehold improvements	5-15

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

Property Held for Development

At times, the Authority acquires properties in the City for future development which are recorded at cost, or estimated net realizable value, if less than cost. Since the intent is to hold these properties for resale, there is no depreciation associated with the properties held for development.

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 balances, if the individual fund's fund balance is not presented as restricted. The General Fund encumbrances of \$800,480 relate to contract services, operating materials, supplies, repairs and maintenance, uniforms, and equipment. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but is not reported on the statement of net position. The Solid Waste Fund(\$788,667) and Internal Service Fund (\$34,135) encumbrances relate to contract services, property loss, operating supplies, and equipment.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fund Balance

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The components of fund balance 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 an individual or group designated by City Council to use the funds for specific purposes. Through a resolution of City Council, the designee would have to be delegated the responsibility to assign funds. Through the approval of the City's Administrative Order, City Council has provided that the Finance Director serves as the designee for assignments.
- Unassigned – This category represents all other funds not otherwise defined. The only fund that will report a positive unassigned balance is the General Fund. However, other governmental funds may report a negative unassigned balance (or deficit).

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the government fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when two components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first and assigned fund balance is applied second. Unassigned fund balance is applied last.

Net Position

Net position is classified into three components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt, net of unspent bond proceeds, that are attributable to the acquisition, construction and improvement of those assets. Unrestricted net position consists of all other net position 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Compensated Absences (Continued)

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. Employees may carry over a maximum of four sick days per calendar year. Compensated absences are included as a part of accrued expenses in the statement of net position.

Unavailable/Unearned Revenues

Unavailable/unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. In governmental funds, unavailable revenues represent amounts that are measurable, but are not available. Unearned revenues may 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/Premiums

Bond discounts/premiums are amortized over the term of the bonds using the bond outstanding method, which approximates the interest method. Unamortized bond discounts/premiums are included in the balance of bonds payable.

Deferred Inflows and Outflows of Resources for Pensions and Other Postemployment Benefit Plans (OPEB)

In conjunction with pension and OPEB accounting requirements, the effects of the differences in the City's expected and actual experience, the City contributions subsequent to the measurement date, and the difference between projected and actual earnings on pension plans investments are recorded as deferred inflows or outflows of resources related to pensions and OPEB on the government-wide and proprietary fund financial statements. These amounts are determined based on the actuarial valuations performed for the pension and OPEB plans. Notes 8 and 12 present additional information about the pension and OPEB plans.

For the Parking Authority, there are deferred outflows and inflows of resources for pensions that represents the net difference between the projected and actual investment earnings on the investments in its pension plan, changes in assumptions, and the net difference between projected and actual experience.

Deferred Charge on Refunding

Deferred charge on refunding is amortized over the term of the new or refunded bonds, whichever is shorter, using the bond outstanding method, which approximates the interest method.

The Parking Authority has deferred the difference between the reacquisition price (the amount deposited into escrow to pay off the bonds) and the net carrying amount of previously refunded debt. This deferred amount on refunding is being amortized into interest expense on a straight-line basis over the shorter of the life of the new or old bonds. During the year ended December 31, 2018, such amortization amounted to \$35,915. The unamortized deferred amounts on refunding are reported as a deferred outflow of resources in the statement of net position.

Conduit Debt and Related Receivable

In July 2006, the Redevelopment Authority of the City of Allentown 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).

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Conduit Debt and Related Receivable (Continued)

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 2012, 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 position.

The balance on this loan at December 31, 2018 is \$1.899 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 July 15 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 July 15. 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 Northeast Revenue Services, LLC for further collection and possible tax sales over an additional 30-month period.

The 2018 tax levy was 18.6602 mills on land and 3.5301 mills on improvements.

Tax Abatement Programs

In accordance with the Commonwealth of Pennsylvania, Keystone Opportunity Zone (KOZ) Act, 73 P.S. Sections 820.101-820.1309 (the Act), the City has designated certain zones within the City of Allentown where certain businesses and residents are eligible for tax abatement, deduction, exemption or credit. Businesses, property owners and residents that are located in the KOZ are eligible to receive significant state and local tax benefits. Projects in the KOZ are given priority consideration for assistance under various community and economic building initiatives. Eligibility means that the qualified businesses, property owners and residents meet the necessary criteria listed in the Act based upon an annual application and certification. Pennsylvania businesses relocating to the KOZ must either increase their full-time employment by 20% within the first full year of operation, or make a 10% capital investment in the KOZ property based on their prior year's gross revenues. If qualified businesses, property owners or residents relocate out of the KOZ within a stipulated period of time, certain percentages of the exemptions, deductions, abatements or credits shall be refunded to the Commonwealth and political subdivision. The total amount of City property taxes that were abated in 2018 was approximately \$139,000.

In accordance with Pennsylvania Act 50 of 2009 and Act 26 of 2011, the City has established a Neighborhood Improvement Zone (NIZ) within the City of Allentown whereby state and local taxes collected from eligible businesses located in and individuals working within the NIZ are collected and

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Tax Abatement Programs (Continued)

remitted to the Commonwealth of Pennsylvania. The taxes collected from business and individuals within the NIZ are used to fund the various economic development projects within the NIZ. All potential NIZ projects must be geographically located within the NIZ and must go through a pre-qualification, application and, if approved, closing process. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service on the project. The types of taxes include earned income, local services, and business privilege along with the business privilege license fees. The total amount the City remitted to Pennsylvania during 2018 was approximately \$2.3 million.

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, 2018, appropriate interfund receivables or payables have been established.

Self-Insurance

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2018, the City carries excess loss insurance policies, which limited its liability to \$1,000,000 per occurrence for workers' compensation, \$500,000 per occurrence for property and flood loss, and \$1,000,000 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 \$383,319 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 lapse at year-end. Budgets are legally adopted for the General Fund, Capital Projects Fund, Debt Service Fund, and the following nonmajor funds: Liquid Fuels Fund, Community Development Block Grant Fund, Trexler Fund, E-911 Fund, Risk Management Fund, Solid Waste Fund, Grants Fund, Stormwater Fund, and Lease A.O. 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 ordinances related to tax rates and other rates and fees.

The City Charter requires the City's legal level of budgetary control to be at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance up to \$5,000 between accounts within a fund thereby lowering the legal level of budgetary control to the account level. Transfers exceeding \$5,000 must be approved by City Council.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The City adopted the provisions of GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement restated prior year net position as described in Note 15 in the financial statement notes.

The City adopted the provisions of GASB's Statement No. 85, *Omnibus 2017*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB's Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of this Statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

The Government Accounting Standards Board has issued GASB's Statement No. 83, *Certain Asset Retirement Obligations*. This Statement is required to be adopted by the City for the year ending December 31, 2019.

The Government Accounting Standards Board has issued GASB's Statement No. 84, *Fiduciary Activities*. This Statement is required to be adopted by the City for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 87, *Leases*. This Statement is required to be adopted by the City for the year ending December 31, 2020.

The Governmental Accounting Standards Board has issued GASB's Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is required to be adopted by the City for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement is required to be adopted by the City for the year ending December 31, 2020.

The Governmental Accounting Standards Board has issued GASB's Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No.61*. This Statement is required to be adopted by the City for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 91, *Conduit Debt Obligations*. This Statement is required to be adopted by the City for the year ending December 31, 2021.

The effect of implementation of these Statements has not yet been determined.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 2 UTILITY SYSTEM CONCESSION LEASE

On May 1, 2013, the City entered into an Agreement with Lehigh County Authority. The terms of the Agreement provide that the Lehigh County Authority pay the City \$220,000,000 and the City lease the system to the Lehigh County Authority to operate and provide utility services. In addition, beginning January 1, 2016, the Lehigh County Authority shall pay the City an annual installment of \$500,000 over the lease term. The lease term began on August 7, 2013 for a term of 50 years. The proceeds of the lease were used to extinguish or defease the debt of the Water and Sewer Funds and provide resources to loan funds to the City's pension plans.

The proceeds and annual installments due under the Agreement are reported as a deferred inflow of resources, net of the effect of the disposable equipment (those capital assets transferred, but not expected to be returned at the termination of the lease).

The deferred inflow of resources resulting from the Agreement, in the amount of \$196,325,117, is being amortized over the lease term. The deferred inflow of resources resulting from capital construction completed on the utility system, in the amount of \$15,777,386, is being amortized over the estimated useful life of the constructed asset. The total deferred inflow of resources on the governmental activities statement of net position is being amortized as follows:

<u>Year Ending</u>	<u>Total</u>
2019	\$ 4,778,373
2020	4,778,373
2021	4,778,373
2022	4,778,373
2023	4,778,373
Thereafter	<u>188,212,638</u>
Total	<u>\$ 212,104,503</u>

For the year ended December 31, 2018, the City recognized \$4,693,107 in charges for services – water and sewer related to the lease.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 3 DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2018 consist of the following:

Petty cash	\$ 7,625
Deposits	31,156,868
Investments	268,133,822
	<u>\$ 299,298,315</u>

Reconciliation to Statements of Net Position

Cash and cash equivalents:

Governmental activities	\$ 26,182,581
Business-type activities	3,583,243
Agency Funds	1,398,669
	<u>31,164,493</u>

Investments:

Governmental activities	4,761,222
Fiduciary funds	263,372,600
	<u>268,133,822</u>
	<u>\$ 299,298,315</u>

Cash and Cash Equivalents

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

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

At December 31, 2018, the City's book balance was \$31,156,868 and the bank balance was \$31,747,324. Of the bank balance, \$750,000 was covered by federal depository insurance, \$173,560 was covered by National Credit Union Administration deposit insurance, and \$30,823,764 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 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.

As of December 31, 2018, the City's investments were comprised of the following:

Money market funds	\$ 18,496,922
Equity mutual funds	166,330,875
Bond mutual funds	36,487,116
Corporate bonds	4,613,846
Collective Investment Trust	14,308,963
U.S. government obligations	21,714,313
U.S. government agency obligations	<u>6,181,787</u>
Total	<u>\$ 268,133,822</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Investments

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has ability to access.

Level 2 – Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in active markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2018, the City had the following investments in fixed income securities and money market funds:

	<u>12/31/2018</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 4,613,846	\$ 4,613,846	\$ -	\$ -
U.S. government obligations	21,714,313	21,714,313	-	-
U.S. Government Agencies	6,181,787	6,181,787	-	-
Total debt securities	<u>32,509,946</u>	<u>32,509,946</u>	<u>-</u>	<u>-</u>
Equity securities				
Equity mutual funds	166,330,875	166,330,875	-	-
Bond mutual funds	36,487,116	36,487,116	-	-
Collective Investment Trust	14,308,963	14,308,963	-	-
Total equity securities	<u>217,126,954</u>	<u>217,126,954</u>	<u>-</u>	<u>-</u>
Money market funds	18,496,922	18,496,922	-	-
Total investments at fair value	<u>\$268,133,822</u>	<u>\$268,133,822</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

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.

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. The City's investment in money market funds, equity mutual funds, and bond mutual funds are not exposed to custodial credit risk, because the investments are not evidenced by securities in book entry or paper form. The City's investments in fixed income securities, U.S. government obligations, and U.S. government agency obligations are held in the name of the City's multiple Pension Plans. The City does not have a formal policy limiting the amount of investments that can be held by counterparties.

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

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, 17% international equities, 31% fixed income, and 1% cash for the Police and Firemen pension plans and 35% domestic equities, 11% international equities, 52% fixed income and 2% cash for the Officers and Employees pension plan.

The City has the following recurring fair value measurements as of December 31, 2018:

Investment Type	Fair Value	Investment Maturities			Rating
		2019	2020-2024	2025-2029	
Bond mutual funds	\$ 27,768,113	\$ -	\$ -	\$ 27,768,113	AA
Bond mutual funds	8,719,003	-	-	8,719,003	N/A
Corporate bonds	1,209,614	304,100	905,514	-	AAA
Corporate bonds	1,620,513	-	1,620,513	-	A1
Corporate bonds	234,890	-	234,890	-	A2
Corporate bonds	125,153	-	125,153	-	Aa1
Corporate bonds	561,412	-	561,412	-	Aa2
Corporate bonds	862,264	368,909	493,355	-	Aa3
U.S. government obligations	648,920	648,920	-	-	A1
U.S. government obligations	297,693	-	297,693	-	A2
U.S. government obligations	296,145	-	296,145	-	Aa3
U.S. government obligations	21,125,585	5,753,366	15,372,219	-	Aaa
U.S. government agency obligations	5,874,108	3,755,518	2,118,590	-	Aaa
U.S. government agency obligations	307,679	-	307,679	-	A2
Private Real Estate CIT	8,601,048	-	-	8,601,048	AA
Private Real Estate CIT	5,707,915	-	-	5,707,915	N/A
Money market funds	4,761,222	4,761,222	-	-	A-1+
Money market funds	13,735,700	13,735,700	-	-	AAAm
Total fixed income securities	<u>\$ 102,456,977</u>	<u>\$ 29,327,735</u>	<u>\$ 22,333,163</u>	<u>\$ 50,796,079</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Participation in External Investment Pools

The Pennsylvania Local Government Investment Trust (PLGIT) I-Class is a 2a7-like pool. The City's investment in PLGIT is reported at amortized cost, which approximates fair value. The City has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP.

The pool is rated AAA by Standard & Poor's. PLGIT issues separate financial statements available at www.plgit.com. The carrying amount of external investment pool assets as of December 31, 2018 was \$4,107,191.

The City is limited to two withdrawals per calendar month from the PLGIT account.

Component Units' - Participation in External Investment Pools

Parking Authority

The Parking Authority invests in the Pennsylvania School District Liquid Asset Fund ("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 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 (Trustees), who 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 and matures in less than one year. The Parking Authority's investment in PSDLAF has been rated AAAM, the highest rating available by Standard & Poor's, an independent investment rating company. The weighted average maturity of PSDLAF is approximately 97.55 days. The weighted average portfolio yield is approximately 2.306%.

As of December 31, 2018, the carrying amount of external investment pool assets was \$1,514,052. The fair value of external investment pool assets approximate their carrying values as of December 31, 2018. 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.

Component Units' Custodial Credit Risk – Deposits

Redevelopment Authority

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Component Units' Custodial Credit Risk – Deposits (Continued)

Redevelopment Authority (Continued)

The Authority's available cash is invested in demand deposit accounts. At December 31, 2018, the carrying amount of the Authority's bank deposits was \$353,312. The corresponding bank balance at December 31, 2018 was \$373,728, of which \$250,000 is covered by federal deposit insurance. The remaining \$123,728 of deposits is exposed to custodial risk because it is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Authority is covered by a collateral pool consisting of acceptable securities as outlined under Act No. 72, 1971 Session of Pennsylvania Legislature.

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 Parking 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 position. The Parking 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.

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, 2018, \$2,308,233 of the Parking Authority's bank balance of \$2,731,678 was exposed to custodial credit risk.

Deposits are included in the statement of net position 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.

NOTE 4 LOANS AND NOTES RECEIVABLE

The City

Loans and notes receivable comprise loan programs under the City's Community Development Block Grant and Revolving Loan federal loan programs.

Redevelopment Authority

Loans receivable as of December 31, 2018 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. Payments of interest only under the terms of the July 2009 agreement continued through December 31, 2014. The Authority holds a third lien mortgage position on the property, furnishings, fixtures, and equipment related to the property. Effective January 1, 2015, the Authority amended the loan terms and reduced the principal amount to \$350,000. Under the new terms, the loan is payable in monthly principal and interest payments of \$1,771 through January 1, 2035. Interest on the loan remains at 2%. As of December 31, 2018, the remaining balance of the loan was \$287,038.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 4 LOANS AND NOTES RECEIVABLE (Continued)

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

In November 2014, the Authority conveyed a property to the Community Action Committee of Lehigh Valley (CACLV). In consideration of the transfer, the CACLV entered into a noninterest-bearing promissory note for \$314,999. Principal payments of the greater of (a) 50% of the excess of operating proceeds for the related property for the year ended June 30 or (b) \$700 are due annually commencing August 1, 2015 through 2029. After the initial 15-year term, no additional payments are due of the property remains in the ownership of the owner or another organization as approved by the Authority. If at the end of the 15-year term, certain conditions, as defined in the loan agreement, are not met, the remaining balance of the loan will be due upon the sale or transfer of the property over an additional 15-year term, unless the sale price is less than the remaining balance owed to the Authority, then, the remaining balance owed shall follow the ownership of the property for an additional 15 years or until August 1, 2044, whichever is sooner. If the property remains in the ownership of the CACLV as of August 1, 2044, the remaining balance of the loan will be forgiven. As of the year ended December 31, 2018, the remaining balance of the loan is \$312,899.

In June 2016, the Authority conveyed four properties to the HADC. In consideration of the transfer, the HADC entered into a noninterest bearing promissory note for \$250,000 which was funded by the Authority in 2016. Principal payments are due within thirty days of borrower receiving HOME funds from the City of Allentown. The HADC shall sign a mortgage with the Authority for each of the properties and the Authority will recover the remaining amount of loan dollars when the properties are sold. As of December 31, 2018, the remaining balance of the loan is \$250,000.

Parking Authority

The Parking Authority received a note receivable from the sale of a parking facility during the year ended December 31, 2015. The note receivable has an outstanding balance of \$400,000 as of December 31, 2018. The note bears interest at a rate of 3% per annum. The final payment of principal of \$400,000 and all accrued interest is due thirty-six months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property, but in no case later than January 31, 2020. The note provides the option for the buyer to transfer or assign its Neighborhood Improvement Zone (NIZ) credits to the Parking Authority in the amount of \$550,000 for the first payment and \$440,000 for the final payment. The note is secured by a mortgage against the property.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 5 CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2018 is as follows:

	January 1, 2018	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,809,945	\$ -	\$ -	\$ 9,809,945
Assets under concession lease - LCA	79,445,780	4,162,828	-	83,608,608
Construction in progress	6,340,966	6,335,881	(9,217,716)	3,459,131
Total capital assets not being depreciated	95,596,691	10,498,709	(9,217,716)	96,877,684
Capital assets being depreciated:				
Assets under concession lease - City	5,331,024	852,754	-	6,183,778
Buildings	24,753,231	-	-	24,753,231
Land and building improvements	37,457,552	4,131,919	-	41,589,471
Machinery and equipment	37,615,267	618,157	(18,715)	38,214,709
Vehicles	22,717,585	3,113,070	(531,360)	25,299,295
Infrastructure	139,109,821	-	-	139,109,821
Total capital assets being depreciated	266,984,480	8,715,900	(550,075)	275,150,305
Less accumulated depreciation for:				
Assets under concession lease - City	276,117	190,008	-	466,125
Buildings	20,091,740	431,581	-	20,523,321
Land and building improvements	19,856,219	1,668,065	-	21,524,284
Machinery and equipment	24,008,902	2,016,170	(18,715)	26,006,357
Vehicles	16,495,180	1,679,605	(523,595)	17,651,190
Infrastructure	43,469,785	3,616,971	-	47,086,756
Total accumulated depreciation	124,197,943	9,602,400	(542,310)	133,258,033
Total capital assets being depreciated, net	142,786,537	(886,500)	(7,765)	141,892,272
Governmental activities capital assets, net	\$ 238,383,228	\$ 9,612,209	\$ (9,225,481)	\$ 238,769,956

During the year ended December 31, 2013, certain assets associated with the Agreement were transferred from the Water and Sewer funds to Governmental Activities. As required under GASB Statement No 60, *Accounting and Financial Reporting for Service Concession Arrangements*, capital assets retained as part of a concession lease agreement should not be depreciated if the arrangements requires the operator to return the facility to the transferor in its original or enhanced condition. As such, no depreciation will be taken on these assets during the term of the Agreement.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 5 CAPITAL ASSETS (CONTINUED)

	January 1, 2018	Additions	Disposals	December 31, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,134,759	\$ -	\$ -	\$ 1,134,759
Total capital assets not being depreciated	1,134,759	-	-	1,134,759
Capital assets being depreciated:				
Buildings	1,282,653	-	-	1,282,653
Land and building improvements	4,862,418	-	-	4,862,418
Machinery and equipment	5,169,689	656,384	(6,294)	5,819,779
Vehicles	4,329,050	47,468	(66,400)	4,310,118
Distribution and collection systems	37,465	-	-	37,465
Total capital assets being depreciated	15,681,275	703,852	(72,694)	16,312,433
Less accumulated depreciation for:				
Buildings	606,437	26,682	-	633,119
Land and building improvements	3,665,830	167,018	-	3,832,848
Machinery and equipment	3,367,398	272,152	(6,294)	3,633,256
Vehicles	3,155,399	176,121	(66,400)	3,265,120
Distribution and collection systems	9,271	378	-	9,649
Total accumulated depreciation	10,804,335	642,351	(72,694)	11,373,992
Total capital assets being depreciated, net	4,876,940	61,501	-	4,938,441
Business-type activities capital assets, net	\$ 6,011,699	\$ 61,501	\$ -	\$ 6,073,200

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,163,196
Public safety	1,326,801
Community development	206,102
Public works	6,002,481
Parks and recreation	903,820
Total	<u>\$ 9,602,400</u>

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

Solid Waste Fund	\$ 421,460
Municipal Golf Course Fund	220,891
Total	<u>\$ 642,351</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 5 CAPITAL ASSETS (Continued)

Component Units' Capital Assets

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2018 is as follows:

	January 1, 2018	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2018
Parking Authority:				
Capital assets not being depreciated:				
Land	\$ 8,665,607	\$ 22,685	\$ (387,141)	\$ 8,301,151
Construction in progress	-	15,007	-	15,007
Total capital assets not being depreciated	8,665,607	37,692	(387,141)	8,316,158
Capital assets being depreciated:				
Land and building improvements	67,794,955	367,568	-	68,162,523
Vehicles	434,487	185,280	(76,982)	542,785
Equipment under capital lease	2,297,411	190,816	-	2,488,227
Total capital assets being depreciated	70,526,853	743,664	(76,982)	71,193,535
Less accumulated depreciation for:				
Land and building improvements	20,162,496	1,705,847	-	21,868,343
Vehicles	327,992	64,028	(76,981)	315,039
Equipment under capital lease	1,672,134	193,955	-	1,866,089
Total accumulated depreciation	22,162,622	1,963,830	(76,981)	24,049,471
Total capital assets being depreciated, net	48,364,231	(1,220,166)	(1)	47,144,064
Parking Authority capital assets, net	\$ 57,029,838	\$ (1,182,474)	\$ (387,142)	\$ 55,460,222

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose for Balance</u>	<u>Amount</u>
General	Revolving Loan	Reimburse funds	\$ 1,320
General	E-911	Reimburse funds	450,240
General	CDBG	Cash advance for payroll and A/P	625,803
General	Municipal Golf Course	Short-term Loan/Negative cash	378,646
E-911	General	Reimburse funds	<u>55</u>
		Total Governmental Funds	<u>\$ 1,456,064</u>

NOTE 7 INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2018 consisted of the following:

	Transfers in:				
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Liquid Fuels</u>	<u>Total</u>
Transfers out:					
General	\$ -	\$ 8,185,116	\$ 3,666	\$ 11,721	\$ 8,200,503
Liquid Fuels	-	61,228	-	-	61,228
Trexler	101,810	-	-	-	101,810
Lease/A.O.	-	-	653,631	-	653,631
Capital Projects	1,940,746	7,746,449	-	-	9,687,195
Stormwater	326,888	-	-	-	326,888
Solid Waste	1,052,350	-	-	-	1,052,350
Golf	311,681	-	-	-	311,681
Risk	110,418	-	3,000	-	113,418
	<u>\$ 3,843,893</u>	<u>\$ 15,992,793</u>	<u>\$ 660,297</u>	<u>\$ 11,721</u>	<u>\$20,508,704</u>

Transfers from the General Fund and Liquid Fuels to the Debt Service Fund were made to cover Debt Service requirements.

