

CITY OF ALLENTOWN

Pennsylvania

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**BRENT HARTZELL
DIRECTOR OF FINANCE**

**DEBI BOWMAN
DEPUTY DIRECTOR OF FINANCE & TREASURY**

For the year ended
December 31, 2017

**CITY OF ALLENTOWN, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**



MAYOR
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Daryl Hendricks, Vice President
Candida Affa
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David McGuire
Cynthia Y. Mota

CITY CONTROLLER
Jeff Glazier

CITY SOLICITOR
Susan Wild, Esq.

Brent Hartzell, Director of Finance
Debi Bowman, Deputy Director of Finance and Treasury

Zelenkofske Axelrod LLC, Certified Public Accountants

**This Report was prepared by
The Department of Finance
Debi Bowman, Deputy Director of Finance and Treasury**

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 and the Lehigh Valley Steelhawks of American Indoor Football. It is also a popular concert venue. The City maintains 2,000 acres of park land, well above the national average.

CITY OF ALLENTOWN, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Brent Hartzell

Director of Finance

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June 28, 2018

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, 2017 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 2017.

Budgetary Controls: The City also maintains budgetary controls. The objective of these budgetary controls is 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

Independent Audit: 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.

Initiatives for the Year: 2017 saw continuing growth in Allentown's Center City connected to the Neighborhood Improvement Zone (NIZ). Via state legislation unique to the City of Allentown, the NIZ allows the City to use certain tax revenues to rebuild its downtown core with the specific purpose of generating millions of dollars of investment in new job-creating projects from Center City to the nearby Lehigh River waterfront. The modern PPL Center arena, several office buildings, numerous retail establishments and restaurants, and more than 300 apartments have been built in the NIZ since 2013. The new 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. The City has expanded its opportunities for entrepreneurs through the Retail Mosaic forgivable loan program and has aggressively and successfully solicited business development outside the NIZ.

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, 2017, Standard and Poor's maintained the City's bond rating at a A+(SPUR) with a stable outlook and Moody's affirmed the City's A3 rating with a stable outlook. City administration continued to work diligently with City Council and the Controller to achieve significant cost containment.