Transfers to the Capital Projects Fund were for construction and other capital projects.

The remaining transfers were initiated to fulfill budgetary transfer requirements.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS

Plan Description and Administration

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 eligible to participate in these Plans. The City's three single-employer pension plans do not issue separate financial statements.

The Plans are governed by the City's Aggregate Pension Board (Board), which consists of the Finance Director, Controller, a Council Member, and two members from each Plan's respective pension board.

The Police and Firemen Plans are governed by the Mayor, Finance Director, Controller, four City residents, and four active members of the plan.

The Officers and Employees Plan is governed by the Mayor, Finance Director, Controller, two active employees that are members of the plan, one retired member of the plan and a council member only if the person is a retired member of the plan.

The City also participates in a defined benefit 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.

Benefit Provisions

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.

The Police Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries. Employees of the Police Pension Plan are eligible if they have 20 years of service, or if hired after January 1, 2009, are age 50 with 20 years of service. Police Pension Plan benefits are calculated at 50.5% of pension wages, equal to base pay plus overtime pay limited to 10% of the base pay the member was receiving at the date of retirement or, if higher, 50.5% of average salary of any five years of service; plus a service increment of 7.5% for the first full year of service over 20 years, plus 3.0% for each of the next four full years of service over 21 years to a maximum of 70% of pension wages for 25 or more years of service. For officers hired after January 1, 2009, 50% of pension wages or if higher, 50% of average wages of any five years of service; plus a service increment of \$100 per month for each year of service of 20 years of service to a maximum of \$500 per month. The minimum benefit is \$10,400 per year. Benefits vest at 100% after 12 years of service. If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive an annual benefit of 50.5% of officer's wages if prior to retirement eligibility, or the normal retirement benefit if the participant is retirement eligible. If death occurs before retirement age, the amount paid to the surviving spouse is equal to 62.5% of the officer's wages or 50.5% plus service increments which the officer would be entitled to receive at the time of death, whichever is higher.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Plan Description and Administration (Continued)

The Firemen Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries. Employees of the Firemen Pension Plan are eligible if they have 20 years of service, or if hired on or after January 1, 2012, are age 50 with 20 years of service. For participants hired prior to January 1, 2012, the retirement benefit of the Firemen Pension Plan shall be determined by the rate of monthly pay of the employee at the time of retirement or the highest average annual pensionable pay during any five years of service. Pensionable pay will include base pay, longevity, holiday pay, festive pay, shift differential, and overtime. Overtime will be limited to 10% of base pay. The Firemen Pension Plan benefits are calculated at 50.5% of pension wages at 20 years of service, 54.0% of pension wages at 21 years of service, 58.0% of pension wages at 22 years of service, 62.0% of pension wages at 23 years of service, 66.0% of pension wages at 24 years of service, and 70.0% of pension wages at 25 years of service. For participants hired on or after January 1, 2012, the retirement benefit shall be 50% of pensionable pay plus a service increment of 1/40th times the benefit for years of service in excess of 20 years, not to exceed \$2,400 in total due to the service increment. The minimum benefit for all participants is \$10,400 per year. If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive 10% of salary if less than two years of service, 30% of salary with at least two years of service but less than five years, 30% of salary with at least five years of service but less than 10 years, 40% of salary with at least 10 years of service but less than 15 years, 50% of salary with at least 15 years but less than 20 years, and same as normal retirement if at least 20 years of service. If death occurs before retirement age, the amount paid to the surviving spouse is equal to 100.0% of the pension benefit applicable to the member.

The Officers and Employees Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries. Employees of the Officers and Employees Pension Plan are eligible if they are age 55 and have 20 years of service or age 60 and have 12 years of service. The Officers and Employees Pension Plan benefits are calculated at 50% of the larger of the final annual salary or the highest average compensation of any five years of service, not less than \$10,400 per year. If the member has less than 20 years of service, then the basic benefit is prorated based upon credited service at retirement to twenty years. Payments are made bi-weekly. The Officers and Employees Pension Plan also offers a service increment benefit of 1/40th of the basic benefit for each full year of service in excess of 20 years. Service after age 65 will not be included in years of service. In order to be eligible for the service increment benefit, the employee must make additional contributions of half of one-percent of the salary. Benefits vest at 100% after 12 years of service. If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive 50% of the salary at the date of disablement, prorated based upon the service at date of termination to 20 years or the normal retirement benefit if the participant is retirement eligible. If death occurs before retirement age and the participant was vested, the amount paid to the surviving spouse is equal to 50% of the amount that the participant was receiving or was eligible to receive for life, not less than \$5,200 per year. If the participant was not vested, the surviving spouse is refunded all contributions without interest.

The PMRS Pension Plan provides retirement, survivor and disability benefits. Benefits vest at 100% after 12 years of service. Employees are eligible for normal retirement benefits at age 55. Employees terminating voluntarily after 20 years of service or involuntarily after eight years of service are eligible for early retirement. Annual retirement benefits are based on an employee's average annual salary during the last five years of employment, multiplied by years of service based on 1.25% times service if employed before January 1, 1990, 1.75% times service if employed between January 1, 1990 and December 31, 1995, and 2.10% times service if employed on or after January 1, 1996. The maximum benefit is 80% of the final average salary. Benefits are payable monthly for life with no Social Security offset. If a member is eligible to retire at time of death, the member's beneficiary receives the present value of accrued benefits. At retirement, a member may elect a survivor benefit. The plan disability benefit is provided for service-related disabilities, regardless of age or years of service. Disability benefits are offset by available workers' compensation benefits.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Plan Description and Administration (Continued)

A 30% disability benefit is provided for nonservice-related disabilities for members with at least 10 years of service.

Summary of Significant Accounting Policies

The financial statements of the Plans are reported using the accrual basis of accounting. Contributions to the Plans are recognized when due as required by Act 205 of the Commonwealth (Act 205). Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. All investments of the Plans are reported at fair value as of the measurement date.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Summary of Significant Accounting Policies (Continued)

The following is a statement of fiduciary net position and a statement of changes in fiduciary net position for the City's three single-employer defined benefit plans:

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total Pension Trust Fund
<u>Statement of Plan Net Position</u>				
Assets:				
Interest receivable	\$ 40,124	\$ 55,124	\$ 15,700	\$ 110,948
Investments, at fair value	152,808,086	99,687,794	10,876,720	263,372,600
Due from other funds	34,648	19,835	2,362	56,845
Total assets	<u>152,882,858</u>	<u>99,762,753</u>	<u>10,894,782</u>	<u>263,540,393</u>
Liabilities:				
Accounts payable	32,749	13,654	7,013	53,416
Due to other funds	3,216	-	200	3,416
Total liabilities	<u>35,965</u>	<u>13,654</u>	<u>7,213</u>	<u>56,832</u>
Net Position:				
Restricted for pension benefits	<u>\$ 152,846,893</u>	<u>\$ 99,749,099</u>	<u>\$ 10,887,569</u>	<u>\$ 263,483,561</u>
<u>Statement of Changes in Plan Net Position</u>				
Additions:				
Contributions:				
Employer	\$ 6,924,460	\$ 3,714,299	\$ 203,427	\$ 10,842,186
Plan members	988,224	537,852	4,212	1,530,288
Total contributions	<u>7,912,684</u>	<u>4,252,151</u>	<u>207,639</u>	<u>12,372,474</u>
Investment income (loss):				
Net appreciation in fair value of investments	(10,778,027)	(6,841,774)	(475,317)	(18,095,118)
Interest and dividends	3,429,492	2,155,083	211,305	5,795,880
Less investment expenses	(66,567)	(68,436)	(54,217)	(189,220)
Net investment income (loss)	<u>(7,415,102)</u>	<u>(4,755,127)</u>	<u>(318,229)</u>	<u>(12,488,458)</u>
Total additions	<u>497,582</u>	<u>(502,976)</u>	<u>(110,590)</u>	<u>(115,984)</u>
Deductions:				
Benefits paid to recipients	10,833,661	8,032,161	1,877,646	20,743,468
Administrative and other fees	32,420	9,926	9,925	52,271
Total deductions	<u>10,866,081</u>	<u>8,042,087</u>	<u>1,887,571</u>	<u>20,795,739</u>
Change in net position	<u>(10,368,499)</u>	<u>(8,545,063)</u>	<u>(1,998,161)</u>	<u>(20,911,723)</u>
Net position restricted for pension benefits:				
Beginning of year	<u>163,215,392</u>	<u>108,294,162</u>	<u>12,885,730</u>	<u>284,395,284</u>
End of year	<u>\$ 152,846,893</u>	<u>\$ 99,749,099</u>	<u>\$ 10,887,569</u>	<u>\$ 263,483,561</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Plan Membership

At December 31, 2017, Plan memberships consisted of the following:

Covered Employees	Police All full-time members of the Police Force	Firemen All full-time members of the Fire Department	Officers and Employees Closed 6/8/1976	PMRS All full-time employees not previously covered
Active plan members	218	122	1	417
Inactive plan members entitled to but not yet receiving benefits	-	-	-	14
Inactive plan members or beneficiaries currently receiving benefits	278	208	140	433

Contributions

Act 205 requires that annual contributions to the Plans be based upon each plan's Minimum Municipal Obligation (MMO), which is based on the Plans' annual actuarial valuation. The MMO includes the normal cost, estimated 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 2011 through 2015. This reduction is reflected in the final MMO calculation. The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding and is reported as revenue and expenditure in the General Fund. Any funding requirements established by the MMO in excess of member contributions and state aid must be paid by the municipality in accordance with Act 205.

Active members of the Police and Firemen Plans are required to contribute 5% of covered payroll to their respective pension plans. Active members of the Officers and Employees Plan are required to contribute 3.5% of covered payroll and 1% of covered payroll for survivor benefits to the plan. Active members of the PMRS Pension Plan are required to contribute 7.5% to the plan. These contributions are governed by the Plans' governing ordinances and collective bargaining agreements. During the year ended December 31, 2018, the City contributed \$6,924,460 to the Police Pension Plan, of which \$1,976,812 were Act 205 funds; \$3,714,299 to the Firemen Pension Plan, of which \$1,142,991 were Act 205 funds; \$203,427 to the Officers and Employees Plan, of which \$4,684 were Act 205 funds; and \$2,612,892 to the PMRS Pension Plan, of which \$1,929,968 were Act 205 funds. During the year ended December 31, 2018, active members contributed \$954,090 to the Police Pension Plan, \$537,852 to the Firemen Pension Plan, \$4,212 to the Officers and Employees Pension Plan, and \$1,775,180 to the PMRS Plan.

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.

Actuarial Assumptions – The total pension liability for the Police, Firemen, and Officers and Employees pension plans was determined as part of the January 1, 2018 actuarial valuation, updated to December 31, 2018, using the following actuarial assumptions, applied to all periods in the measurement:

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Contributions (Continued)

	Police	Firemen	Officers and Employees
	Entry age normal	Entry age normal	Entry age normal
Actuarial cost method			
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	6.50%
Inflation rate	2.40%	2.40%	0.00%
Salary increases	4.50%	4.50%	4.50%
Mortality:			
Healthy lives	RP-2000 Blue Collar Adjusted Mortality Table projected with 50% scale AA	RP-2000 Blue Collar Adjusted Mortality Table projected with 50% scale AA	RP-2000 Mortality Table projected with 50% scale AA
Disabled	RP-2000 Disabled Mortality Table	RP-2000 Disabled Mortality Table	RP-2000 Disabled Mortality Table

Long Term Expected Rate of Return

In order to meet its needs, the investment strategy of the Police, Firemen, and Officers and Employees Pension Plans is to responsibly and prudently maximize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class for the plans as of December 31, 2018 are summarized from the following table:

	Target Allocation			Long-Term Expected Rate of Return
Asset Class	Police	Firemen	Officers and Employees	
Domestic equity	51.0%	51.0%	35.0%	6.8%
International equity	17.0%	17.0%	11.0%	8.3%
Core fixed income	14.0%	4.0%	0.0%	1.5%
Fixed income	17.0%	27.0%	52.0%	0.7%
Cash	1%	1%	2%	0.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2018 were as follows:

Police Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	<u>\$ 195,926,362</u>	<u>\$ 163,215,391</u>	<u>\$ 32,710,971</u>
Changes for the year:			
Service Cost	3,496,148	-	3,496,148
Interest	14,586,053	-	14,586,053
Differences between expected and actual experience	377,097	-	377,097
Changes in assumptions	-	-	-
Contributions - employer	-	6,924,460	(6,924,460)
Contributions - member	-	988,224	(988,224)
Net investment income (loss)	-	(7,348,536)	7,348,536
Benefit payments, including refunds	(10,833,661)	(10,833,661)	-
Administrative expense	-	(98,985)	98,985
Net changes	<u>7,625,637</u>	<u>(10,368,498)</u>	<u>17,994,135</u>
Balances at December 31, 2018	<u>\$ 203,551,999</u>	<u>\$ 152,846,893</u>	<u>\$ 50,705,106</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>75.09%</u>

Firemen Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	<u>\$ 126,379,912</u>	<u>\$ 108,294,161</u>	<u>\$ 18,085,751</u>
Changes for the year:			
Service Cost	1,789,346	-	1,789,346
Interest	9,292,591	-	9,292,591
Differences between expected and actual experience	(324,574)	-	(324,574)
Changes in assumptions	-	-	-
Contributions - employer	-	3,714,299	(3,714,299)
Contributions - member	-	537,852	(537,852)
Net investment income (loss)	-	(4,686,690)	4,686,690
Benefit payments, including refunds	(8,032,161)	(8,032,161)	-
Administrative expense	-	(78,361)	78,361
Net changes	<u>2,725,202</u>	<u>(8,545,061)</u>	<u>11,270,263</u>
Balances at December 31, 2018	<u>\$ 129,105,114</u>	<u>\$ 99,749,100</u>	<u>\$ 29,356,014</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>77.26%</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

Officers and Employees Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 14,009,316	\$ 12,885,730	\$ 1,123,586
Changes for the year:			
Service Cost	9,983	-	9,983
Interest	842,606	-	842,606
Differences between expected and actual experience	(132,092)	-	(132,092)
Changes in assumptions	-	-	-
Contributions - employer	-	203,427	(203,427)
Contributions - member	-	4,212	(4,212)
Net investment income (loss)	-	(264,012)	264,012
Benefit payments, including refunds	(1,877,646)	(1,877,646)	-
Administrative expense	-	(64,142)	64,142
Net changes	(1,157,149)	(1,998,161)	841,012
Balances at December 31, 2018	\$ 12,852,167	\$ 10,887,569	\$ 1,964,598
Plan fiduciary net position as a percentage of the total pension liability			84.71%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

PMRS Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	<u>\$ 169,326,609</u>	<u>\$ 141,649,708</u>	<u>\$ 27,676,901</u>
Changes for the year:			
Service Cost	3,134,334	-	3,134,334
Interest	8,808,742	-	8,808,742
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	2,612,892	(2,612,892)
Contributions - member	-	1,775,180	(1,775,180)
PMRS assessment	-	18,100	(18,100)
PMRS investment income	-	7,621,381	(7,621,381)
Market value investment loss	-	17,080,967	(17,080,967)
Transfers	79,165	79,165	-
Benefit payments, including refunds	(9,546,663)	(9,546,663)	-
PMRS administrative expense	-	(17,420)	17,420
Additional administrative expense	-	(350,500)	350,500
Net changes	<u>2,475,578</u>	<u>19,273,102</u>	<u>(16,797,524)</u>
Balances at December 31, 2018 (based on the measurement date of December 31, 2017)	<u>\$ 171,802,187</u>	<u>\$ 160,922,810</u>	<u>\$ 10,879,377</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>93.67%</u>

Investment Policy – The policies in regard to the allocation of invested assets for the Police, Firemen, and Officers and Employees Pension Plans are established and may be amended by the respective Boards. The Boards seek to optimize the total return of these Plans' portfolios through a policy of well diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. There were no amendments to the investment policy of the Police, Firemen, and Officers and Employees Pension Plans during the year ended December 31, 2018. At December 31, 2018, the Police, Firemen and Officers and Employees Plan had no investments in any one organization which represented five percent or more of each plan's respective fiduciary net position.

Long-Term Expected Rate of Return – The long-term expected rate of return on the Police, Firemen, and Officers and Employees pension plan investments was developed as a weighted average return based on the target asset allocation of the plan and the long-term expected rate of return for each asset class. The overall return for each asset class was developed by using current market pricing (normalized equity valuations, equity dividend yields, fixed income yields, etc.), as appropriate and historical data (real earnings-per-share growth, real equity returns, etc.) as a guide.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2018, the market value of assets returned (4.65)% for the Police Plan, (4.15)% for the Firemen Plan, and (2.22)% for the Officers and Employees Plan.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

The net pension liability of the PMRS Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$9,769,967 and \$1,109,411, respectively, at December 31, 2018.

The total pension liability for PMRS was determined by an actuarial valuation performed on January 1, 2017, with liabilities measured at December 31, 2017, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method:	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases (With inflation rate of 3%)	Age related scale with merit and inflation component
Cost-of-living adjustments	2.8%

Actuarial assumptions based on PMRS Experience Study for the period
January 1, 2009 to December 31, 2013

Pre-retirement Mortality:

Males: RP-2000 Non-Annuitant Table Projected 15 years with Scale AA

Females: RP-2000 Non-Annuitant Table Projected 15 years with Scale AA and
setback 5 years

Post-retirement mortality:

Males: RP-2000 Male Annuitant Table projected 5 Years with Scale AA

Females: RP-2000 Female Annuitant Table projected 10 Years with Scale AA

Investment Return Assumption decreased from 5.5% to 5.25% as of December 31, 2016.

PMRS Long-Term Expected Rate of Return

The PMRS System's (System) long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to this method:

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the PMRS Board's opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are presented in the chart labeled "System Nominal and Real Rates of Return by Asset Class."

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

PMRS Long-Term Expected Rate of Return (Continued)

4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study, the minimum acceptable confidence level for the PMRS Board has been determined to be 70%. The chart below labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels.

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2017:

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic equity (large capitalized firms)	25.0%	8.6%	5.6%
Domestic equity (small capitalized firms)	15.0%	10.2%	7.2%
International equity (developed markets)	15.0%	7.6%	4.6%
International equity (emerging markets)	10.0%	11.7%	8.7%
Real estate	20.0%	9.2%	6.2%
Fixed income	15.0%	5.1%	2.1%
Total portfolio	100.0%	8.6%	5.6%

The following are the Confidence Levels for System Nominal and Real Rates of Return as of December 31, 2017:

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95.0%	3.5%	0.5%
90.0%	4.4%	1.4%
85.0%	5.1%	2.1%
80.0%	5.7%	2.7%
75.0%	6.1%	3.1%
70.0%	6.5%	3.5%
50.0%	7.9%	4.9%

Based on the four part analysis, the Board established the System's Long-Term Rate of Return at 7.3%. In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a long-term expected rate of return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the PMRS Board is obligated to apply the regular interest rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's Long-Term Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the section below labeled "Discount Rate." As of December 31, 2017, this rate is equal to 5.25%.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

The System's policy in regard to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

PMRS Discount Rate

While it is often common practice to establish an actuarial discount rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The PMRS Board considers the following five quantitative factors in establishing the regular interest rate:

1. Retiree plan liability as a percentage of total plan liability,
2. Active plan participant liability as a percentage of total plan liability,
3. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates as a proxy for annuity purchase rates,
4. PMRS System Long-Term Expected Rate of Return, and
5. PMRS administrative expenses

The Regular Interest Rate is equal to the retiree liability percentage times the smoothed PBGC annuity rates, plus the active employee liability percentage times of the System long-term expected rate of return, less administrative expenses as a percentage of assets.

The PMRS Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize regular interest rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2017 was 5.25%.

This required equivalence between the Regular Interest Rate and the actuarial discount rate will likely result in a System Long-Term Expected Rate of Return that will be higher than the actuarial discount rate and higher than the Long-Term Expected Rate of Return for individual participating municipalities. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for the in law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of the projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGE IN THE DISCOUNT RATE

The following presents the net pension liability (asset) of the Plans, calculated using the discount rates described above, as well as what the Plan's net pension liability (asset) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Police	<u>\$ 78,617,564</u>	<u>\$ 50,705,106</u>	<u>\$ 27,837,738</u>
Firemen	<u>\$ 44,736,143</u>	<u>\$ 29,356,014</u>	<u>\$ 16,509,245</u>
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Officers and Employees	<u>\$ 2,717,505</u>	<u>\$ 1,964,598</u>	<u>\$ 1,291,127</u>
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
PMRS	<u>\$ 31,128,248</u>	<u>\$ 10,879,377</u>	<u>\$ (6,184,911)</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$22,166,177 as a whole; in the governmental activities, \$21,685,622, and \$480,555 in the business-type activities. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	Fireman	O&E	PMRS	Total
Deferred Outflows of Resources:					
Differences between expected & actual experience	\$ 3,238,812	\$ 62,466	\$ -	\$ 617,738	\$ 3,919,016
Changes in assumptions	3,951,732	1,687,953	-	3,271,028	\$ 8,910,713
City contributions subsequent to measurement date	-	-	-	2,647,644	2,647,644
Net difference between projected & actual earnings on pension plan investments	11,082,932	7,380,006	879,449	-	\$ 19,342,387
Total deferred outflows of resources	<u>\$ 18,273,476</u>	<u>\$ 9,130,425</u>	<u>\$ 879,449</u>	<u>\$ 6,536,410</u>	<u>\$ 34,819,760</u>
Deferred Inflows of Resources:					
Differences between expected & actual experience	\$ 102,689	\$ 768,747	\$ -	\$ 6,251	\$ 877,687
Net difference between projected & actual earnings on pension plan investments	-	-	-	12,815,389	12,815,389
	<u>\$ 102,689</u>	<u>\$ 768,747</u>	<u>\$ -</u>	<u>\$ 12,821,640</u>	<u>\$ 13,693,076</u>
Schedule of amortized outflows & inflows:					
2019	\$ 6,126,365	\$ 3,341,504	\$ 379,066	\$ (640,636)	\$ 9,206,299
2020	3,736,783	1,662,908	174,628	(693,063)	4,881,256
2021	3,616,529	888,845	116,531	(4,182,980)	438,925
2022	4,628,263	2,468,421	209,224	(3,416,195)	3,889,713
2023	62,847	-	-	-	62,847
	<u>\$ 18,170,787</u>	<u>\$ 8,361,678</u>	<u>\$ 879,449</u>	<u>\$ (8,932,874)</u>	<u>\$ 18,479,040</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 3,854,698	\$ 64,318
City contributions subsequent to measurement date	2,377,654	269,990
Changes in assumptions	8,578,479	332,234
Net difference between projected and actual earning on pension plan investments	19,342,387	-
	<u>\$ 34,153,218</u>	<u>\$ 666,542</u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 877,036	\$ 651
Net difference between projected and actual earning on pension plan investments	11,508,570	1,306,819
	<u>\$ 12,385,606</u>	<u>\$ 1,307,470</u>

Contributions made subsequent to measurement date of the net pension liability, but before the City's reporting period end will be recognized as a return of the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

The effect of the differences in the City's expected and actual experience is recognized over the average expected remaining service lives of active and inactive members. The difference between the projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 9,271,627	\$ (65,328)
2020	4,951,930	(70,674)
2021	865,479	(426,554)
2022	4,238,075	(348,362)
2023	62,847	
	<u>\$ 19,389,958</u>	<u>\$ (910,918)</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discretely Presented Component Units' Pension Plan

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 benefits 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, 2018. 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

The Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan is designed to provide retirement benefits to the Parking Authority's eligible salaried employees. The plan covers all salaries 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. 11 of 13 salaried employee participants contribute a minimum 5.0% of salary and received the maximum employer match of 10%.

Allentown Parking Authority Salaried Employees' Defined Benefit Pension Plan

The Parking Authority Salaried Employees' Defined Benefit Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of the Plan Document. The plan is governed by the Parking Authority, which may amend plan provisions, and which is responsible for the management of plan assets. All salaried employees who are participants of the former Allentown Parking Authority Defined Contribution Retirement Plan in January 1, 2002 became participants of this plan on the first day of the month following employment.

Plan participation and benefit accruals have been frozen as of December 31, 2010.

At December 31, 2018, the following employees were covered by the plan:

Active employees	5
Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
	<u>13</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

Retirement Benefits – The normal retirement benefit is 2.25% of average 36 month compensation for each year of credited service to a maximum of 70% of such average compensation. In no event shall the benefit be less than the Equivalent Actuarial Value of the participant's December 31, 2001 account balance under the former Allentown Parking Authority Defined Contribution Retirement Plan. Normal retirement date is the first day of the month following the attainment of age 55. The postponed retirement benefit is calculated using compensation and service up to age 70 ½. Benefits will be actuarially increased for postponed retirement after age 70 ½, and will be reduced by any distributions made after age 70 ½. A member may postpone his retirement beyond the normal retirement date.

Death Benefits – The pre-retirement benefit is equal to the present value of the member's accrued benefit at the date of death payable to the member's beneficiary, but in no event less than any December 31, 2001 account balance from the former Allentown Parking Authority Defined Contribution Retirement Plan with 7.5% interest compounded annually plus employees contributions with 5% compounded annually.

The post-retirement death benefit is payable in accordance with the form of retirement benefit elected, but in no event less than the unpaid portion of the December 31, 2001 account balance from the former Allentown Parking Authority Defined Contribution Retirement Plan with 7.5% interest compounded annually plus employee contributions with 5% compounded annually.

Contributions – Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Employees are not required to contribute to this plan.

Changes in the Net Pension Liability (Asset) – An actuarial valuation of the total pension liability (asset) is performed biennially. The total pension liability (asset) was determined as part of an actuarial valuation as of January 1, 2017. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2018.

The changes in the total pension liability, the plan fiduciary net position (i.e. fair value of plan assets), and the net pension liability (asset) of the Parking Authority for the year ended December 31, 2018 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2017	\$ 2,807,759	\$ 3,078,409	\$ (270,650)
Changes for the year:			
Interest	203,074	-	203,074
Net investment income (loss)	-	(111,811)	111,811
Benefit payments, including refunds	(200,199)	(200,199)	-
Net Changes	2,875	(312,010)	314,885
Balances at December 31, 2018	\$ 2,810,634	\$ 2,766,399	\$ 44,235
Plan fiduciary net position as a percentage of the total pension liability			98.43%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

Actuarial Assumptions – The actuarial assumptions of the plan include the following:

Actuarial cost method	Entry age normal
Investment rate of return	7.50% per annum
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality Table projected to 2017 using Scale AA
Termination	None
Disability	None
Retirement age	Normal retirement age or age on valuation date, if greater
Form of annuity	10 year certain and life

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pensions plan investment expense and inflation of 2.25%) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity:	
Large Cap	6.44%
Mid Cap	7.22%
Small cap	7.22%
International equity	7.26%
Fixed income	3.62%
Balanced/Blend	7.39%
Cash	75.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the plan, calculated using the discount rate described above, as well as what the plan's net pension liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ 327,435	\$ 44,235	\$ (199,565)

Pension Expense and Deferred Outflows of Resources Related to Pensions – For the year ended December 31, 2018, the Parking Authority recognized pension expense of \$35,437 under the defined benefit pension plan. At December 31, 2018, the Parking Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

Deferred Outflows of Resources:

Changes in assumptions	\$ 1,496
Net difference between projected and actual investment earnings on pension plan investments	138,069
	<u>\$ 139,565</u>

As of December 31, 2018 the Authority reported deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources:

Net difference between projected and actual experience	\$ 2,722
Net difference between projected and actual investment earnings on pension plan investments	-
Changes in assumptions	<u>\$ 2,722</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,

2019	\$ 56,397
2020	3,771
2021	9,639
2022	<u>67,036</u>
	<u>\$ 136,843</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 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, 2018 was as follows:

Notes and Bonds	Balance Outstanding January 1, 2018	Additions	Reductions	Balance Outstanding December 31, 2018	Current Portion
2004 Federally Taxable General Obligation Refunding Pension Bond, original amount of \$36,865,000, 4.870% to 5.250% interest, serial portion payable in increasing annual installments of \$625,000 in 2017 to \$1,460,000 in 2034.	\$12,660,000	\$ -	\$ 485,000	\$12,175,000	\$ 510,000
2006 Guaranteed Lease Revenue Agreement, original amount of \$10,000,000, interest of 5.84% to 2016, then LIBOR plus 40 basis points capped at 9.40%, payable in annual installments of \$260,850 in 2017 to \$917,578 in 2031	7,643,108	-	7,643,108	-	-
2007 Taxable General Obligation Note, Series A, original amount of \$14,773,981, 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	28,949,191	2,013,034	-	30,962,225	-
2007 Taxable General Obligation Note, Series B, original amount of \$7,990,000, 5.670% to 5.87% interest, payable in varying annual installments of \$1,230,000 in 2017 to \$45,000 in 2021	5,010,000	-	1,280,000	3,730,000	1,670,000
2008 Taxable General Obligation Bond, original amount of \$6,665,000, 3.60% to 3.70% interest, payable in varying annual installments of \$300,000 in 2017 to \$315,000 in 2018	315,000	-	315,000	-	-
2009 Tax-Exempt General Obligation Bond, original amount of \$5,310,000, 4.13% interest, serial portion payable in increasing annual installments of \$349,000 in 2017 to \$465,000 in 2024	2,887,000	-	363,000	2,524,000	379,000

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9 LONG-TERM DEBT (Continued)

Notes and Bonds	Balance Outstanding January 1, 2018	Additions	Reductions	Balance Outstanding December 31, 2018	Current Portion
2015 General Obligation Note, draw down up to \$6,000,000, 1.40% interest, payable initially on August 1, 2015 and semi-annually on the first day of February and the first day of August with final maturity to occur on or before February 1, 2019. Once the Note is fully drawn down, a debt service schedule will be established.	3,276,566	-	1,359,000	1,917,566	1,917,566
2015 General Obligation Bonds, Series A, original amount of \$15,360,000, 3.00% to 3.85% interest, payable in varying annual installments of \$290,000 in 2017 to \$870,000 in 2045	14,980,000	-	310,000	14,670,000	330,000
2015 General Obligation Bonds, Series B, original amount of \$11,425,000, 3.00% to 3.65% interest, payable in varying annual installments of \$740,000 in 2017 to \$545,000 in 2036	10,205,000	-	770,000	9,435,000	795,000
2016 Special Revenue Note, Series of 2016, draw down up to \$2,500,000, 2.730 - 5.000% interest, payable in varying annual installments of \$5,000 in 2017 to \$177,000 in 2036. Once the Note is fully drawn down, a revised debt service schedule will be established.	1,532,085	653,631	116,000	2,069,716	121,000
2017 General Obligation Bonds, Series of 2017, original amount of \$9,025,000, to refund GOB Series 2011A and 2012, payable in varying installments.	8,195,000	-	1,045,000	7,150,000	1,070,000
2018 General Obligation Bonds, Series A of 2018, original amount of \$3,420,000 for capital projects payable in varying installments with interest of 5.0% per annum through 2022.	-	3,420,000	-	3,420,000	510,000
2018 General Obligation Bonds, Series B of 2018, original amount of \$7,900,000 to refund the 2006 Guaranteed Lease Revenue Agreement, payable in varying installments with interest of variable rates through 2031.	-	7,900,000	-	7,900,000	-
Total Governmental Activities Notes and Bonds	95,652,950	13,986,665	13,686,108	95,953,507	7,302,566
Premium on bond issuance	1,056,003	184,212	65,844	1,174,371	-
Total	<u>\$96,708,953</u>	<u>\$14,170,877</u>	<u>\$13,751,952</u>	<u>\$97,127,878</u>	<u>\$7,302,566</u>

During 2018, the City issued 2018 Series B Refunding bonds in the amount of \$7,900,000 to currently refund the entire outstanding balance of the 2006 Series Guaranteed Lease Revenue Agreement. The current refunding resulted in the dissaving of \$915,000 on a present value basis.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9 LONG-TERM DEBT (Continued)

Debt service requirements to maturity for governmental activities are as follows:

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2019	\$ 7,302,566	\$ 2,625,654	\$ 9,928,220
2020	6,733,000	2,402,507	9,135,507
2021	6,701,123	2,434,789	9,135,912
2022	6,734,359	2,395,935	9,130,294
2023	5,378,207	2,527,536	7,905,743
2024-2028	23,956,032	13,985,258	37,941,290
2029-2033	22,224,055	15,758,361	37,982,416
2034-2038	11,474,165	14,402,494	25,876,659
2039-2043	3,740,000	770,690	4,510,690
2044-2048	1,710,000	99,330	1,809,330
Total	<u>\$ 95,953,507</u>	<u>\$ 57,402,554</u>	<u>\$ 153,356,061</u>

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, 2018, \$11,240,000 of general obligation bonds outstanding are considered defeased.

The following represents changes in the long-term liabilities for compensated absences and capital leases:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Current Portion
Compensated absences:					
Governmental activities	\$ 4,226,475	\$ 2,487,682	\$ 3,450,448	\$ 3,263,709	\$ 2,004,066
Business-type activities	180,336	903,502	873,476	210,362	203,371
Total accrued compensated absences	<u>\$ 4,406,811</u>	<u>\$ 3,391,184</u>	<u>\$ 4,323,924</u>	<u>\$ 3,474,071</u>	<u>\$ 2,207,437</u>
Capital leases:					
Governmental activities	\$ 3,756,786	\$ 1,174,098	\$ 927,339	\$ 4,003,545	\$ 993,628
Business-type activities	499,495	427,623	222,767	704,351	267,587
Total capital leases	<u>\$ 4,256,281</u>	<u>\$ 1,601,721</u>	<u>\$ 1,150,106</u>	<u>\$ 4,707,896</u>	<u>\$ 1,261,215</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9 LONG-TERM DEBT (Continued)

The capital assets acquired through capital leases are as follows:

Capital leases:

	Governmental Activities	Business-Type Activities
Machinery, equipment, and vehicles	\$ 7,883,949	\$ 1,076,314
Less accumulated depreciation	2,134,393	148,759
	<u>\$ 5,749,556</u>	<u>\$ 927,555</u>

Debt service requirements for capital lease obligations are as follows:

Year Ending	Governmental Activities	Business-Type Activities	Total
2019	\$ 1,107,104	\$ 290,095	\$ 1,397,199
2020	981,557	290,095	1,271,652
2021	981,557	95,529	1,077,086
2022	867,013	71,673	938,686
2023	276,951	-	276,951
Thereafter	110,736	-	110,736
	<u>4,324,918</u>	<u>747,392</u>	<u>5,072,310</u>
Less interest	321,373	43,041	364,414
Total	<u>\$ 4,003,545</u>	<u>\$ 704,351</u>	<u>\$ 4,707,896</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9 LONG-TERM DEBT (Continued)

Discretely Presented Components Units' Long-Term Debt

Parking Authority

Long-term debt activity of the Parking Authority for the year ended December 31, 2018 consisted of the following:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Current Portion
2014 Parking Revenue Bond, Series A, original amount of \$16,885,000, 3.90% to 4.30% interest, serial portion payable in annual installments of \$475,000 in 2024 to \$540,000 in 2034. This bond was refinanced in 2018.	\$ 16,885,000	\$ -	\$16,885,000	\$ -	\$ -
2014 Parking Revenue Bond, Series C, original amount of \$12,410,000, 3.90% to 4.30% interest, principal payments ranging from \$50,000 to \$1,830,000 are due annually beginning in 2024 through 2039. This Bond was refinanced in 2018.	10,520,528	-	10,520,528	-	-
2014 Parking Revenue Bond, Series D original amount of \$9,490,000, 4.35% interest, principal payments ranging from \$590,000 to \$1,300,000 are due annually beginning November 15, 2016. This Bond was refinanced in 2018.	7,483,228	-	7,483,228	-	-
2018 Parking Revenue Bond, Series A of 2018 original amount of \$27,405,527, 3.7% interest, principal payments due quarterly beginning September 30, 2018 through 2040.	-	27,405,527	368,212	27,037,315	810,944
2018 Taxable Parking Revenue Bond, Series B of 2018 original amount of \$7,483,227, 4.35% interest. This Bond matures in 2033.	-	7,483,227	160,637	7,322,590	349,644
	34,888,756	34,888,754	35,417,605	34,359,905	\$1,160,588
Capital Lease	5,789	117,777	28,007	95,559	19,793
Unearned revenue	8,659,013	-	272,126	8,386,887	265,285
Net pension liability (asset)	-	44,235	-	44,235	-
OPEB liability	905,837	38,494	-	944,331	-
	<u>\$ 44,459,395</u>	<u>\$ 35,089,260</u>	<u>\$35,717,738</u>	<u>\$ 43,830,917</u>	<u>\$1,445,666</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9 LONG-TERM DEBT (Continued)

Discretely Presented Components Units' Long-Term Debt (Continued)

Debt service requirements to maturity are as follows for the Parking Authority:

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2019	\$ 1,160,588	\$ 1,306,212	\$ 2,466,800
2020	1,203,085	1,263,715	2,466,800
2021	1,254,494	1,212,306	2,466,800
2022	1,304,353	1,162,447	2,466,800
2023	1,356,207	1,110,593	2,466,800
2024-2018	7,225,423	6,013,077	13,238,500
2029-2033	9,156,613	4,392,918	13,549,531
2034-2039	7,921,655	2,128,345	10,050,000
2040	3,777,487	225,507	4,002,994
Total	<u>\$ 34,359,905</u>	<u>\$ 18,815,120</u>	<u>\$ 53,175,025</u>

NOTE 10 FUND BALANCE CLASSIFICATIONS

The City presents its governmental fund balances by level of constraint in the aggregate on its balance sheet – governmental funds. The individual specific purposes of each constraint are presented below:

	General	Capital Projects	Other Governmental Funds	Total
Restricted for:				
Capital acquisitions	\$ -	\$ 4,973,906	\$ -	\$ 4,973,906
Public works	-	-	5,091,301	5,091,301
Community development	-	-	5,479,227	5,479,227
Parks and recreation	-	-	614,819	614,819
	<u>-</u>	<u>4,973,906</u>	<u>11,185,347</u>	<u>16,159,253</u>
Assigned for:				
General government	218,615	-	-	218,615
Public works	186,403	-	-	186,403
Community development	233,172	-	-	233,172
Public safety	151,651	-	-	151,651
Parks and recreation	10,639	-	-	10,639
	<u>800,480</u>	<u>-</u>	<u>-</u>	<u>800,480</u>
Total	<u>\$ 800,480</u>	<u>\$ 4,973,906</u>	<u>\$ 11,185,347</u>	<u>\$ 16,959,733</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 11 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 are as follows:

	<u>2018</u>
Accrued claims liability, January 1	\$ 512,543
Incurred claims, including estimated claims incurred but not reported as of December 31:	
Provision for current year events	1,057,174
Payments	<u>(1,186,398)</u>
Accrued claims liability, December 31	383,319
Current portion	<u>383,319</u>
Long-term portion	<u>\$ -</u>

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

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 Pennsylvania Municipal Health Insurance Cooperative (PMHIC), a pool of municipalities to purchase health insurance coverage. The purpose of the cooperative is to control escalating health care premiums by allowing municipalities the potential for volume discounts and annual premium returns for favorable claims experience. Rates for each municipality are developed annually with a final reconciliation of total premiums to actual claims made approximately six months after each policy year-end. Allocation of any surplus is determined by a board of officers appointed by participants. Unfavorable experience is included in the following year rates. Maximum limits for any one claim are established to minimize cost exposure. A 10% reserve is built into the rates to cover the cooperative's operating costs and any unfavorable experience.