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

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

Sincerely,



Brent Hartzell
Director of Finance



Debi Bowman
Deputy Director of Finance and Treasury



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

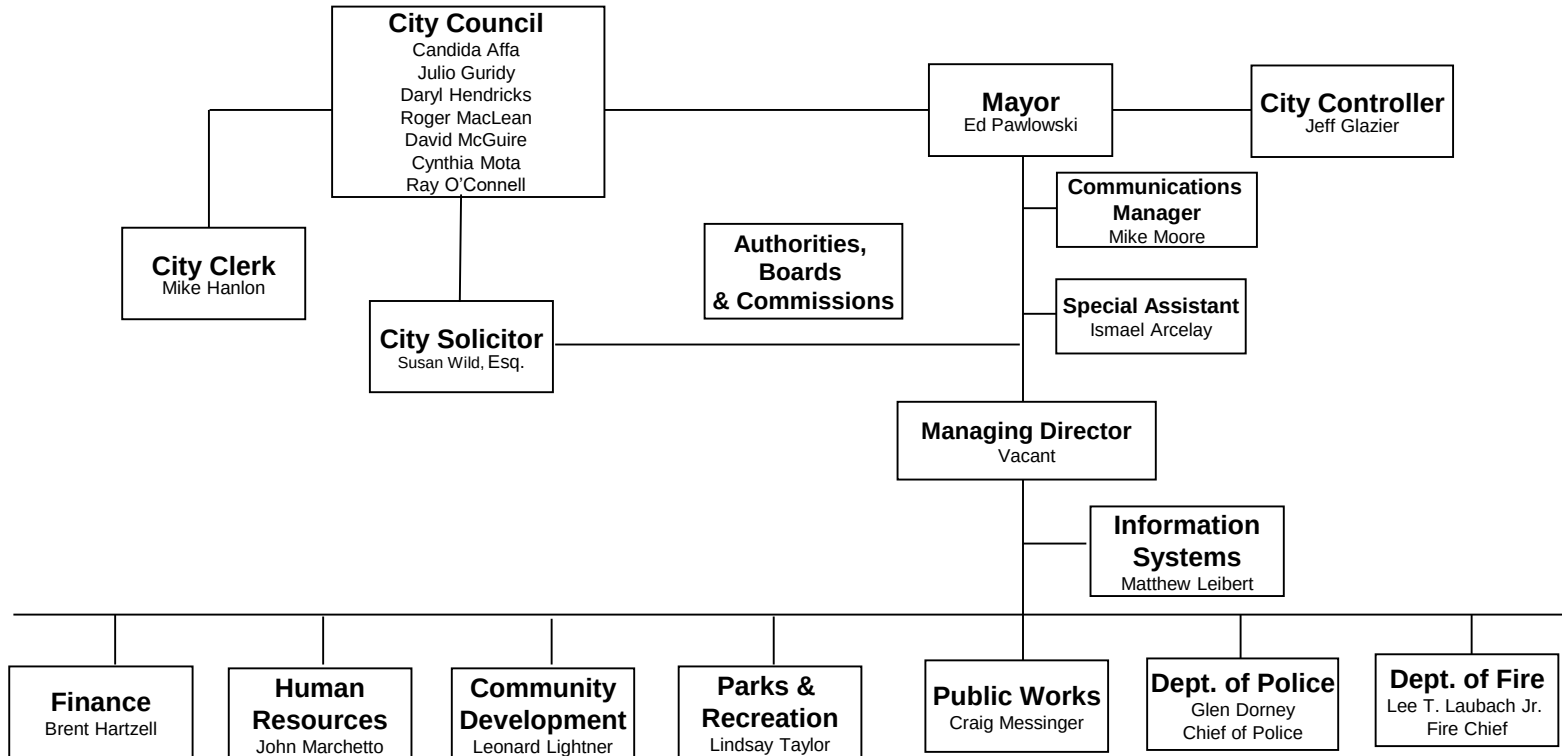
December 31, 2016

Christopher P. Morill

Executive Director/CEO

City of Allentown

2017 Organizational Chart



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Zelenkofske Axelrod LLC

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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, 2017, 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 or the Financial Statements

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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The financial statements of the Redevelopment Authority of the City of Allentown and the Allentown Parking Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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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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, 2017, 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 2017 the City of Allentown adopted the provisions of Governmental Accounting Standards Board's Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the provisions of Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, the provisions of Statement No. 81, *Irrevocable Split-Interest Agreements* and the provisions of Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73*. 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 20 and 90 through 107 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
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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 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 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 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
June 28, 2018

**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, 2017. 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, 2017. Additional information is provided in the Transmittal Letter preceding this MD&A which can be found on pages i-iii of this report. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

During 2017, the City's total net position decreased by \$8,875,799. The net position of governmental activities decreased by \$9,940,429 and the net position of business-type activities increased by \$1,064,630.

The change in net position was due to the increase in the pension liability related to the changes in the discount rate and mortality table.

To summarize, the net position reveals clearly the long-term cost of providing pension benefits to City employees and their families, assuring Allentown citizens transparent presentation of the full obligation volume for which the City is responsible.

Property tax rates as a composite of land and improvement assessments remained at 5.81 mills for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

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

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand City government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the City's pension and other post-employment benefit plans and budget-to-actual figures for the General Fund. 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