NOTE 12 OTHER POSTEMPLOYMENT 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy

The City retiree healthcare plan is a self-funded program, whereby 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.

Plan Membership

At December 31, 2017, the Plan's membership consisted of the following:

Inactive participants - retired and disabled	342
Active plan members	733
Total	<u>1,075</u>

Benefits Provided

The City provides postemployment health care benefits (including medical, dental, vision and prescription drugs), in accordance with collective bargaining agreements and City policy, to all eligible retired employees and their eligible dependents until age 65 or Medicare eligibility (normally age 65). Eligible retired police, fire, SEIU and non-represented members pay 25% of non-Medicare program costs. Certain SEIU members with less than 15 years of service at retirement pay 50% of such program costs.

Total OPEB Liability

The components of the total OPEB liability of the plan at December 31, 2018, were as follows:

Total OPEB Liability	\$ 94,440,960
Plan fiduciary net position	-
City's total OPEB liability	<u>\$ 94,440,960</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2016 and update procedures were used to roll forward the plan's total OPEB liability to December 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions (Continued)

Salary Increases	4.5 percent per year
Discount Rate	3.44 percent

Assumptions changes between December 31, 2016 and 2017 include the reduction of the discount rate, expected future healthcare costs, and updated mortality rates.

Discount Rate

The discount rate used to measure the plan's total OPEB liability was 3.44%. This is based on the 20-year Bond Buyer, 20 Bond GO Index as of December 28, 2017. This is a reduction from the December 31, 2016 rate of 3.78%.

Changes in the City's total OPEB liability for the plan for the year ended December 31, 2018 were as follows:

<u>Changes in Total OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Total OPEB Liability (a-b)</u>
Balances at 12/31/16	<u>\$85,725,915</u>	<u>\$ -</u>	<u>\$85,725,915</u>
Changes for the Year:			
Service cost	2,976,784	-	2,976,784
Interest on total OPEB liability	3,206,665	-	3,206,665
Changes of Benefits	-	-	-
Difference between expected and actual experience	(1,722,009)	-	(1,722,009)
Changes in assumptions	9,034,134	-	9,034,134
Contributions-employer	-	4,780,529	(4,780,529)
Contributions-member	-	-	-
Net investment income	-	-	-
Benefit payments, including employee refunds	(4,780,529)	(4,780,529)	-
Administrative expense	-	-	-
Net changes	<u>8,715,045</u>	<u>-</u>	<u>8,715,045</u>
Balances at 12/31/17	<u>\$94,440,960</u>	<u>\$ -</u>	<u>\$94,440,960</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

<u>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</u>			
	<u>1% Decrease (2.44%)</u>	<u>Current Discount Rate (3.44%)</u>	<u>1% Increase (4.44%)</u>
Total OPEB Liability	\$ 102,573,995	\$94,440,960	\$ 87,080,930

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Total OPEB liability of the City, as well as what the City's Total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point higher or 1-percentage-point lower than the current healthcare cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Medical Inflation Rate			
	1% <u>Decrease</u>	Healthcare <u>Trend Rate</u>	1% <u>Increase</u>
Total OPEB Liability	\$ 85,580,517	\$94,440,960	\$ 104,706,601

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$2,693,575. At December 31, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 1,435,007
Changes of Assumptions	7,528,445	-
Contributions subsequent to the Measurement Date	5,315,182	-
	<u>\$ 12,843,627</u>	<u>\$ 1,435,007</u>

City contributions subsequent to the measurement date will be recognized in expense in the subsequent year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$ 1,218,687
2020	1,218,687
2021	1,218,687
2022	1,218,687
2023	1,218,690
Thereafter	-
	<u>\$ 6,093,438</u>

Discretely Presented Component Units' OPEB Plan

Parking Authority

Plan Description

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

The 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 benefit is not provided to employees hired after December 31, 2010.

As of December 31, 2018 there were 6 other active employees not fully eligible and 5 retirees and beneficiaries currently receiving benefits.

An actuarial valuation of the total OPEB liability was performed January 1, 2018 with update procedures were used to roll forward to the plan's fiscal year ending December 31, 2018.

The table below shows the changes in the total OPEB liability, the plan fiduciary net position and the net OPEB liability for the year ended December 31, 2018.

	Change in Net OPEB Liability (Asset)		
	Increase (Decrease)		
	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB Liability (Asset) (A-B)
Balances, December 31, 2017	<u>\$ 1,196,687</u>	<u>\$ 290,850</u>	<u>\$ 905,837</u>
Changes for the year:			
Service cost	30,445	-	30,445
Interest	72,054	-	72,054
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	25,000	(25,000)
Net investment income	-	(13,459)	13,459
Benefit payments	<u>(52,464)</u>	<u>-</u>	<u>(52,464)</u>
Net changes	<u>50,035</u>	<u>11,541</u>	<u>38,494</u>
Balances, December 31, 2018	<u><u>\$ 1,246,722</u></u>	<u><u>\$ 302,391</u></u>	<u><u>\$ 944,331</u></u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

Actuarial Assumptions

Valuation Date:	January 1, 2018
Actuarial cost method:	Entry Age, Normal
Discount rate:	6%
Salary increases:	5% compounded annually
Healthcare cost trends:	Medical - increase by 8.5% during 2019 reduced by .25% per year to an ultimate level of 5% per year Dental - increase 2% per year
Pre-retirement mortality:	None
Post-retirement mortality:	The RP-2014 at 2006, White Collar Annuitant, Scale MP-2017
Termination:	None
Disability:	None
Retirement age:	Age 55 if attained a minimum of 25 years. If 25 years of service not attained by age 55, the retirement is assumed of 20 years of service and age 55 at the later
Participation:	100% of management retirees. 0% spouses and dependents

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimate of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity:	
Large Cap	6.58%
Mid Cap	7.39%
Small cap	7.39%
International equity	7.34%
Fixed income	10.68%
Balanced/Blend	50.00%
Cash	1.67%

Discount Rate

The discount rate used to measure the total pension liability was 6.0%. This is based on the investment allocation of the trust fund.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 6.0% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.0%) or 1 percentage point higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
12/31/18 Total OPEB liability	\$ 1,319,643	\$ 1,246,722	\$1,179,070
Fiduciary net position	<u>302,391</u>	<u>302,391</u>	<u>302,391</u>
12/31/18 Net OPEB liability	<u>\$ 1,017,252</u>	<u>\$ 944,331</u>	<u>\$ 876,679</u>

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current rate as well as what the net OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower or 1 percentage point higher than expected:

	1% Decrease	Current Trend Rates	1% Increase
12/31/18 Total OPEB liability	\$ 1,319,643	\$ 1,246,722	\$1,179,070
Fiduciary net position	<u>302,391</u>	<u>302,391</u>	<u>302,391</u>
12/31/18 Net OPEB liability	<u>\$ 1,017,252</u>	<u>\$ 944,331</u>	<u>\$ 876,679</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 13 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, 2018 is as follows:

Year Ending	Total
2019	\$ 223,919
2020	223,919
2021	223,919
2022	223,919
2023	223,919
Thereafter	8,078,911
Total	<u>\$ 9,198,506</u>

NOTE 14 COMMITMENTS AND CONTINGENCIES

Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2018 of approximately \$2 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, 2018, 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.

The E-911 Fund had a \$246,234 deficit fund balance as of December 31, 2018. The deficit is expected to be covered by future revenues.

Litigation

The City is involved in various lawsuits arising in the ordinary course of its municipal activities. Management has accrued amounts for those lawsuits that are probable and estimable. For the balance of the lawsuits, 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

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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 15 RESTATEMENT

Beginning government-wide governmental activities net position, Solid Waste Fund net position, and Golf Fund net position were restated for the implementation of GASB 75. Government-wide governmental activities beginning net position was restated by a decrease of \$62,135,630. Solid Waste Fund beginning net position was restated by a decrease of \$3,939,733. Golf Fund beginning net position was restated by a decrease of \$802,685.

Allentown Parking Authority implemented GASB 75 during 2018. Beginning net position was restated by a decrease of \$739,178.

NOTE 16 SUBSEQUENT EVENT

The City has evaluated all subsequent events through the report issue date of July 31, 2019. On May 7, 2019, the City issued Federally Taxable General Obligation Refunding Bonds, Series of 2019 in the amount of \$12,460,000 to refund the Federally Taxable General Obligation Pension Refunding Bonds, Series of 2004. Except for the above mentioned event, no other additional events have taken place that affect the financial statements or require disclosure.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes:				
Real Estate:				
Real estate - current	\$ 29,675,000	\$ 29,675,000	\$ 29,346,327	\$ (328,673)
Real estate - prior	1,300,000	1,300,000	1,382,801	82,801
Real estate - Lehigh County	-	-	-	-
Total Real Estate Taxes	30,975,000	30,975,000	30,729,128	(245,872)
Act 511 Taxes:				
Earned income	32,500,000	32,500,000	32,498,582	(1,418)
Residence per capita	-	-	146,606	146,606
Amusement devices	11,000	11,000	10,178	(822)
Deed transfer	1,600,000	1,600,000	1,660,111	60,111
Local services	1,700,000	1,700,000	1,801,405	101,405
Business privilege	7,369,000	7,369,000	8,367,914	998,914
Total Act 511 Taxes	43,180,000	43,180,000	44,484,796	1,304,796
Total Taxes	74,155,000	74,155,000	75,213,924	1,058,924
Licenses and Permits:				
Business licenses	425,000	425,000	263,060	(161,940)
Billboard and sign permits/licenses	14,000	14,000	9,690	(4,310)
Building permits and licenses	966,000	966,000	1,174,904	208,904
Plumbing permits and licenses	183,000	183,000	239,491	56,491
Electrical permits and licenses	290,000	290,000	406,093	116,093
Sheet metal technician license	21,000	21,000	45,855	24,855
Liquor licenses	60,000	60,000	49,450	(10,550)
Health bureau permits and licenses	255,000	255,000	259,700	4,700
Rental inspection program	2,300,975	2,300,975	4,085,989	1,785,014
Presales inspection program	450,825	450,825	240,095	(210,730)
Zoning permits and fees	385,501	385,501	90,418	(295,083)
Fire department inspection fees	99,000	99,000	81,363	(17,637)
CATV franchise fees	1,470,000	1,470,000	1,377,415	(92,585)
Shade tree permits/fees	2,000	2,000	2,740	740
Other permits and licenses	282,150	282,150	254,797	(27,353)
Total Licenses and Permits	7,204,451	7,204,451	8,581,060	1,376,609
Fines and Forfeits:				
District court	300,000	300,000	210,178	(89,822)
Fines and restitution	145,000	145,000	145,608	608
Parking Authority transfer	750,000	750,000	423,080	(326,920)
Total Fines and Forfeits	1,195,000	1,195,000	778,866	(416,134)

(Continued)

See accompanying notes to required supplementary information - budgetary comparison schedule.

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues (Continued):				
Intergovernmental Revenue:				
Health grants	2,031,154	2,031,154	2,278,922	247,768
Police/fire training	212,000	241,000	160,600	(80,400)
State aid for pension	4,494,000	4,494,000	4,497,481	3,481
Police grants/reimbursements	783,900	787,925	959,821	171,896
Casino fee	3,900,000	3,900,000	4,458,041	558,041
Other grants/miscellaneous	593,530	1,220,595	1,554,674	334,079
Total Intergovernmental Revenue	12,014,584	12,674,674	13,909,539	1,234,865
Charges for Services:				
Departmental Earnings:				
Tax/municipal certifications	158,000	158,000	142,875	(15,125)
Police extra duty jobs	450,000	450,000	399,748	(50,252)
Health bureau services	122,550	122,550	137,893	15,343
Street excavation/restoration	65,000	65,000	74,186	9,186
Printing and copier fees	75,000	75,000	81,895	6,895
Other charges for service	30,000	30,000	35,953	5,953
Vehicle towing agreement	276,000	276,000	276,000	-
EMS transit fees	3,670,000	3,670,000	3,910,526	240,526
Warrants of survey	15,000	15,000	36,019	21,019
Stormwater	-	-	-	-
Water and sewer	290,000	290,000	355,247	65,247
Total Departmental Earnings	5,151,550	5,151,550	5,450,342	298,792
Municipal Recreation:				
Swimming pool fees	225,000	225,000	175,491	(49,509)
Recreation fees	90,000	90,000	65,348	(24,652)
Total Municipal Recreation	315,000	315,000	240,839	(74,161)
General Fund Service Charges:				
Other service charges	1,845,864	1,845,864	1,828,147	(17,717)
Total General Fund Service Charges	1,845,864	1,845,864	1,828,147	(17,717)
Total Charges for Services	7,312,414	7,312,414	7,519,328	206,914
Investment Income	60,120	60,120	470,525	410,405

(Continued)

See accompanying notes to required supplementary information - budgetary comparison schedule.

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues (Continued):				
Other Income:				
Rental of city property	128,000	128,000	147,914	19,914
Marketing/advertising	130,000	130,000	165,327	35,327
Contributions	75,000	136,000	17,500	(118,500)
Damage to city property	25,000	25,000	10,159	(14,841)
Lights in parkway	212,500	212,500	213,591	1,091
Pennsylvania Utility Realty tax	70,000	70,000	71,924	1,924
Allentown Housing Authority	110,000	110,000	173,253	63,253
Sale of property	25,000	25,000	-	(25,000)
Recreation/special events	34,000	34,000	35,906	1,906
Miscellaneous	2,177,814	2,677,814	1,664,183	(1,013,631)
Total Other Income	2,987,314	3,548,314	2,499,757	(1,048,557)
Total Revenues	104,928,883	106,149,973	108,972,999	2,823,026
Expenditures:				
General Government:				
Nondepartmental:				
City Council	626,272	633,422	369,685	263,737
Office of the Mayor	791,608	786,608	733,884	52,724
City Controller	205,352	205,352	198,047	7,305
Law	843,305	843,305	757,436	85,869
General and civic	640,112	830,982	607,365	223,617
Total Nondepartmental	3,106,649	3,299,669	2,666,417	633,252
Department of Finance	3,696,389	3,479,734	3,371,584	108,150
Total Department of Finance	3,696,389	3,479,734	3,371,584	108,150
Human Resources	729,950	722,950	614,157	108,793
Total Human Resources	729,950	722,950	614,157	108,793
Management Systems				
Management Director and Information Services	2,574,645	3,748,785	3,424,767	324,018
Total Management Systems	2,574,645	3,748,785	3,424,767	324,018
Total General Government	10,107,633	11,251,138	10,076,925	1,174,213
				(Continued)

See accompanying notes to required supplementary information - budgetary comparison schedule.

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued):				
Public Safety:				
Department of Public Safety:				
Police	36,631,543	36,342,248	34,448,509	1,893,739
Fire	22,112,080	22,727,483	22,038,471	689,012
Communications	55,605	55,605	52,229	3,376
Total Public Safety	58,799,228	59,125,336	56,539,209	2,586,127
Public Works:				
Department of Public Works:				
Director's office	423,683	408,933	320,178	88,755
Engineering	1,350,724	1,359,610	1,305,332	54,278
Building maintenance	2,253,094	2,173,006	1,935,893	237,113
Fleet maintenance operation	3,267,479	3,099,164	3,088,164	11,000
Streets	984,057	921,557	763,298	158,259
Traffic planning and control	987,060	998,870	940,707	58,163
Communications - Technical Service	1,284,642	1,287,642	1,212,581	75,061
Street lighting	628,495	813,709	722,213	91,496
Stormwater	-	6,819	1,519	5,300
Total Public Works	11,179,234	11,069,310	10,289,885	779,425
Health and Sanitation:				
Department of Community Development:				
Health	3,728,090	3,743,794	3,489,850	253,944
Total Health and Sanitation	3,728,090	3,743,794	3,489,850	253,944
Parks and Recreation:				
Department of Parks and Recreation:				
Park maintenance	3,444,349	3,459,563	3,353,920	105,643
Recreation	671,459	668,834	634,942	33,892
Swimming pool operation	311,428	246,933	231,831	15,102
Total Parks and Recreation	4,427,236	4,375,330	4,220,693	154,637
Community Development and Planning:				
Department of Community Development:				
Director's office	2,581,172	2,501,198	1,236,677	1,264,521
Planning and zoning	1,114,644	1,282,644	1,101,898	180,746
Building standards and safety	3,876,420	4,049,264	3,586,355	462,909
Total Community Development and Planning	7,572,236	7,833,106	5,924,930	1,908,176
Capital Outlays	2,400,583	3,287,636	2,509,201	778,435
Total Capital Outlays	2,400,583	3,287,636	2,509,201	778,435
Total Expenditures	98,214,240	100,685,650	93,050,693	7,634,957

(Continued)

See accompanying notes to required supplementary information - budgetary comparison schedule.

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess (Deficiency) of Revenues over Expenditures	\$ 6,714,643	\$ 5,464,323	\$ 15,922,306	\$ 10,457,983
Other Financing Sources (Uses):				
Issuance of long-term debt	1,935,072	1,935,072	1,174,098	(760,974)
Transfers in:				
Equipment Fund	465,511	1,132,564	1,132,564	-
Transfers out:				
Equipment Fund	(466,511)	(1,133,564)	(1,132,564)	1,000
Capital Fund	-	335,088	(1,940,746)	(2,275,834)
Risk Fund	(2,603,334)	(2,969,334)	(2,713,758)	255,576
Debt Service Fund	(8,525,272)	(8,525,272)	(7,044,384)	1,480,888
Stormwater Fund	-	-	(326,888)	(326,888)
E-911 Fund	(772,064)	(772,064)	-	772,064
Golf Fund	-	-	(311,681)	(311,681)
Solid Waste Fund	(642,857)	(642,857)	(1,052,350)	(409,493)
Total other financing sources (uses)	(10,609,455)	(10,640,367)	(12,215,709)	(1,575,342)
Net Change in Fund Balance	\$ (3,894,812)	\$ (5,176,044)	\$ 3,706,597	\$ 8,882,641
Net effect of agency fund, other income and expenditure accruals			1,937,743	
Net Change in Fund Balance			5,644,340	
Fund Balance (Deficit):				
Beginning of year			13,251,806	
End of year			\$ 18,896,146	
				(Concluded)

See accompanying notes to required supplementary information - budgetary comparison schedule.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018

NOTE 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, Capital Projects Fund, Debt Service Fund, Liquid Fuels Fund, Community Development Block Grant Fund, Trexler Fund, E-911 Fund, Grants Fund, Stormwater Fund, and Lease/A.O. 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 ordinances related to tax rates and other rates and fees.

The City Charter requires the City's legal level of budgetary control to be at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance up to \$5,000 between accounts within a fund thereby lowering the legal level of budgetary control to the account level. Transfers exceeding \$5,000 must be approved by City Council.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO REQUIRED BUDGETARY SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

NOTE 2 COMPLIANCE

Because the legal level of budgetary control is so detailed (account level) that it is not practical to demonstrate compliance within this document, the City has prepared a separate budgetary report to demonstrate compliance at the account level that is available through the City's website.

Excess of Expenditures Over Appropriations

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess %</u>
<u>General Fund:</u>			
Public Works			
Building Maintenance - Pension	\$ 95,682	\$ 95,936	0.27%
Public Safety:			
Department of Public Safety:			
Police - Pension	7,680,424	7,684,481	0.05%
Fire - Pension	4,126,267	4,128,295	0.05%
<u>Lease A.O. Fund:</u>			
Finance - A.O. Special Revenue			
Professional Service Fees	500	762	52.40%
Interfund Transfers	-	653,631	100.00%
<u>911 Fund:</u>			
Emergency Communications			
Premium Pay	\$ 225,000	\$ 409,593	82.04%

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund and other financing sources.

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - POLICE PENSION PLAN

Measurement Date, December 31	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:					
Service cost	\$ 3,496,148	\$ 3,500,391	\$ 3,039,127	\$ 2,856,276	\$ 2,661,908
Interest	14,586,053	14,049,286	13,161,554	12,720,534	12,280,247
Difference between expected and actual experience	377,097	4,018,311	(205,379)	737,072	-
Changes in assumptions	-	-	7,903,467	-	-
Benefit payments, including refunds	(10,833,661)	(10,700,027)	(10,506,610)	(10,190,293)	(10,194,574)
Net Changes in Total Pension Liability	7,625,637	10,867,961	13,392,159	6,123,589	4,747,581
Total Pension Liability - Beginning	195,926,362	185,058,401	171,666,242	165,542,653	160,795,072
Total Pension Liability - Ending (a)	<u>\$ 203,551,999</u>	<u>\$ 195,926,362</u>	<u>\$ 185,058,401</u>	<u>\$ 171,666,242</u>	<u>\$ 165,542,653</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 6,924,460	\$ 4,341,381	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471
Contributions - member	988,224	931,395	991,017	914,420	825,381
Net investment income (loss)	(7,348,536)	22,256,156	10,741,586	(701,889)	6,419,152
Benefit payments, including refunds	(10,833,661)	(10,700,026)	(10,506,610)	(10,190,293)	(10,194,574)
Administrative expense	(98,985)	(85,076)	(9,593)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(10,368,498)	16,743,830	5,432,937	(7,317,676)	(453,252)
Plan Fiduciary Net Position - Beginning	163,215,391	146,471,561	141,038,624	148,356,300	148,809,552
Plan Fiduciary Net Position - Ending (b)	<u>\$ 152,846,893</u>	<u>\$ 163,215,391</u>	<u>\$ 146,471,561</u>	<u>\$ 141,038,624</u>	<u>\$ 148,356,300</u>
Net Pension Liability - Ending (a-b)	<u>\$ 50,705,106</u>	<u>\$ 32,710,971</u>	<u>\$ 38,586,840</u>	<u>\$ 30,627,618</u>	<u>\$ 17,186,353</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>75.09%</u>	<u>83.30%</u>	<u>79.15%</u>	<u>82.16%</u>	<u>89.62%</u>
Covered Payroll	<u>\$ 19,718,764</u>	<u>\$ 19,231,733</u>	<u>\$ 18,931,433</u>	<u>\$ 17,794,000</u>	<u>\$ 17,031,352</u>
Net Pension Liability as a Percentage of Covered Payroll	257.14%	170.09%	203.82%	172.12%	100.91%

* This schedule is intended to illustrate information for 10 years. However, until a 10-year trend is compiled, the City is presenting information for those years only for which information is available.

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - FIREMEN PENSION PLAN

Measurement Date, December 31	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:					
Service cost	\$ 1,789,346	\$ 1,735,550	\$ 1,544,110	\$ 1,513,683	\$ 1,422,468
Interest	9,292,591	9,101,734	8,940,922	8,782,604	8,601,438
Difference between expected and actual experience	(324,574)	(513,486)	(502,487)	312,322	-
Changes in assumptions	-	-	4,219,884	-	-
Benefit payments, including refunds	(8,032,161)	(8,011,716)	(8,113,374)	(8,104,277)	(8,075,886)
Net Changes in Total Pension Liability	2,725,202	2,312,082	6,089,055	2,504,332	1,948,020
Total Pension Liability - Beginning	126,379,912	124,067,830	117,978,775	115,474,443	113,526,423
Total Pension Liability - Ending (a)	<u>\$ 129,105,114</u>	<u>\$ 126,379,912</u>	<u>\$ 124,067,830</u>	<u>\$ 117,978,775</u>	<u>\$ 115,474,443</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 3,714,299	\$ 3,068,607	\$ 2,965,478	\$ 1,205,379	\$ 1,355,613
Contributions - member	537,852	520,536	495,834	482,441	450,825
Net investment income (loss)	(4,686,690)	14,584,721	7,093,225	(374,539)	4,173,658
Benefit payments, including refunds	(8,032,161)	(8,011,715)	(8,113,274)	(8,104,277)	(8,075,886)
Administrative expense	(78,361)	(85,633)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(8,545,061)	10,076,516	2,431,671	(6,800,669)	(2,106,472)
Plan Fiduciary Net Position - Beginning	108,294,161	98,217,645	95,785,974	102,586,743	104,693,125
Plan Fiduciary Net Position - Ending (b)	<u>\$ 99,749,100</u>	<u>\$ 108,294,161</u>	<u>\$ 98,217,645</u>	<u>\$ 95,785,974</u>	<u>\$ 102,586,653</u>
Net Pension Liability - Ending (a-b)	<u>\$ 29,356,014</u>	<u>\$ 18,085,751</u>	<u>\$ 25,850,185</u>	<u>\$ 22,192,801</u>	<u>\$ 12,887,790</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>77.26%</u>	<u>85.69%</u>	<u>79.16%</u>	<u>81.19%</u>	<u>88.84%</u>
Covered Payroll	<u>\$ 10,776,923</u>	<u>\$ 10,408,858</u>	<u>\$ 9,901,453</u>	<u>\$ 9,544,000</u>	<u>\$ 8,968,810</u>
Net Pension Liability as a Percentage of Covered Payroll	272.40%	173.75%	261.07%	232.53%	143.70%

* This schedule is intended to illustrate information for 10 years. However, until a 10-year trend is compiled, the City is presenting information for those years only for which information is available.

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - OFFICERS AND EMPLOYEES PENSION PLAN

Measurement Date, December 31	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:					
Service cost	\$ 9,983	\$ 9,614	\$ 8,894	\$ 8,254	\$ 7,950
Interest	842,606	917,538	1,010,525	1,064,075	1,169,496
Difference between expected and actual experience	(132,092)	(49,185)	278,360	(434,623)	-
Changes in assumptions	-	-	294,664	-	-
Benefit payments, including refunds	(1,877,646)	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Net Changes in Total Pension Liability	(1,157,149)	(1,138,681)	(543,912)	(1,598,260)	(1,194,228)
Total Pension Liability - Beginning	14,009,316	15,147,997	15,691,909	17,290,169	18,484,397
Total Pension Liability - Ending (a)	<u>\$ 12,852,167</u>	<u>\$ 14,009,316</u>	<u>\$ 15,147,997</u>	<u>\$ 15,691,909</u>	<u>\$ 17,290,169</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 203,427	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519
Contributions - member	4,212	4,073	3,930	3,851	3,573
Net investment income	(264,012)	1,281,494	647,814	50,233	940,162
Benefit payments, including refunds	(1,877,646)	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Administrative expense	(64,142)	(68,931)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(1,998,161)	(650,167)	(1,344,663)	(2,030,533)	(1,335,102)
Plan Fiduciary Net Position - Beginning	12,885,730	13,535,897	14,880,560	16,911,093	18,246,195
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,887,569</u>	<u>\$ 12,885,730</u>	<u>\$ 13,535,897</u>	<u>\$ 14,880,560</u>	<u>\$ 16,911,093</u>
Net Pension Liability - Ending (a-b)	<u>\$ 1,964,598</u>	<u>\$ 1,123,586</u>	<u>\$ 1,612,100</u>	<u>\$ 811,349</u>	<u>\$ 379,076</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>84.71%</u>	<u>91.98%</u>	<u>89.36%</u>	<u>94.83%</u>	<u>97.81%</u>
Covered Payroll	<u>\$ 76,590</u>	<u>\$ 74,062</u>	<u>\$ 71,512</u>	<u>\$ 70,000</u>	<u>\$ 64,960</u>
Net Pension Liability as a Percentage of Covered Payroll	2565.08%	1517.09%	2254.31%	1159.07%	583.55%

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CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - PMRS PLAN

	2018*	2017*	2016*	2015*
<u>Total Pension Liability:</u>				
Service cost	\$ 3,134,334	\$ 2,885,308	\$ 3,121,592	\$ 3,792,600
Interest	8,808,742	8,772,091	8,484,310	8,298,621
Difference between expected and actual experience	-	-	-	(31,247)
Changes in assumptions	-	4,474,139	2,584,899	-
Transfers	79,165	1,235,476	-	(42,319)
Benefit payments, including refunds	(9,546,663)	(9,172,560)	(8,283,599)	(7,706,851)
Net Changes in Total Pension Liability	2,475,578	8,194,454	5,907,202	4,310,804
Total Pension Liability - Beginning	169,326,609	161,132,155	155,224,953	150,914,149
Total Pension Liability - Ending (a)	<u>\$ 171,802,187</u>	<u>\$ 169,326,609</u>	<u>\$ 161,132,155</u>	<u>\$ 155,224,953</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 2,630,992	\$ 2,240,743	\$ 2,230,827	\$ 1,558,888
Contributions - member	1,775,180	1,738,658	1,710,952	1,672,158
Net investment income	24,702,348	11,603,111	(36,944)	7,201,360
Transfers	79,165	-	-	(42,319)
Benefit payments, including refunds	(9,546,663)	(9,172,560)	(8,283,599)	(7,706,851)
Administrative expense	(367,920)	(397,521)	(338,130)	(304,806)
Net Change in Plan Fiduciary Net Position	19,273,102	6,012,431	(4,716,894)	2,378,430
Plan Fiduciary Net Position - Beginning	141,649,708	135,637,277	140,354,171	137,975,741
Plan Fiduciary Net Position - Ending (b)	<u>\$ 160,922,810</u>	<u>\$ 141,649,708</u>	<u>\$ 135,637,277</u>	<u>\$ 140,354,171</u>
Net Pension Liability - Ending (a-b)	<u>\$ 10,879,377</u>	<u>\$ 27,676,901</u>	<u>\$ 25,494,878</u>	<u>\$ 14,870,782</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>93.67%</u>	<u>83.65%</u>	<u>84.18%</u>	<u>90.42%</u>
Covered Payroll	\$ 23,651,715	\$ 23,169,719	\$ 23,067,602	\$ 22,740,178
Net Pension Liability as a Percentage of Covered Payroll	46.00%	119.45%	110.52%	65.39%

* The amounts presented for each fiscal year were determined on the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS - PARKING AUTHORITY

	2018*	2017*	2016*	2015*
Total Pension Liability:				
Interest	\$ 203,074	\$ 212,438	\$ 220,605	\$ 218,085
Difference between expected and actual experience	-	(11,100)	-	-
Changes in assumptions	-	6,096	-	-
Benefit payments, including refunds	(200,199)	(474,376)	(174,612)	(194,346)
Net Changes in Total Pension Liability	2,875	(266,942)	45,993	23,739
Total Pension Liability - Beginning	2,807,759	3,074,701	3,028,708	3,004,969
Total Pension Liability - Ending (a)	\$ 2,810,634	\$ 2,807,759	\$ 3,074,701	\$ 3,028,708
Plan Fiduciary Net Position:				
Net investment income (loss)	\$ (111,811)	\$ 498,292	\$ 246,491	\$ (35,622)
Benefit payments, including refunds	(200,199)	(474,376)	(174,612)	(194,346)
Net Change in Plan Fiduciary Net Position	(312,010)	23,916	71,879	(229,968)
Plan Fiduciary Net Position - Beginning	3,078,409	3,054,493	2,982,614	3,212,582
Plan Fiduciary Net Position - Ending (b)	\$ 2,766,399	\$ 3,078,409	\$ 3,054,493	\$ 2,982,614
Net Pension Liability (Asset) - Ending (a-b)	\$ 44,235	\$ (270,650)	\$ 20,208	\$ 46,094
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	98.43%	109.64%	99.34%	98.48%
Covered Payroll	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

* This schedule is intended to illustrate information for 10 years. However, until a 10-year trend is compiled, the Parking Authority is presenting information for those years only for which information is available.

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

Year Ended December 31,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
POLICE PENSION PLAN										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 6,924,460	\$ 4,341,381	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471	\$ 2,276,774	\$ 7,324,133	\$ 7,338,716	\$ 5,726,720	\$ 7,115,495
Contributions in relation to the actuarially determined contribution	6,924,460	4,341,381	4,216,537	2,669,759	2,507,471	86,776,774	8,248,725	7,597,844	5,726,720	7,115,495
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (84,500,000)	\$ (924,592)	\$ (259,128)	\$ -	\$ -
Covered payroll	<u>\$ 19,718,764</u>	<u>\$ 19,231,733</u>	<u>\$ 18,931,433</u>	<u>\$ 17,794,000</u>	<u>\$ 17,031,352</u>	<u>\$ 15,293,935</u>	<u>\$ 14,487,385</u>	<u>\$ 13,788,954</u>	<u>\$ 13,821,650</u>	<u>\$ 13,001,025</u>
Contributions as a percentage of covered payroll	35.12%	22.57%	22.27%	15.00%	14.72%	567.39%	56.94%	55.10%	41.43%	54.73%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	(4.65%)	15.20%	7.30%	0.44%	4.51%					
FIREMEN PENSION PLAN										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 3,714,299	\$ 3,068,607	\$ 2,965,478	\$ 1,205,379	\$ 1,345,613	\$ 1,508,323	\$ 4,069,771	\$ 4,146,949	\$ 3,133,439	\$ 3,565,384
Contributions in relation to the actuarially determined contribution	3,714,299	3,068,607	2,965,478	1,205,379	1,355,613	62,708,409	4,583,476	4,293,176	3,133,439	3,565,384
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	\$ (61,200,086)	\$ (513,705)	\$ (146,227)	\$ -	\$ -
Covered payroll	<u>\$ 10,776,923</u>	<u>\$ 10,408,858</u>	<u>\$ 9,901,453</u>	<u>\$ 9,544,000</u>	<u>\$ 8,968,810</u>	<u>\$ 8,117,293</u>	<u>\$ 9,755,213</u>	<u>\$ 7,558,653</u>	<u>\$ 10,475,590</u>	<u>\$ 10,179,600</u>
Contributions as a percentage of covered payroll	34.47%	29.48%	29.95%	12.63%	15.11%	772.53%	46.98%	56.80%	29.91%	35.02%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	(4.51%)	14.80%	7.10%	(0.32%)	4.29%					

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS
(CONTINUED)

Year Ended December 31,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
OFFICERS AND EMPLOYEES PENSION PLAN:										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 203,427	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519	\$ 81,097	\$ 512,669	\$ 514,014	\$ 343,531	\$ 451,053
Contributions in relation to the actuarially determined contribution	203,427	149,845	149,540	161,022	103,519	4,381,097	577,431	532,150	343,531	451,053
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,300,000)	\$ (64,762)	\$ (18,136)	\$ -	\$ -
Covered payroll	\$ 76,590	\$ 74,062	\$ 71,512	\$ 70,000	\$ 64,960	\$ 62,491	\$ 250,856	\$ 250,324	\$ 314,909	\$ 386,999
Contributions as a percentage of covered payroll	265.61%	202.32%	209.11%	230.03%	159.36%	7010.76%	230.18%	212.58%	109.09%	116.55%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	(2.22%)	9.50%	4.80%	0.67%	5.99%					
Measurement date, December 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
PMRS PLAN:										
<u>Schedule of City Contributions**</u>										
Actuarially determined contribution under Act 205	\$ 2,629,868	\$ 2,239,534	\$ 2,229,106	\$ 1,557,908	\$ 1,612,483	\$ 1,299,757	\$ 1,367,093	\$ 1,186,454	\$ 1,217,945	\$ 1,374,389
Contributions in relation to the actuarially determined contribution	2,630,992	2,240,743	2,230,827	1,558,888	1,612,483	1,299,757	1,367,093	11,864,554	1,217,945	1,374,389
Contribution deficiency (excess)	\$ (1,124)	\$ (1,209)	\$ (1,721)	\$ (980)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 23,651,715	\$ 23,169,719	\$ 23,067,602	\$ 22,740,178						
Contributions as a percentage of covered payroll	11.12%	9.67%	9.67%	6.86%						
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	16.33%	8.37%	(0.03%)	5.17%						

** The amount presented for each fiscal year were determined as of the measurement date, which is December 31 of the immediately preceding fiscal year.

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF PARKING AUTHORITY CONTRIBUTIONS AND INVESTMENT RETURNS

	2018*	2017*	2016*	2015*
PARKING AUTHORITY PENSION PLAN				
<u>Schedule of Parking Authority Contributions</u>				
Actuarially determined contribution under Act 205	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%
<u>Investment Returns</u>				
Annual money-weighted rate of return, net of investment expense	-3.75%	17.69%	8.50%	-1.14%

* This schedule is intended to illustrate information for 10 years. However, until a 10-year trend is compiled, the Parking Authority is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension information

CITY OF ALLENTOWN, PENNSYLVANIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION
YEAR ENDED DECEMBER 31, 2018

NOTE 1 ACTUARIAL METHODS AND ASSUMPTIONS

Primary Government

The information presented in the required supplementary information was determined as part of the actuarial valuation at the dates indicated. Methods and assumptions used to determine contribution rates for the Police, Firemen, and Officers and Employees Pension Plans under Act 205 for the year ended December 31, 2018 are as follows:

	<u>Police</u>	<u>Firemen</u>	<u>Officers and Employees</u>
Valuation date	1/1/2018	1/1/2018	1/1/2018
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed period	Level dollar, closed period	Level dollar, closed period
Amortization period	14 years	13 years	2 years
Asset valuation method	*Five-year smoothed market. 80%/20% corridor around market		
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	6.50%
Projected salary increases	4.50%	4.50%	4.50%
Mortality - Healthy Lives:	Blue Collar Adjusted RP-2000 Combined Healthy Mortality Table		RP-2000 Combined Healthy Mortality Table
Mortality - Disabled Lives:	RP-2000 Disabled Mortality Table		
Cost of Living Adjustment	2.4% per year upon eligibility to receive a COLA		0%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PMRS PENSION
YEAR ENDED DECEMBER 31, 2018

NOTE 1 ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Primary Government (Continued)

Methods and assumptions used to determine the contribution rate required under Act 205 for the PMRS Pension Plan for the year ended December 31, 2018 (presented as the subsequent year on the preceding schedules) are as follows:

Valuation date	1/1/2017
Actuarial cost method	Entry age
Amortization method	Level Dollar, Closed Period
Amortization period	Based upon Amortization Tables in Act 205
Asset valuation method	Based upon the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.50%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	3.00%
Cost-of-living adjustment	3.00%
Pre-retirement mortality	Males: RP 2000 with 1 year set back Females: RP 2000 with 5 year set back
Post-retirement mortality	Males and females: RP-2000 Sex-Distinct Combined Healthy Mortality Table

Discretely Presented Component Unit

Parking Authority

Valuation date	1/1/2017
Actuarial cost method	Entry age normal
Investment return	7.50% per annum
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality Table projected to 2017 using Scale AA
Termination	None
Disability	None
Retirement age	Normal retirement age or age on valuation, if greater
Form of annuity	10 year certain and life
Significant plan changes	None
Significant assumption changes	In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 using Scale AA to the RP-2000 Table projected to 2017 using Scale AA

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS

	<u>2018*</u>
Total OPEB Liability	
Service cost	\$ 2,976,784
Interest	3,206,665
Changes in Benefits	-
Difference between expected and actual experience	(1,722,009)
Changes in assumptions	9,034,134
Benefit payments	<u>(4,780,529)</u>
Net change in Total OPEB Liability	8,715,045
 Total OPEB Liability - Beginning	 <u>85,725,915</u>
Total OPEB Liability - Ending	<u><u>\$ 94,440,960</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 4,780,529
Contributions - member	-
Net investment income	-
Benefit payments, including employee refunds	(4,780,529)
Administrative expense	<u>-</u>
Net changes	-
 Plan Fiduciary Net Position - Beginning	 <u>-</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ -</u></u>
 Total OPEB Liability - Ending	 <u><u>\$ 94,440,960</u></u>
 Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	 0%
 Covered payroll	 <u><u>\$ 56,828,252</u></u>
 Total OPEB liability as a percentage of covered payroll	 166.19%

* This schedule is intended to illustrate information for 10 years. However, until a 10-year trend is compiled, the City is presenting information for those years only for which information is available.