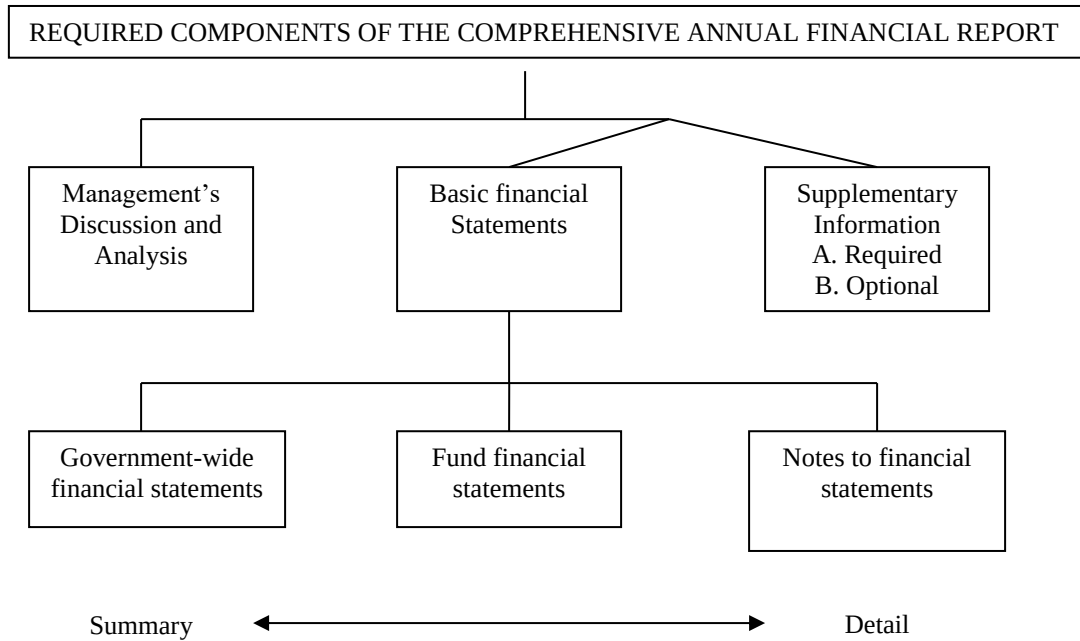


Table A-2 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

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	• Statement of net position • Statement of activities	• Balance sheet • Statement revenues, expenditures, and changes in fund balance	• Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows	• 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 are those with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net 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 (GASB) for governments.

The City has three kinds of funds:

- *Governmental funds* include most of the City's basic services and focus on: (1) the flow in and out of cash and other financial assets that can be readily converted to cash, and (2) the balances left at year-end that are available for spending. The ten 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. 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 a reconciliation that follows 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. and grants funds, as required by state 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. 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 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 \$325,034,417 at December 31, 2017. Of this amount, \$244,394,929 was capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 43,823,551	\$ 58,175,605	\$ 9,762,581	\$ 4,798,409	\$ 53,586,132	\$ 62,974,014
Capital assets, net	238,383,228	232,625,916	6,011,701	5,366,833	244,394,929	237,992,749
Other non-current assets	27,053,356	27,907,078	-	3,857,143	27,053,356	31,764,221
Total Assets	309,260,135	318,708,599	15,774,282	14,022,385	325,034,417	332,730,984
Deferred Outflows of Resources:						
Deferred outflows of resources for pensions	20,948,404	33,222,189	1,056,787	1,064,826	22,005,191	34,287,015
Deferred charge on refunding	361,399	147,513	-	-	361,399	147,513
Total Deferred Outflows of Resources	21,309,803	33,369,702	1,056,787	1,064,826	22,366,590	34,434,528
Current and other liabilities	20,358,002	25,805,574	2,279,943	2,044,191	22,637,945	27,849,765
Long-term liabilities	188,556,482	202,159,246	3,649,389	3,205,343	192,205,871	205,364,589
Total Liabilities	208,914,484	227,964,820	5,929,332	5,249,534	214,843,816	233,214,354
Deferred Inflows of Resources:						
Utility system concession lease	212,631,820	212,405,230	-	-	212,631,820	212,405,230
Deferred inflows of resources for pensions	7,851,522	595,710	1,302	1,872	7,852,824	597,582
Total Deferred Inflows of Resources	220,483,342	213,000,940	1,302	1,872	220,484,644	213,002,812
Net position:						
Net investment in capital assets	189,628,005	151,528,530	5,512,206	4,971,644	195,140,211	156,500,174
Restricted	9,034,864	8,538,881	-	-	9,034,864	8,538,881
Unrestricted	(297,490,757)	(248,954,870)	5,388,229	4,864,161	(292,102,528)	(244,090,709)
Total Net Position	\$ (98,827,888)	\$ (88,887,459)	\$ 10,900,435	\$ 9,835,805	\$ (87,927,453)	\$ (79,051,654)

City of Allentown, Pennsylvania
Management's Discussion and Analysis

The following statement of activities represents changes in net position for the year ended December 31, 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	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 19,372,974	\$ 20,796,907	\$ 17,301,125	\$ 15,744,390	\$ 36,674,099	\$ 36,541,297
Operating grants and contributions	8,285,549	12,775,516	555,724	508,689	8,841,273	13,284,205
Capital grants	698,555	6,282,366	-	-	698,555	6,282,366
General revenues:						
Taxes	73,585,762	59,361,401	-	-	73,585,762	59,361,401
Investment earnings	88,062	61,158	-	-	88,062	61,158
Unrestricted grants/contributions	14,592,416	12,970,519	-	-	14,592,416	12,970,519
Total revenues	116,623,318	112,247,867	17,856,849	16,253,079	134,480,167	128,500,946
Expenses:						
General government	14,870,717	14,922,641	-	-	14,870,717	14,922,641
Public safety	67,712,399	65,369,233	-	-	67,712,399	65,369,233
Community development	8,735,099	9,774,957	-	-	8,735,099	9,774,957
Public works	21,464,580	21,801,546	-	-	21,464,580	21,801,546
Health and sanitation	3,527,955	3,276,428	-	-	3,527,955	3,276,428
Parks and recreation	6,806,202	6,622,705	-	-	6,806,202	6,622,705
Water and sewer	-	-	-	-	-	-
Interest on long-term debt	4,601,557	4,964,746	-	-	4,601,557	4,964,746
Municipal golf course	-	-	1,259,924	1,207,239	1,259,924	1,207,239
Solid waste fund	-	-	14,377,533	14,590,672	14,377,533	14,590,672
Total expenses	127,718,509	126,732,256	15,637,457	15,797,911	143,355,966	142,530,167
Change in net position before transfers	(11,095,191)	(14,484,389)	2,219,392	-	(8,875,799)	(14,484,389)
Transfers	1,154,762	876,988	(1,154,762)	(876,988)	-	-
Change in net position	(9,940,429)	(13,607,401)	1,064,630	(876,988)	(8,875,799)	(14,484,389)
Net position beginning	(88,887,459)	(75,280,058)	9,835,805	10,257,625	(79,051,654)	(65,022,433)
Net position ending	\$ (98,827,888)	\$ (88,887,459)	\$ 10,900,435	\$ 9,380,637	\$ (87,927,453)	\$ (79,506,822)

During 2017, the City's net position decreased by \$8,875,799 to (\$87,927,453). The change in net position was due to the increase in pension liability related to the changes in the discount rate and mortality table.

Total government-wide revenues of \$134.5 million came primarily from taxes of \$73.6 million, representing 54.7 percent of the total. Charges for services at \$36.7 million made up the second largest source at 27.3 percent, followed by unrestricted grants/contributions of \$14.6 million, or 10.9 percent, and other revenue sources made up the remaining 7.1 percent.

The increase in revenue from 2016 to 2017 was due to an earned income tax rate increase representing an additional \$5.8 million over the previous year. There was also an increase of \$0.9 million in business privilege tax.

Total expenses for all programs in 2017 were \$143.4 million. The expenses cover a range of services, with the largest being public safety at \$67.7 million or 47.2 percent. The second largest program area was public works at \$21.5 million or 15 percent, followed by general government at \$14.9 million or 10.4 percent, then the solid waste fund at \$14.4 million or 10 percent, followed by community development at \$8.7 million or 6.1 percent, then by parks and recreation at \$6.8 million or 4.7 percent, followed by interest on outstanding debt at \$4.6 million or 3.2 percent, then health and sanitation at \$3.5 million or 2.5 percent, then golf course at \$1.3 million or 0.9 percent.