CITY OF ALLENTOWN, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS - ALLENTOWN PARKING AUTHORITY

	2018*
Total OPEB Liability	
Service cost	\$ 30,445
Interest	72,054
Changes in Benefits	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(52,464)
Net change in Total OPEB Liability	<u>\$ 50,035</u>
Total OPEB Liability - Beginning	<u>1,196,687</u>
Total OPEB Liability - Ending	<u>1,246,722</u>
Plan Fiduciary Net Position	
Contributions - employer	25,000
Contributions - member	-
Net investment income	(13,459)
Benefit payments, including employee refunds	-
Administrative expense	-
Net changes	<u>11,541</u>
Plan Fiduciary Net Position - Beginning	<u>290,850</u>
Plan Fiduciary Net Position - Ending	<u>\$ 302,391</u>
Net OPEB Liability - Ending	<u>\$ 944,331</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	24.25%
Covered payroll	<u>\$ 308,966</u>
Net OPEB liability as a percentage of covered payroll	305.64%

* This schedule is intended to illustrate information for 10 years. However, until a 10-year trend is compiled, the Parking Authority is presenting information for those years only for which information is available.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN
YEAR ENDED DECEMBER 31, 2018

Note 1 Actuarial Methods and Assumptions

Primary Government Actuarial Assumptions:

Valuation Date: December 31, 2017

Measurement Date: December 31, 2017

Methods and assumptions used to determine contribution rates:

Discount rate: 3.44% per annum

Expected return on assets: Not applicable

Salary increase assumption (with merit): 4.5% per year

Retirement rates:

Police: Age 53 and 25 years of service

Fire: Immediately upon attainment of age 62 with 20 years of service, if younger than 62, a select and ultimate table with increasing rates

Rates of Mortality:

Police, Fire and Non-PMRS O&E

Healthy Mortality: Blue collar adjusted RP 2000 with projected generationally from base year 2000 using 50% of Scale AA.

Disabled Mortality: RP 2000 disabled mortality table

PMRS

Healthy Mortality, Pre-Retirement: Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA
Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback 5 years

Healthy Mortality, Post-Retirement: Males: RP 2000 Annuitant Male table projected 5 years with Scale AA
Females: RP 2000 Annuitant Female table projected 10 years with Scale AA

Disabled Mortality: Male and females: RP 2000 with 10 year set forward

CITY OF ALLENTOWN, PENNSYLVANIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN
ALLENTOWN PARKING AUTHORITY

Note 1 Actuarial Methods and Assumptions

Parking Authority Actuarial Assumptions:

Valuation Date:	January 1, 2018
Actuarial cost method:	Entry Age, Normal
Discount rate:	6%
Salary increases:	5% compounded annually
Healthcare cost trends:	Medical - increase by 8.5% during 2019 reduced by .25% per year to an ultimate level of 5% per year Dental - increase 2% per year
Pre-retirement mortality:	None
Post-retirement mortality:	The RP-2014 at 2006, White Collar Annuitant, Scale MP-2017
Termination:	None
Disability:	None
Retirement age:	Age 55 if attained a minimum of 25 years. If 25 years of service not attained by age 55, the retirement is assumed of 20 years of service and age 55 at the later
Participation:	100% of management retirees. 0% spouses and dependents

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CITY OF ALLENTOWN, PENNSYLVANIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	Lease/A.O.	Stormwater	
Assets									
Cash and cash equivalents	\$ 2,135,970	\$ 956,630	\$ 237,849	\$ 245,468	\$ 219,056	\$ 186,327	\$ 1,132,456	\$ 1,924,880	\$ 7,038,636
Receivables:									
Loans	-	3,418,400	1,092,048	-	-	-	-	-	4,510,448
Accounts	-	-	-	-	-	-	7,251	236,415	243,666
Grants	-	698,195	-	402,119	-	-	-	-	1,100,314
Interest	-	-	-	7,758	-	-	-	-	7,758
Due from other funds	-	-	-	-	55	-	-	-	55
Total Assets	\$ 2,135,970	\$ 5,073,225	\$ 1,329,897	\$ 655,345	\$ 219,111	\$ 186,327	\$ 1,139,707	\$ 2,161,295	\$ 12,900,877
Liabilities and Fund Balance									
Liabilities:									
Accounts payable	\$ -	\$ 254,801	\$ -	\$ 12,571	\$ 15,105	\$ 186,327	\$ -	\$ 249,692	\$ 718,496
Wages payable	48,767	-	-	27,955	-	-	-	47,212	123,934
Due to other funds	-	625,803	1,320	-	450,240	-	-	-	1,077,363
Other liabilities	-	41,971	-	-	-	-	-	-	41,971
Total Liabilities	\$ 48,767	\$ 922,575	\$ 1,320	\$ 40,526	\$ 465,345	\$ 186,327	\$ -	\$ 296,904	\$ 1,961,764
Fund Balance:									
Restricted	\$ 2,087,203	\$ 4,150,650	\$ 1,328,577	\$ 614,819	\$ -	\$ -	\$ 1,139,707	\$ 1,864,391	\$ 11,185,347
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(246,234)	-	-	-	(246,234)
Total Fund Balance (Deficit)	2,087,203	4,150,650	1,328,577	614,819	(246,234)	-	1,139,707	1,864,391	10,939,113
Total Liabilities and Fund Balance	\$ 2,135,970	\$ 5,073,225	\$ 1,329,897	\$ 655,345	\$ 219,111	\$ 186,327	\$ 1,139,707	\$ 2,161,295	\$ 12,900,877

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	Lease/A.O.	Stormwater	
Revenues:									
Investment earnings	\$ 21,751	\$ 6,425	\$ 786	\$ -	\$ 5,230	\$ -	\$ 15,778	\$ 17,096	\$ 67,066
Intergovernmental revenues	3,352,056	2,390,690	-	2,230,185	2,645,091	8,145,264	-	123,668	18,886,954
Other	94,628	173,415	-	28,817	-	-	201,546	5,726,599	6,225,005
Total Revenues	3,468,435	2,570,530	786	2,259,002	2,650,321	8,145,264	217,324	5,867,363	25,179,025
Expenditures:									
Current:									
General government	-	-	-	-	-	5,461,057	762	-	5,461,819
Public safety	-	-	-	-	2,777,715	-	-	-	2,777,715
Community development	-	2,890,873	-	-	-	2,684,207	-	-	5,575,080
Public works	3,105,287	-	-	-	-	-	-	3,031,731	6,137,018
Parks and recreation	-	-	-	1,668,964	-	-	-	-	1,668,964
Debt Service									
Principal	-	-	-	-	-	-	116,000	-	116,000
Interest	-	-	-	-	-	-	43,781	-	43,781
Capital outlay	147,219	38,385	-	67,397	-	-	-	644,353	897,354
Total Expenditures	3,252,506	2,929,258	-	1,736,361	2,777,715	8,145,264	160,543	3,676,084	22,677,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	215,929	(358,728)	786	522,641	(127,394)	-	56,781	2,191,279	2,501,294
Other Financing Sources (Uses):									
Issuance of long-term debt	-	-	-	-	-	-	653,631	-	653,631
Transfers in	11,721	-	-	-	-	-	-	-	11,721
Transfers Out	(61,228)	-	-	(101,810)	-	-	(653,631)	(326,888)	(1,143,557)
Total other financial sources (uses)	(49,507)	-	-	(101,810)	-	-	-	(326,888)	(478,205)
Net Change in Fund Balance	166,422	(358,728)	786	420,831	(127,394)	-	56,781	1,864,391	2,023,089
Fund Balance (Deficit):									
Beginning of year	1,920,781	4,509,378	1,327,791	193,988	(118,840)	-	1,082,926	-	8,916,024
End of year	\$ 2,087,203	\$ 4,150,650	\$ 1,328,577	\$ 614,819	\$ (246,234)	\$ -	\$ 1,139,707	\$ 1,864,391	\$ 10,939,113

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,325,430	1,606,000	280,570
Other	-	288,664	2,148,900	1,860,236
Total revenues	-	1,614,094	3,754,900	2,140,806
Expenditures:				
Capital outlay	59,835,587	63,881,955	3,559,730	60,322,225
Total Expenditures	59,835,587	63,881,955	3,559,730	60,322,225
Excess (Deficiency) of Revenues over Expenditures	(59,835,587)	(62,267,861)	195,170	62,463,031
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	11,504,212	11,504,212
Transfers in	-	-	660,297	660,297
Transfers out	-	-	(9,687,195)	(9,687,195)
Total other financing sources (uses)	-	-	2,477,314	2,477,314
Net Change in Fund Balance	\$ (59,835,587)	\$ (62,267,861)	2,672,484	\$ 64,940,345
Net effect of other income and expenditure accruals			(2,819,647)	
Net Change in Fund Balance			(147,163)	
Fund Balance:				
Beginning of year			5,121,069	
End of year			\$ 4,973,906	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures:				
Current:				
General government	\$ 35,000	\$ 35,000	\$ 6,555	\$ 28,445
Debt service - principal	6,552,222	6,552,222	13,570,108	(7,017,886)
Debt service - interest	3,078,780	3,078,780	2,416,130	662,650
Total Expenditures	9,666,002	9,666,002	15,992,793	(6,326,791)
Excess (Deficiency) of Revenues over Expenditures	(9,666,002)	(9,666,002)	(15,992,793)	(6,326,791)
Other Financing Sources (Uses):				
Transfers in	9,666,002	9,666,002	15,992,793	6,326,791
Total other financing sources (uses)	9,666,002	9,666,002	15,992,793	6,326,791
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - LIQUID FUELS FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
PA Liquid Fuels Tax	\$ 3,165,119	\$ 3,165,119	\$ 3,216,209	\$ 51,090
State aid for pension	121,877	121,877	135,847	13,970
Total intergovernmental revenues	<u>3,286,996</u>	<u>3,286,996</u>	<u>3,352,056</u>	<u>65,060</u>
Other income:				
Miscellaneous	70,000	70,000	128,100	58,100
Total other income	<u>70,000</u>	<u>70,000</u>	<u>128,100</u>	<u>58,100</u>
Total Revenues	<u>3,356,996</u>	<u>3,356,996</u>	<u>3,480,156</u>	<u>123,160</u>
<u>Expenditures:</u>				
Public Works:				
Department of Public Works:				
Streets	3,484,533	3,484,533	3,252,506	232,027
Total public works	<u>3,484,533</u>	<u>3,484,533</u>	<u>3,252,506</u>	<u>232,027</u>
Capital Outlay	199,990	199,990	147,219	52,771
Total Expenditures	<u>3,684,523</u>	<u>3,684,523</u>	<u>3,399,725</u>	<u>284,798</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(327,527)</u>	<u>(327,527)</u>	<u>80,431</u>	<u>407,958</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	-	-	11,721	11,721
Transfers out	(61,228)	-	(61,228)	(61,228)
Total other financing sources (uses)	<u>(61,228)</u>	<u>-</u>	<u>(49,507)</u>	<u>(49,507)</u>
Net Change in Fund Balance	<u>\$ (388,755)</u>	<u>\$ (327,527)</u>	<u>30,924</u>	<u>\$ 407,958</u>
Net effect of other income and expenditure accruals			<u>135,498</u>	
Net Change in Fund Balance			<u>166,422</u>	
Fund Balance:				
Beginning of year			<u>1,920,781</u>	
End of year			<u>\$ 2,087,203</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
CDBG Grant Revenue	\$ -	\$ -	\$ 2,755,925	\$ 2,755,925
Program Revenue	-	-	267,488	267,488
Rental\Rehab Loan Repayments	-	-	38,134	38,134
Interest on Rental\Rehab Cash Acct	-	-	6,426	6,426
State Aid	-	-	-	-
Program Income\Home	-	-	-	-
Total intergovernmental revenues	-	-	3,067,973	3,067,973
 Total Revenues	-	-	3,067,973	3,067,973
 <u>Expenditures:</u>				
CDBG				
Community Development				
CDBG, Home & Esg	3,428,730	3,428,730	2,674,817	753,913
Total CDBG	3,428,730	3,428,730	2,674,817	753,913
Total Expenditures	3,428,730	3,428,730	2,674,817	753,913
 Excess (Deficiency) of Revenues over Expenditures	(3,428,730)	(3,428,730)	393,156	3,821,886
 <u>Other Financing Sources (Uses):</u>				
Transfers out	-	-	-	-
 Total other financing sources (uses)	-	-	-	-
 Net Change in Fund Balance	\$ (3,428,730)	\$ (3,428,730)	393,156	\$ 3,821,886
 Net effect of other income and expenditure accruals			(751,884)	
Net Change in Fund Balance			(358,728)	
 Beginning of year			4,509,378	
End of year			\$ 4,150,650	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - TREXLER FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
Trexler Maintenance Grant	\$ 1,910,000	\$ 1,910,000	\$ 2,397,789	\$ 487,789
Springwood Trust	22,000	22,000	27,850	5,850
State aid for pension	61,695	61,695	70,266	8,571
Rental Fees\Misc	-	-	-	-
Total intergovernmental revenues	<u>1,993,695</u>	<u>1,993,695</u>	<u>2,495,905</u>	<u>502,210</u>
Total Revenues	<u>1,993,695</u>	<u>1,993,695</u>	<u>2,495,905</u>	<u>502,210</u>
<u>Expenditures:</u>				
Parks & Recreation				
Department of Parks & Recreation				
Grounds Maintenance	<u>1,887,094</u>	<u>1,887,094</u>	<u>1,736,361</u>	<u>150,733</u>
Total Parks & Recreation	<u>1,887,094</u>	<u>1,887,094</u>	<u>1,736,361</u>	<u>150,733</u>
Total Expenditures	<u>1,887,094</u>	<u>1,887,094</u>	<u>1,736,361</u>	<u>150,733</u>
Excess (Deficiency) of Revenues over Expenditures	<u>106,601</u>	<u>106,601</u>	<u>759,544</u>	<u>652,943</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>(122,177)</u>	<u>(118,618)</u>	<u>(101,810)</u>	<u>16,808</u>
Total other financing sources (uses)	<u>(122,177)</u>	<u>(118,618)</u>	<u>(101,810)</u>	<u>16,808</u>
Net Change in Fund Balance	<u>\$ (15,576)</u>	<u>\$ (12,017)</u>	657,734	<u>\$ 669,751</u>
Net effect of other income and expenditure accruals			<u>(236,903)</u>	
Net Change in Fund Balance			420,831	
Fund Balance:				
Beginning of year			193,988	
End of year			<u>\$ 614,819</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - E-911 FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Investment earnings	\$ 300	\$ 300	\$ 5,230	\$ 4,930
Intergovernmental revenues:	2,500,000	2,500,000	2,645,091	145,091
Total Revenues	<u>2,500,300</u>	<u>2,500,300</u>	<u>2,650,321</u>	<u>150,021</u>
<u>Expenditures:</u>				
Public Safety				
Department of Police				
Emergency Communications	3,087,894	3,087,894	2,770,942	316,952
Total Public Safety	<u>3,087,894</u>	<u>3,087,894</u>	<u>2,770,942</u>	<u>316,952</u>
Total Expenditures	<u>3,087,894</u>	<u>3,087,894</u>	<u>2,770,942</u>	<u>316,952</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(587,594)</u>	<u>(587,594)</u>	<u>(120,621)</u>	<u>466,973</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	572,064	572,064	-	(572,064)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>572,064</u>	<u>572,064</u>	<u>-</u>	<u>(572,064)</u>
Net Change in Fund Balance	<u>\$ (15,530)</u>	<u>\$ (15,530)</u>	(120,621)	<u>\$ (105,091)</u>
Net effect of other income and expenditure accruals			(6,773)	
Net Change in Fund Balance			<u>(127,394)</u>	
Fund Balance (Deficit):				
Beginning of year			(118,840)	
End of year			<u>\$ (246,234)</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GRANTS FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
Other Grants	\$ -	\$ -	\$ 8,045,028	\$ 8,045,028
Federal Grants	-	-	100,236	100,236
State Funds	-	1,500,000	-	(1,500,000)
Total intergovernmental revenues	-	1,500,000	8,145,264	6,645,264
 Total Revenues	-	1,500,000	8,145,264	6,645,264
 <u>Expenditures:</u>				
Non-Departmental	-	-	-	-
Community Development	11,179,551	12,692,051	8,145,264	4,546,787
Total Expenditures	11,179,551	12,692,051	8,145,264	4,546,787
 Excess (Deficiency) of Revenues over Expenditures	(11,179,551)	(11,192,051)	-	11,192,051
 Net Change in Fund Balance	<u>\$ (11,179,551)</u>	<u>\$ (11,192,051)</u>	-	<u>\$ 11,192,051</u>
 Net effect of other income and expenditure accruals			-	
Net Change in Fund Balance			-	
 Fund Balance:				
Beginning of year			-	
End of year			<u>\$ -</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - A.O. FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Investment Earnings	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Other	1,530,000	1,530,000	912,924	(617,076)
Total revenues	<u>1,532,500</u>	<u>1,532,500</u>	<u>912,924</u>	<u>(619,576)</u>
Expenditures:				
General Government	500	500	762	(262)
Debt service - principal	116,000	116,000	116,000	-
Debt service - interest	217,239	217,239	43,781	173,458
Total Expenditures	<u>333,739</u>	<u>333,739</u>	<u>160,543</u>	<u>173,196</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,198,761</u>	<u>1,198,761</u>	<u>752,381</u>	<u>(446,380)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	-	-
Transfers in Capital	-	-	653,631	653,631
Transfers out	-	-	(653,631)	(653,631)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,198,761</u>	<u>\$ 1,198,761</u>	752,381	<u>\$ (446,380)</u>
Net effect of other income and expenditure accruals			(695,600)	
Net Change in Fund Balance			56,781	
Fund Balance:				
Beginning of year			1,082,926	
End of year			<u>\$ 1,139,707</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - STORMWATER FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Interest	\$ -	\$ -	\$ 17,096	\$ 17,096
State aid for pension	84,053	84,053	123,668	39,615
Stormwater Fee	5,679,000	5,694,454	5,490,184	(204,270)
Total Revenues	<u>5,763,053</u>	<u>5,778,507</u>	<u>5,630,948</u>	<u>(147,559)</u>
<u>Expenditures:</u>				
Stormwater:				
Department of Public Works:				
General expenditures	4,260,244	4,524,566	3,358,619	1,165,947
Total stormwater	4,260,244	4,524,566	3,358,619	1,165,947
Capital Outlay	358,058	358,058	644,353	(286,295)
Total Expenditures	<u>4,618,302</u>	<u>4,882,624</u>	<u>4,002,972</u>	<u>879,652</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,144,751</u>	<u>895,883</u>	<u>1,627,976</u>	<u>732,093</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	-	-	(326,888)	(326,888)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(326,888)</u>	<u>(326,888)</u>
Net Change in Fund Balance	<u>\$ 1,144,751</u>	<u>\$ 895,883</u>	<u>1,627,976</u>	<u>\$ 732,093</u>
Net effect of other income and expenditure accruals			236,415	
Net Change in Fund Balance			1,864,391	
Fund Balance:				
Beginning of year			-	
End of year			<u>\$ 1,864,391</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2018

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
<u>Assets</u>				
Interest Receivable	\$ 40,124	\$ 55,124	\$ 15,700	\$ 110,948
Due from Other Funds	34,648	19,835	2,362	56,845
Investments, at fair value				
Money market funds	7,329,828	5,063,922	1,341,950	13,735,700
Equity mutual funds	97,205,358	64,233,872	4,891,645	166,330,875
Bond mutual funds	27,768,112	8,719,004	-	36,487,116
Collective investment trust	8,601,048	5,707,915	-	14,308,963
Corporate bonds	1,638,844	2,210,642	764,360	4,613,846
U.S. government obligations	8,251,243	10,753,901	2,709,169	21,714,313
U.S. government agency obligations	2,013,653	2,998,538	1,169,596	6,181,787
Total Assets	<u>152,882,858</u>	<u>99,762,753</u>	<u>10,894,782</u>	<u>263,540,393</u>
<u>Liabilities</u>				
Accounts Payable	32,749	13,654	7,013	53,416
Due to Other Funds	3,216	-	200	3,416
Total Liabilities	<u>35,965</u>	<u>13,654</u>	<u>7,213</u>	<u>56,832</u>
<u>Net Position</u>				
Retricted for pension benefits	<u>\$ 152,846,893</u>	<u>\$ 99,749,099</u>	<u>\$ 10,887,569</u>	<u>\$ 263,483,561</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2018

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
<u>Additions</u>				
Contributions:				
Employer	\$ 6,924,460	\$ 3,714,299	\$ 203,427	\$ 10,842,186
Plan Members	988,224	537,852	4,212	1,530,288
Total Contributions	<u>7,912,684</u>	<u>4,252,151</u>	<u>207,639</u>	<u>12,372,474</u>
Investment income (loss):				
Net depreciation in fair value of investments	(10,778,027)	(6,841,774)	(475,317)	(18,095,118)
Interest and Dividends	3,429,492	2,155,083	211,305	5,795,880
Less Investment Expenses	(66,567)	(68,436)	(54,217)	(189,220)
Net investment income (loss)	<u>(7,415,102)</u>	<u>(4,755,127)</u>	<u>(318,229)</u>	<u>(12,488,458)</u>
Total additions	<u>497,582</u>	<u>(502,976)</u>	<u>(110,590)</u>	<u>(115,984)</u>
<u>Deductions</u>				
Benefits paid to recipients	10,833,661	8,032,161	1,877,646	20,743,468
Administrative and other fees	32,420	9,926	9,925	52,271
Total Deductions	<u>10,866,081</u>	<u>8,042,087</u>	<u>1,887,571</u>	<u>20,795,739</u>
Change in Net Position	(10,368,499)	(8,545,063)	(1,998,161)	(20,911,723)
<u>Net Position</u>				
Beginning of year	163,215,392	108,294,162	12,885,730	284,395,284
End of year	<u>\$ 152,846,893</u>	<u>\$ 99,749,099</u>	<u>\$ 10,887,569</u>	<u>\$ 263,483,561</u>

CITY OF ALLENTOWN, PENNSYLVANIA
COMBINING SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
<u>Earned Income Tax Escrow</u>				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 350	\$ 350	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 350</u>	<u>\$ -</u>
Liabilities:				
Due to Other Governments	\$ -	\$ 357	\$ 357	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 357</u>	<u>\$ 357</u>	<u>\$ -</u>
<u>Payroll Withholding Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 1,389,339	\$ 16,461,452	\$ 16,452,122	\$ 1,398,669
Due from Other Funds	-	10,818	-	10,818
Total Assets	<u>\$ 1,389,339</u>	<u>\$ 16,472,270</u>	<u>\$ 16,452,122</u>	<u>\$ 1,409,487</u>
Liabilities:				
Payroll Tax Liability	\$ 1,371,871	\$ 16,417,227	\$ 16,448,150	\$ 1,402,794
Due to Other Governments	17,468	57,453	46,678	6,693
Total Liabilities	<u>\$ 1,389,339</u>	<u>\$ 16,474,680</u>	<u>\$ 16,494,828</u>	<u>\$ 1,409,487</u>
<u>Tax Collection Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Due to Other Governments	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Total All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 1,389,339	\$ 16,461,802	\$ 16,452,472	\$ 1,398,669
Due from Other Funds	-	10,818	-	10,818
Total Assets	<u>\$ 1,389,339</u>	<u>\$ 16,472,620</u>	<u>\$ 16,452,472</u>	<u>\$ 1,409,487</u>
Liabilities:				
Payroll Tax Liability	\$ 1,371,871	\$ 16,417,227	\$ 16,448,150	\$ 1,402,794
Due to Other Governments	17,468	57,810	47,035	6,693
Total Liabilities	<u>\$ 1,389,339</u>	<u>\$ 16,475,037</u>	<u>\$ 16,495,185</u>	<u>\$ 1,409,487</u>

CITY OF ALLENTOWN, PENNSYLVANIA

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.

Contents	Table
Financial Trends	1 – 5
These tables contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.	
Revenue Capacity	6 – 9
These tables contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.	
Debt Capacity	10 – 13
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.	
Economic & Demographic Information	14 – 15
These tables offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	16 – 18
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.	

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 1

Net Position by Component
Last Ten Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net Investment in Capital Assets	\$ 19,175,187	\$ 25,370,253	\$ 30,108,596	\$ 32,494,392	\$ 126,410,580	\$ 143,512,599	\$ 149,413,132	\$ 151,528,530	\$ 189,628,005	\$ 192,129,736
Restricted	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881	10,117,790	16,159,253
Unrestricted	(23,777,059)	(22,257,663)	(26,754,250)	(33,811,444)	(182,008,900)	(189,614,176)	(234,253,739)	(248,954,870)	(298,573,683)	(363,578,871)
Total governmental activities net position	<u>1,570,245</u>	<u>9,219,992</u>	<u>10,003,324</u>	<u>10,957,947</u>	<u>107,337,847</u>	<u>113,735,444</u>	<u>(75,280,058)</u>	<u>(88,887,459)</u>	<u>(98,827,888)</u>	<u>(155,289,882)</u>
Business - type activities										
Net Investment in Capital Assets	62,390,291	63,445,317	64,695,490	68,128,410	5,551,723	5,267,292	4,965,265	4,971,644	5,512,206	5,368,849
Unrestricted	15,462,445	17,482,965	18,313,389	17,236,205	6,693,350	6,662,427	5,292,360	4,864,161	5,388,229	547,158
Total business - type activities net position	<u>77,852,736</u>	<u>80,928,282</u>	<u>83,008,879</u>	<u>85,364,615</u>	<u>12,245,073</u>	<u>11,929,719</u>	<u>10,257,625</u>	<u>9,835,805</u>	<u>10,900,435</u>	<u>5,916,007</u>
Primary government										
Net Investment in Capital Assets	81,565,478	88,815,570	94,804,086	100,622,802	131,962,303	148,779,891	154,378,397	156,500,174	195,140,211	197,498,585
Restricted	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881	10,117,790	16,159,253
Unrestricted	(8,314,614)	(4,774,698)	(8,440,861)	(16,575,239)	(175,315,550)	(182,951,749)	(228,961,379)	(244,090,709)	(293,185,454)	(363,031,713)
Total primary government activities net position	<u>\$ 79,422,981</u>	<u>\$ 90,148,274</u>	<u>\$ 93,012,203</u>	<u>\$ 96,322,562</u>	<u>\$ 119,582,920</u>	<u>\$ 125,665,163</u>	<u>\$ (65,022,433)</u>	<u>\$ (79,051,654)</u>	<u>\$ (87,927,453)</u>	<u>\$ (149,373,875)</u>

Note:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	\$ 14,514,780	\$ 7,932,586	\$ 13,916,289	\$ 16,164,160	\$ 16,865,074	\$ 19,866,840	\$ 18,476,854	\$ 14,922,641	\$ 14,870,717	\$ 17,862,356
Public safety	51,117,977	54,309,067	52,607,308	54,635,907	48,764,915	53,806,692	57,643,493	65,369,233	67,712,399	70,750,446
Community development	12,544,800	13,845,854	9,773,209	8,126,929	7,909,900	7,443,093	6,521,109	9,774,957	8,735,099	11,768,151
Public works	9,353,946	12,617,569	11,920,300	12,066,315	13,962,846	19,032,550	16,755,390	21,801,546	21,464,580	21,858,634
Health and sanitation	2,285,122	2,547,999	3,373,570	2,763,477	3,116,962	2,944,949	3,201,951	3,276,428	3,527,955	3,374,484
Parks and recreation	2,583,320	2,014,847	3,038,880	2,910,615	3,938,834	5,687,877	6,267,874	6,622,705	6,806,202	6,623,619
Other	-	-	-	-	-	1,033,067	-	-	-	-
Interest on long-term debt	3,952,622	5,071,431	5,481,742	5,331,070	4,997,583	4,419,672	4,822,575	4,964,746	4,601,557	4,341,979
Total governmental activities expenses	96,352,567	98,339,353	100,111,298	101,998,473	99,556,114	114,234,740	113,689,246	126,732,256	127,718,509	136,579,669
Business - type activities:										
Water fund	10,932,251	11,410,407	11,308,214	10,999,925	8,718,973	-	-	-	-	-
Sewer fund	13,639,529	13,034,825	13,533,543	14,242,086	9,673,907	-	-	-	-	-
Solid waste fund	12,578,028	12,584,872	13,170,266	14,549,004	14,529,054	14,599,155	15,027,563	14,590,672	14,377,533	14,389,435
Municipal golf course	1,076,235	1,027,292	1,152,872	1,167,107	1,204,675	1,220,773	1,180,801	1,207,239	1,259,924	1,230,685
Total business - type activities expenses	38,226,043	38,057,396	39,164,895	40,958,122	34,126,609	15,819,928	16,208,364	15,797,911	15,637,457	15,620,120
Total primary government expenses	\$ 134,578,610	\$ 136,396,749	\$ 139,276,193	\$ 142,956,595	\$ 133,682,723	\$ 130,054,668	\$ 129,897,610	\$ 142,530,167	\$ 143,355,966	\$ 152,199,789
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 5,849,055	\$ 2,209,673	\$ 4,680,342	\$ 4,131,189	\$ 4,080,763	\$ 4,087,754	\$ 3,761,333	\$ 4,452,307	\$ 4,333,343	\$ 5,252,229
Public safety	7,043,765	7,202,889	3,792,692	3,627,974	3,820,867	3,935,055	3,889,699	4,772,625	4,890,164	4,623,068
Community development	1,782,643	3,174,152	3,249,126	3,325,198	3,839,739	3,996,649	3,409,113	3,539,435	3,893,058	6,514,071
Public works	2,463,882	183,134	192,673	189,821	277,561	236,424	358,278	1,139,669	1,053,964	6,508,377
Health and sanitation	170,013	180,922	192,961	436,682	309,931	329,332	344,749	390,794	379,396	397,593
Parks and recreation	358,414	411,409	424,910	418,634	461,267	505,205	314,298	528,225	530,315	589,419
Other	-	-	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	3,430,049	6,227,905	4,870,740	5,973,852	4,292,734	4,967,803
Operating grants and contributions	11,452,802	14,153,060	13,696,509	13,496,058	17,010,242	16,149,411	13,172,892	12,775,516	8,285,549	19,945,131
Capital grants and contributions	2,129,468	4,350,695	5,335,856	5,654,879	24,157,607	14,981,948	12,033,696	6,282,366	698,555	802,464
Total governmental activities program revenues	31,250,042	31,865,934	31,565,069	31,280,435	57,388,026	50,449,683	42,154,798	39,854,789	28,357,078	49,600,155
Business - type activities:										
Charges for services:										
Water fund	13,194,621	15,220,117	14,878,781	15,525,790	8,782,028	-	-	-	-	-
Sewer fund	15,089,091	14,480,766	15,595,169	14,331,640	8,798,348	-	-	-	-	-
Solid waste fund	13,292,638	13,467,648	13,692,905	14,837,965	14,935,518	14,675,253	14,901,702	14,543,018	16,052,450	14,461,730
Municipal golf course	1,296,971	1,316,067	1,321,422	1,383,066	1,279,247	1,237,609	1,281,661	1,201,372	1,248,675	1,219,555
Operating grants and contributions	397,701	1,280,326	828,291	1,630,127	887,428	621,636	411,842	508,689	555,724	1,060,856
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	43,271,022	45,764,924	46,316,568	47,708,588	34,682,569	16,534,498	16,595,205	16,253,079	17,856,849	16,742,141
Total primary government program revenues	\$ 74,521,064	\$ 77,630,858	\$ 77,881,637	\$ 78,989,023	\$ 92,070,595	\$ 66,984,181	\$ 58,750,003	\$ 56,107,868	\$ 46,213,927	\$ 66,342,296
Net (expense)/revenue:										
Governmental activities	\$ (65,102,525)	\$ (66,473,419)	\$ (68,546,229)	\$ (70,718,038)	\$ (42,168,088)	\$ (63,785,057)	\$ (71,534,448)	\$ (86,877,467)	\$ (99,361,431)	\$ (86,979,514)
Business - type activities	5,044,979	7,707,528	7,151,673	6,750,466	555,960	714,570	386,841	455,168	2,219,392	1,122,021
Total primary government net expense	\$ (60,057,546)	\$ (58,765,891)	\$ (61,394,556)	\$ (63,967,572)	\$ (41,612,128)	\$ (63,070,487)	\$ (71,147,607)	\$ (86,422,299)	\$ (97,142,039)	\$ (85,857,493)

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes and other taxes	\$ 47,948,307	\$ 45,476,784	\$ 51,955,525	\$ 57,041,497	\$ 58,031,788	\$ 58,012,491	\$ 59,959,705	\$ 63,611,493	\$ 73,585,762	\$ 78,881,070
Grants and charges not restricted to specific purposes	5,048,294	14,121,087	12,298,352	10,216,783	10,290,239	11,484,314	12,631,023	12,970,519	14,592,416	11,798,217
Investment earnings	223,172	212,979	4,608	19,651	69,236	28,820	19,919	61,158	88,062	609,832
Transfers	4,631,594	4,813,116	5,071,076	4,394,730	71,674,238	1,029,924	954,004	876,988	1,154,762	1,364,031
Total governmental activities	<u>57,851,367</u>	<u>64,623,966</u>	<u>69,329,561</u>	<u>71,672,661</u>	<u>140,065,501</u>	<u>70,555,549</u>	<u>73,564,651</u>	<u>77,520,158</u>	<u>89,421,002</u>	<u>92,653,150</u>
Business - type activities:										
Investment earnings	(3,571)	128,545	-	-	132,218	-	-	-	-	-
Transfers	(4,631,594)	(4,813,116)	(5,071,076)	(4,394,730)	(71,674,238)	(1,029,924)	(954,004)	(876,988)	(1,154,762)	(1,364,031)
Total business - type activities	<u>(4,635,165)</u>	<u>(4,684,571)</u>	<u>(5,071,076)</u>	<u>(4,394,730)</u>	<u>(71,542,020)</u>	<u>(1,029,924)</u>	<u>(954,004)</u>	<u>(876,988)</u>	<u>(1,154,762)</u>	<u>(1,364,031)</u>
Total primary government	<u>\$ 53,216,202</u>	<u>\$ 59,939,395</u>	<u>\$ 64,258,485</u>	<u>\$ 67,277,931</u>	<u>\$ 68,523,481</u>	<u>\$ 69,525,625</u>	<u>\$ 72,610,647</u>	<u>\$ 76,643,170</u>	<u>\$ 88,266,240</u>	<u>\$ 91,289,119</u>
Special items:										
Gain on cancellation of post-employment benefits	\$ -	\$ -	\$ -	\$ -	\$ 660,819	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on on disposal of capital assets	-	-	-	-	(1,959,898)	-	-	(4,250,092)	-	-
Tax settlement	-	-	-	-	-	(372,895)	-	-	-	-
Total special items	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,299,079)</u>	<u>\$ (372,895)</u>	<u>\$ -</u>	<u>\$ (4,250,092)</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position										
Governmental activities	\$ (7,251,158)	\$ (1,849,453)	\$ 783,332	\$ 954,623	\$ 97,897,413	\$ 6,397,597	\$ 2,030,203	\$ (13,607,401)	\$ (9,940,429)	\$ 5,673,636
Business - type activities	409,814	3,022,957	2,080,597	2,355,736	(72,285,139)	(315,354)	(567,163)	(421,820)	1,064,630	(242,010)
Total primary government	<u>\$ (6,841,344)</u>	<u>\$ 1,173,504</u>	<u>\$ 2,863,929</u>	<u>\$ 3,310,359</u>	<u>\$ 25,612,274</u>	<u>\$ 6,082,243</u>	<u>\$ 1,463,040</u>	<u>\$ (14,029,221)</u>	<u>\$ (8,875,799)</u>	<u>\$ 5,431,626</u>

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 3

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

<u>Year</u>		<u>Total</u> <u>Taxes</u>		<u>General</u> <u>Property</u> <u>Tax</u>		<u>Earned</u> <u>Income</u> <u>Tax</u>		<u>Business</u> <u>Privilege</u> <u>Tax</u>		<u>Other</u> <u>Local</u> <u>Taxes</u>
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
2012		57,041,497		29,823,087		17,731,754		6,636,744		2,849,912
2013		58,031,788		29,711,628		19,148,315		6,307,675		2,864,170
2014		58,012,491		29,604,712		18,411,370		6,805,224		3,191,185
2015		59,959,705		30,121,707		19,429,021		6,939,406		3,469,571
2016		64,969,817		30,800,125		23,840,629		6,571,105		3,757,958
2017		73,709,271		32,519,646		29,802,821		7,483,984		3,902,820
2018		76,648,713		31,353,086		33,789,071		7,904,804		3,601,752

CITY OF ALLENTOWN, PENNSYLVANIA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Reserved	\$ 810,719	\$ 1,428,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,476,985	1,687,909	-	-	-	-	-	-	-	-
Restricted	-	-	147,000	704,228	794,058	769,097	981,135	862,397	-	-
Assigned	-	-	1,771,079	-	21,588,122	15,534,027	8,872,191	6,434,577	-	800,480
Unassigned	-	-	2,467	(1,445,400)	24,022,470	17,715,206	18,038,567	12,237,375	13,251,806	18,095,666
Total general fund	<u>4,287,704</u>	<u>3,116,664</u>	<u>1,920,546</u>	<u>(741,172)</u>	<u>46,404,650</u>	<u>34,018,330</u>	<u>27,891,893</u>	<u>19,534,349</u>	<u>13,251,806</u>	<u>18,896,146</u>
All other governmental funds										
Reserved	10,532,748	7,243,969	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	(629,676)	(95,108)	-	-	-	-	-	-	-	-
Capital projects funds	-	404,985	-	-	-	-	-	-	-	-
Restricted	-	-	14,228,537	10,880,822	9,484,961	8,749,937	19,711,402	14,875,182	14,155,933	16,159,253
Assigned	-	-	-	-	-	-	-	46,047	-	-
Unassigned	-	-	(96,134)	(29,306)	(151,609)	(44,940)	-	(298,517)	(118,840)	(246,234)
Total all other governmental funds	<u>9,903,072</u>	<u>7,553,846</u>	<u>14,132,403</u>	<u>10,851,516</u>	<u>9,333,352</u>	<u>8,704,997</u>	<u>19,711,402</u>	<u>14,622,712</u>	<u>14,037,093</u>	<u>15,913,019</u>
TOTAL	<u>\$ 14,190,776</u>	<u>\$ 10,670,510</u>	<u>\$ 16,052,949</u>	<u>\$ 10,110,344</u>	<u>\$ 55,738,002</u>	<u>\$ 42,723,327</u>	<u>\$ 47,603,295</u>	<u>\$ 34,157,061</u>	<u>\$ 27,288,899</u>	<u>\$ 34,809,165</u>

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

The decrease in fund balance from 2015 and 2016 is primarily from the General and Capital Funds. The General Fund balance decreased by \$8.4 million largely attributed to a \$4.5 million advance from the Solid Waste Fund, \$2.5 million additional pension bond payment discussed previously, and the additional transfer of \$1.1 million to the Internal Service Fund. The Capital Fund decrease resulted from a \$6 million reduction of capital grants received because of the completion of a major bridge infrastructure.

CITY OF ALLENTOWN, PENNSYLVANIA

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 47,630,562	\$ 45,438,333	\$ 52,770,021	\$ 55,787,638	\$ 57,865,676	\$ 57,874,403	\$ 59,786,702	\$ 64,853,652	\$ 71,512,921	\$ 76,085,821
Licenses and permits	3,571,616	4,874,549	5,030,946	5,250,576	5,781,973	6,309,428	5,845,880	5,907,269	6,095,884	8,768,619
Charges for services	7,155,768	4,853,162	4,824,140	4,898,943	6,615,357	8,271,223	6,312,663	5,422,775	4,450,086	6,094,400
Fines and forfeits	461,834	500,334	518,350	634,724	672,105	748,687	690,926	1,180,590	593,368	623,181
Investment earnings	223,172	212,979	4,608	19,686	69,236	28,820	19,919	61,159	87,816	609,832
Intergovernmental revenues	20,897,082	30,437,462	28,695,423	26,927,447	49,185,888	39,416,740	36,574,646	30,798,475	24,512,139	32,875,745
Other	4,374,132	5,437,568	4,906,361	3,945,339	3,961,421	3,766,919	1,610,936	2,910,028	2,989,734	8,842,875
Total revenues	84,314,166	91,754,387	96,749,849	97,464,353	124,151,656	116,416,220	110,841,672	111,133,948	110,241,948	133,900,473
Expenditures										
General government	7,656,616	7,507,262	13,765,436	14,417,230	18,108,503	16,352,843	14,227,338	9,925,924	10,073,023	17,015,637
Public safety	49,916,239	50,100,384	50,839,312	53,491,745	196,455,831	47,934,281	49,929,150	58,337,847	61,595,723	64,725,057
Community development	12,605,261	14,171,165	9,731,882	7,835,133	7,669,312	7,047,296	6,199,566	9,625,276	8,523,967	11,500,007
Public works	9,747,558	9,740,759	9,631,143	9,658,216	12,262,727	12,413,386	13,658,527	14,558,597	15,009,623	16,589,541
Health and sanitation	2,648,017	2,738,801	2,809,068	2,673,529	3,420,443	2,877,343	3,095,730	3,301,982	3,543,585	3,489,864
Parks and recreation	2,851,795	2,503,318	2,467,866	2,467,730	3,963,487	5,008,229	5,427,035	5,833,745	5,939,343	5,889,408
Other	-	-	-	-	-	1,033,067	-	-	-	-
Debt service:										
Principal	2,575,600	3,131,400	6,514,100	3,395,750	3,874,400	8,898,300	14,310,040	7,933,320	17,121,284	13,686,108
Interest	3,960,851	3,942,027	4,423,008	4,180,843	3,827,906	3,733,786	3,841,537	3,271,606	2,899,745	2,459,911
Payment of loan issuance costs	49,786	-	-	-	-	-	-	-	-	5,834,064
Capital outlay	5,988,589	10,009,124	9,912,486	10,610,482	28,386,348	24,851,039	18,815,450	14,164,247	10,728,546	-
Total expenditures	98,000,312	103,844,240	110,094,301	108,730,658	277,968,957	130,149,570	129,504,373	126,952,544	135,434,839	141,189,597
Excess (deficiency) of revenues over (under) expenditures	(13,686,146)	(12,089,853)	(13,344,452)	(11,266,305)	(153,817,301)	(13,733,350)	(18,662,701)	(15,818,596)	(25,192,891)	(7,289,124)
Other Financing Sources (uses):										
Issuance of long term debt	5,310,000	258,976	13,690,000	5,910,000	-	-	17,003,395	1,427,418	13,491,272	11,973,631
Refunding bonds issued	-	-	-	-	-	-	11,425,000	-	-	-
Premium on refunded bonds	-	-	-	-	-	-	745,551	-	-	-
Payment to refunded bonds escrow agent	-	-	-	(5,828,246)	-	-	(6,634,456)	-	-	-
Bond premium	-	-	38,630	-	-	-	-	-	232,667	184,212
Bond discount	-	-	(126,066)	(16,111)	-	-	-	-	-	-
Capital lease	-	-	-	-	102,950	-	-	-	3,295,820	1,174,098
Transfers in	12,408,683	12,749,243	13,793,454	13,651,068	213,779,083	19,680,797	20,551,091	15,826,665	26,303,545	20,508,704
Transfers out	(7,728,789)	(7,885,411)	(8,669,127)	(8,393,011)	(14,437,074)	(18,589,227)	(19,547,912)	(14,881,721)	(24,998,575)	(19,031,255)
Total other financing sources and uses	9,989,894	5,122,808	18,726,891	5,323,700	199,444,959	1,091,570	23,542,669	2,372,362	18,324,729	14,809,390
Special Item	-	-	-	-	-	(372,895)	-	-	-	-
Net change in fund balances	\$ (3,696,252)	\$ (6,967,045)	\$ 5,382,439	\$ (5,942,605)	\$ 45,627,658	\$ (13,014,675)	\$ 4,879,968	\$ (13,446,234)	\$ (6,868,162)	\$ 7,520,266
Debt service as a percentage of noncapital expenditures	7.1%	7.5%	10.9%	7.7%	3.1%	12.0%	16.4%	9.9%	16.1%	11.4%

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

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					
2009	\$ 1,049,378,500	\$ 359,395,350	\$ 231,912,550	\$ 53,227,200	\$ 15,995,250	\$ 1,709,908,850	\$ 466,210,300	0.01753	\$ 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	0.01753	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	0.01753	3,406,932,400	50%
2012	1,051,702,800	351,225,450	230,099,250	53,044,800	16,477,600	1,702,549,900	476,375,100	0.01753	3,405,099,800	50%
2013	3,000,528,700	1,137,984,800	772,716,200	177,743,400	43,352,100	5,132,325,200	1,503,378,200	0.00580	5,132,325,200	100%
2014	2,992,534,800	1,167,818,000	771,111,300	176,876,300	47,110,300	5,155,450,700	1,518,849,200	0.00581	5,155,450,700	100%
2015	2,989,816,700	1,409,920,500	772,448,100	178,204,100	47,602,100	5,397,991,500	1,526,983,200	0.00581	5,397,991,500	100%
2016	2,988,820,300	1,282,432,100	775,529,400	175,946,800	50,594,800	5,273,323,400	1,663,243,900	0.00581	5,273,323,400	100%
2017	2,989,073,100	1,233,981,000	785,079,000	181,837,400	51,656,800	5,241,627,300	1,699,800,400	0.00581	5,241,627,300	100%
2018	2,990,553,500	1,281,765,900	782,654,900	185,016,600	58,322,200	5,298,313,100	1,707,931,600	0.00581	5,298,313,100	100%

Notes:

For the 2013 tax year, the County reassessed all real property values.

(1) Starting 2013 the city assesses property at 100 percent of actual value for all types of real property (does not include tax exempt real property).

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 7

Property Tax Rates
Direct and Overlapping Governments
Last Ten Years

	Direct Rates	Overlapping Rates		
	<u>Allentown City</u>	<u>School District</u>	<u>County</u>	
Fiscal <u>Year</u>	Total City <u>Millage(1)</u>	Total School <u>Millage</u>	Total County <u>Millage</u>	Total Direct & Overlapping <u>Rates</u>
2009	17.53	42.942	10.25	70.72
2010	17.53	45.592	10.25	73.37
2011	17.53	45.592	11.90	75.02
2012	17.53	49.332	11.90	78.76
2013	5.81	17.316	3.790	26.92
2014	5.81	18.329	3.750	27.89
2015	5.81	18.329	3.680	27.82
2016	5.81	18.329	3.640	27.78
2017	5.81	19.025	3.640	28.48
2018	5.81	19.729	3.640	29.18

Notes:

City real estate taxes are payable on July 15 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) 5.81 is the base on which the land value tax is calculated (18.6602 - land and 3.5301 - improvements).

TABLE 8

CITY OF ALLENTOWN, PENNSYLVANIA

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total taxable Assessed Valuation
Two City Center OP LP	\$ 45,000,000	1	0.87%	\$ -		0.0%
Home Properties Trexler Park LLC	34,614,100	2	0.67%	10,411,550	1	0.62%
Plaza at 835 W Hamilton Street LP	34,457,600	3	0.66%	-		0.00%
One City Center OP LP	29,000,000	4	0.56%	-		0.00%
Congress Associates	25,200,000	5	0.48%	6,575,850	3	0.39%
IPX MF Lakes Apartment Assoc. LLC/The Lakes	21,834,500	6	0.42%	5,961,050	4	0.36%
Pennsylvania Power & Light Co.	21,509,700	7	0.41%			0.00%
Sharma Estates & Brandywine Gardens	20,200,000	8	0.39%	4,549,250	10	0.27%
EPC-Allentown LLC	19,850,500	9	0.38%	-		0.00%
Four City Center OP LP	18,038,300	10	0.35%	-		0.00%
Lehigh Valley Hospital Inc.	-		0.00%	5,372,750	6	0.32%
Morris Allentown Associates LP ET	-		0.00%	5,535,000	5	0.33%
The Morning Call	-		0.00%	6,905,550	2	0.41%
Westmont LP	-		0.00%	5,156,050	8	0.31%
Allentown Commerce Park Corp.	-		0.00%	4,900,000	9	0.29%
230 Riverbend Apartments LLC	-		0.00%	5,304,000	7	0.32%
Total	<u>\$ 269,704,700</u>		<u>5.18%</u>	<u>\$ 60,671,050</u>		<u>3.62%</u>

Source:
City of Allentown Property Tax File

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 9

Property Tax Levies and Collections
Last Ten Years

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 29,383,171	\$ 28,143,621	95.8%	\$ 745,912	\$ 28,889,533	98.3%
2010	29,349,230	28,331,648	96.5%	550,171	28,881,819	98.4%
2011	29,481,538	28,274,829	95.9%	590,519	28,865,348	97.9%
2012	29,700,657	28,426,793	95.7%	593,150	29,019,943	97.7%
2013	29,788,671	28,335,558	95.1%	593,052	28,928,610	97.1%
2014	29,614,100	28,313,759	95.6%	287,366	28,601,125	96.6%
2015	30,427,086	28,803,546	94.7%	106,804	28,910,350	95.0%
2016	31,040,343	29,551,096	95.2%	50,000	29,601,096	95.4%
2017	30,594,033	29,187,108	95.4%	23,955	29,211,063	95.5%
2018	30,465,047	29,346,327	96.3%	-	29,346,327	96.3%

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 10

Ratios of Outstanding Debt By Type
Last Ten Years

Fiscal Year	Governmental Activities		Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Water			Sewer					
			Revenue Bonds and Note	General Obligation Bonds	Other	Revenue Bonds	General Obligation Bonds	Capital Leases			
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
2012	102,750,151	654,732	4,471,200	5,190,000	2,140,123	6,240,000	5,075,000	644,817	127,166,023	2.69%	1,077
2013	100,262,568	853,070	-	-	-	-	-	411,604	101,527,242	2.01%	860
2014	92,923,268	1,855,031	-	-	-	-	-	691,887	95,470,186	1.85%	809
2015	103,141,746	1,427,208	-	-	-	-	-	490,635	105,059,589	1.97%	890
2016	98,341,716	1,002,341	-	-	-	-	-	395,189	99,739,246	1.77%	845
2017	96,708,953	3,756,786	-	-	-	-	-	499,495	100,965,234	1.75%	855
2018	97,127,878	4,003,545	-	-	-	-	-	704,351	101,835,774	1.68%	863

Notes:

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 11

Ratios of General Bonded Debt Outstanding
Last Ten Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2009	\$ 94,669,649	2.77%	\$ 888
2010	94,853,046	2.79%	804
2011	114,475,937 (1)	3.36%	970
2012	113,015,151	3.32%	957
2013	100,262,568	1.95%	849
2014	92,923,268	1.81%	787
2015	103,141,746	2.00%	874
2016	98,341,716	1.86%	833
2017	96,708,953	1.85%	819
2018	97,127,878	1.83%	823

Notes:

(1) Adjusted to reflect Water and Sewer General Obligation Bonds issued in 2011.

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 12

Direct and Overlapping Governmental Activities Debt
As of December 31, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 194,664,147	100.0%	\$ 194,664,147
Lehigh County General Obligation Bonds	118,540,452	19.5%	<u>23,115,388</u>
Subtotal, overlapping debt			217,779,535
City of Allentown Direct Debt			<u>101,131,423</u>
Total direct and overlapping debt			<u><u>\$ 318,910,958</u></u>

Notes:

Water and Sewer Leases and General Obligation Bonds related to Water and Sewer, issued in 2011 are not included in the Direct Debt total.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 258,815,970	\$ 259,225,834	\$ 274,575,453	\$ 290,328,835	\$ 307,220,837	\$ 320,307,425	\$ 320,424,234	\$ 321,470,730	\$ 237,373,525	\$ 263,781,372
Total net debt applicable to limit	<u>63,344,649</u>	<u>63,528,046</u>	<u>72,730,937</u>	<u>73,124,883</u>	<u>71,670,638</u>	<u>70,648,299</u>	<u>86,278,954</u>	<u>83,779,057</u>	<u>87,805,739</u>	<u>88,956,423</u>
Legal debt margin	<u>\$ 195,471,321</u>	<u>\$ 195,697,788</u>	<u>\$ 201,844,516</u>	<u>\$ 217,203,952</u>	<u>\$ 235,550,199</u>	<u>\$ 249,659,126</u>	<u>\$ 234,145,280</u>	<u>\$ 237,691,673</u>	<u>\$ 149,567,786</u>	<u>\$ 174,824,949</u>
Total net debt applicable to the limit as a percentage of debt limit	24.47%	24.51%	26.49%	25.19%	23.33%	22.06%	26.93%	26.06%	36.99%	33.72%

Legal Debt Margin Calculation for Fiscal year 2015

Borrowing base (1)	\$ 100,782,227
Percentage limitation	350%
Net debt limit	352,737,795
Debt applicable to limit:	
General obligation debt (2)	101,131,423
Less: Amount set aside for pension funding liability	<u>(12,175,000)</u>
	<u>88,956,423</u>
	<u>\$ 263,781,372</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.

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate,

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 14

Demographic and Economic Statistics
Last Ten Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
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%
2012	118,032	4,732,493,040	40,095	17,239	11.5%
2013	118,032	5,059,441,680	42,865	17,362	6.5%
2014	118,032	5,171,808,144	43,817	19,974	4.8%
2015	118,032	5,334,220,176	45,193	20,287	3.9%
2016	118,032	5,638,388,640	47,770	20,804	4.6%
2017	118,032	5,766,807,456	48,858	20,939	4.3%
2018	118,032	6,075,579,168	51,474	21,813	3.9%

Source:

(1) US Department of Commerce, Bureau of the Census

(2) US Department of Commerce, Bureau of Economic Analysis

(3) Allentown School District, starting 2014, also includes Charter School Enrollment

(4) US Department of Labor, Bureau of Labor Statistics

CITY OF ALLENTOWN, PENNSYLVANIA

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	2018			2009		
	<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>
Lehigh Valley Hospital/Health Services	3,529	1	4.91%	1,085	8	1.56%
Allentown School District	2,605	2	3.62%	2,946	1	4.24%
St Lukes Hospital/Health Care	2,336	3	3.25%	1,049	9	1.51%
Muhlenberg College	2,161	4	3.00%			
Lehigh County & Institutions	1,659	5	2.31%	1,815	3	2.61%
Allied Personnel Services	1,613	6	2.24%	1,415	5	2.04%
PPL Co.	1,330	7	1.85%	1,888	2	2.72%
Integrity Staffing Solutions	1,195	8	1.66%			
City of Allentown	1,052	9	1.46%	1,274	6	1.83%
Good Shepherd Rehabilitation Network	1,049	10	1.46%			
Sacred Heart Hospital/Health Care				1,225	7	1.76%
Commonwealth of Pennsylvania				1,507	4	2.17%
Performance Personnel				1,019	10	1.47%
	<u>18,529</u>		<u>25.76%</u>	<u>15,223</u>		<u>21.91%</u>

Source:

Prior to 2009 City of Allentown Earned Income Tax File
2012 and later from Berkheimer Associates

Note:

Starting 2012, a New Pennsylvania Law, Act 32, allows employers to report Local Earned Income Tax to any Tax Collection District. As a result, accurate numbers can no longer be obtained.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 16

Full-Time Equivalent Employees By Function
Last Ten Years

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government	94	93	93	102	96	96	97	95	88	93
Public Safety										
Police										
Officers	203	205	209	219	214	216	222	222	222	222
Civilians	32	28	27	25	21	27	28	27	22	22
E-911	32	32	32	33	33	33	33	33	31	30
Fire										
Firefighters and officers	142	143	143	144	126	125	125	125	126	126
Civilians	1	1	1	1	1	1	1	1	1	1
EMS	29	31	32	41	32	32	32	34	34	34
Highways and Streets	53	48	46	46	86	82	80	79	83	63
Sanitation/Recycling	36	32	33	33	34	36	38	38	41	42
Building Maintenance	20	12	12	13	16	15	15	15	15	15
Building Standards & Safety	41	39	38	48	36	33	31	31	34	38
Culture and Recreation	34	25	22	24	50	56	55	56	56	56
Golf	5	5	6	6	6	6	6	6	5	5
Health	36	35	35	35	35	32	35	35	35	36
Water	89	84	85	84	0	0	0	0	0	0
Sewer	96	97	96	93	0	0	0	0	0	0
Stormwater	0	0	0	0	0	0	0	0	0	26
Total	942	910	910	946	786	790	798	797	793	809

Notes:

The data above are listed in the City's approved budget and reflect the restructuring due to the Water/Sewer concession lease.

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Police										
Law violations	14,906	14,433	13,794	13,801	13,844	13,022	11,269	11,742	11,839	10,406
Traffic violations (7)	6,788	9,949	10,560	10,182	10,466	11,225	8,258	8,500	9,000	4,768
Fire										
Number of calls answered (1)	12,206	11,383	11,719	9,409	11,685	11,606	12,036	11,497	10,445	9,930
Inspections and investigations (3)	1,823	2,668	2,351	1,149	950	901	1,364	954	862	836
Highways and Streets										
Street reconstruction (miles)	0.13	0.02	0.00	0.10	0.28	1.83	0.16	0.09	0.80	0.18
Overlays (miles)	5.2	5.4	4.9	3.7	2.1	3.2	4.3	2.8	1.7	0.8
Potholes repaired	12,427	10,488	9,673	4,355	6,236	10,923	14,186	7,223	11,286	18,971
Sanitation										
Refuse collected (tons/year)	33,533	35,401	36,174	37,274	33,143	37,355	35,511	35,780	40,536	39,461
Recyclables collected (tons/year)	9,472	9,043	9,267	11,603	10,104	9,735	10,510	10,730	12,177	10,277
Sweep tickets issued	6,047	6,891	6,854	7,514	6,997	4,809	6,877	5,719	5,317	8,025
Animal related complaints (2)	1,467	1,193	1,268	1,441	1,286	1,378	1,482	1,556	1,706	1,638
Health										
Home hazard surveys	300	439	311	274	277	443	215	173	37	231
Food service inspections	1,708	1,765	1,306	1,613	1,712	1,615	1,853	1,693	1,675	1,703
Number of home visits	384	303	428	478	593	393	284	437	379	336
Total lead screenings/Healthy home visits (4)	849	945	916	788	227	0	17	5	240	207
Persons tested & counseled for HIV infection	2,544	2,656	2,624	2,517	2,290	2,036	2,077	2,032	2,071	2,009
Recreation										
Pavilion permits	389	382	294	297	523	648	629	503	703	678
Swimming pool season passes	116	211	159	253	680	263	294	256	355	1,019
Swimming pool patrons (non season pass)	65,428	64,932	47,365	36,584	50,895	31,509	33,081	25,458	32,449	37,488
Water (5)										
Water connection permits	16	17	47	8	3	0	0	0	0	0
Water main breaks	18	22	23	13	6	0	0	0	0	0
Average daily consumption (millions of gallons)	14.50	14.75	14.39	16.00	18.36	0	0	0	0	0
Wastewater										
Average daily sewage treatment (millions of gallons)	30.70	31.64	31.64	30.91	31.17	0.00	0.00	0	0	0

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Golf										
Number of patrons (6)	50,548	50,562	45,799	48,500	45,600	64,396	64,956	61,500	59,500	50,000
Number of days of service	299	293	285	310	285	251	266	270	256	247
E-911										
Number of calls:										
Police	112,841	112,639	127,315	119,686	120,355	123,840	119,647	110,260	113,749	98,063
EMS	13,512	13,843	14,628	14,528	13,998	14,583	15,542	15,595	15,531	15,814
Fire (1)	12,210	11,393	11,753	9,409	11,685	11,607	12,036	11,497	10,452	9,930
Other	9,259	8,572	9,653	7,901	7,843	8,630	9,455	11,497	11,397	10,366

Source:

Various city departments.

Notes:

- (1) Starting in August 2008, the Fire Department starting providing EMS assistance.
- (2) Starting in 2009, Animal Related Complaints was moved from the Health Department to the Sanitation Department.
- (3) Prior to 2012, Inspections and Investigations included follow up visits.
- (4) The Lead Screening part of the program ended in June 2013. The focus has shifted to assessing the homes of children with lead poisoning.
- (5) Reflects activity up to August 7, 2013.
- (6) Starting 2014 number includes golf course and driving range patrons
- (7) 2015 number changed to actual, originally used estimate, 2016 is also estimated

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Capital Asset Statistics By Function
Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Function										
Public Safety										
Police:										
Stations	1	1	2	2	2	2	2	2	2	2
Police officers	203	199	197	209	200	208	211	218	210	208
Patrol units	84	87	90	108	114	114	107	108	124	120
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6
Fire fighters	141	141	102	120	123	120	118	122	121	121
Sanitation										
Collection trucks	3	3	3	4	4	4	3	3	5	3
Highways and Streets										
Streets (miles)	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	433.9	433.9
Streetlights	7,990	7,995	8097	8097	8,106	8,106	8,136	8,461	8,461	8476
Traffic signals (1)	1,622	1,622	1622	1622	1,622	195	198	196	196	196
Recreation										
Parks acreage	2,022	2,022	2022	2022	2,022	2,022	2,022	2,022	2,022	2,022
Parks (2)	32	32	32	32	32	32	45	45	45	45
Swimming pools	5	4	4	4	4	4	4	4	4	4
Playgrounds	19	19	19	19	19	19	19	21	21	21
Water										
Water mains (miles)	310	310	310	310	310	310	310	310	310	310
Fire hydrants	1,816	1,818	1820	1817	1,817	1,817	1,817	1,817	1,817	1,817
Maximum daily capacity (millions of gallons)	30.0	30	30	35	35	35	35	35	35	35
Sewer										
Sanitary sewers (miles)	283	283	283	283	283	283	283	283	283	283
Storm sewers (miles)	165	165	165	165	165	165	165	165	165	165
Maximum daily treatment capacity (millions of gallons)	40	40	40	40	40	40	40	40	40	40
Golf										
Number of courses	1	1	1	1	1	1	1	1	1	1

Source:

Various city departments.

Notes:

(1) Prior to 2014 the number included any type of traffic signals, starting 2014, the number only includes traffic light signals

(2) Starting 2015, the number also includes pocket parks

On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

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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 will pursue a prudent cash management and investment program in order to meet daily cash requirements. Investment program guidelines will follow this order of priority: preservation of principal; maintain and meet liquidity as needed; and within the parameters of these first two guidelines, investment growth.
- 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").

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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