Public Safety expenses increased \$2.3 million, which was due to increase in personnel costs and professional services.

Net cost of services

Net cost of services indicates the amount of support required from taxes and other general revenues for a program of the government. In 2017, real estate and Act 511 taxes brought in \$73.6 million. There were \$14.6 million in grants and contributions not restricted to specific purposes.

Table A-5 depicts the net program expenses for the years ended December 31, 2017 and 2016.

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

	Total cost of services		Net cost of services	
	2017	2016	2017	2016
Program:				
General government	\$ 14,870,717	\$ 14,922,641	\$ 10,519,111	\$ 9,678,550
Public safety	67,712,399	65,369,233	62,199,692	59,628,271
Community development	8,735,099	9,774,957	655,301	1,764,291
Public works	21,464,580	21,801,546	19,993,828	11,920,330
Health and sanitation	3,527,955	3,276,428	1,424,243	989,040
Parks and recreation	6,806,202	6,622,705	4,260,433	3,906,091
Water and sewer	-	-	(4,292,734)	(5,973,852)
Interest on long-term debt	4,601,557	4,964,746	4,601,557	4,964,746
Municipal golf course	1,259,924	1,207,239	(63,986)	(73,699)
Solid waste fund	14,377,533	14,590,672	(2,155,406)	(381,469)
Total expenses	\$ 143,355,966	\$ 142,530,167	\$ 97,142,039	\$ 86,422,299

The City relied on real estate tax, Act 511 taxes and other general revenues to fund 54.7 percent of its governmental and business-type activities in 2017.

Property taxes and other general revenues covered 70.7 percent of general government spending with the remainder coming from grants and fees for specific services. Nearly 91.9 percent of public safety spending came from the property tax and other general revenues with the remainder coming

City of Allentown, Pennsylvania
Management's Discussion and Analysis

from grants, fines, and court costs. Community development costs were funded except for 7.5 percent by fees, charges for service, and the balance from Community Development Block Grant (CDBG) funding.

Public works spending was covered 6.9 percent by program revenues, 1.9 percent of which was in the form of capital grants and contributions with the remainder coming from property tax and other general revenues. Health and sanitation received all but 40.4 percent of its revenue from program revenues, 48.9 percent of which was in the form of grants. Parks and recreation expenses were covered 37.4 percent by program revenues with the remainder coming from property tax and other general revenues.

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

Capital Assets

The City's investment in capital assets at December 31, 2017, net of accumulated depreciation, was \$244.4 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Table A-6 is a summary of capital assets at December 31, 2017 and 2016.

Table A-6: Capital assets at December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 9,809,945	\$ 9,809,945	\$ 1,134,759	\$ 1,134,759	\$ 10,944,704	\$ 10,944,704
Assets under concession lease - LCA	79,445,780	74,643,327	-	-	79,445,780	74,643,327
Assets under concession lease - COA	5,054,907	5,005,086	-	-	5,054,907	5,005,086
Construction in progress	6,340,966	3,243,730	-	-	6,340,966	3,243,730
Buildings	4,661,491	4,420,676	676,216	664,688	5,337,707	5,085,364
Land and building improvements	17,601,333	19,135,911	1,196,589	1,363,608	18,797,922	20,499,519
Machinery and equipment	13,606,365	10,422,201	1,802,292	1,334,569	15,408,657	11,756,770
Vehicles	6,222,405	6,325,269	1,173,651	840,637	7,396,056	7,165,906
Infrastructure	95,640,036	99,619,771	-	-	95,640,036	99,619,771
Distribution and collection systems	-	-	28,194	28,572	28,194	28,572
Total	\$ 238,383,228	\$ 232,625,916	\$ 6,011,701	\$ 5,366,833	\$ 244,394,929	\$ 237,992,749

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

Debt Administration

Long-term debt:

At December 31, 2017, the City had \$101 million of debt outstanding, including bonds, notes, and capital leases. This was a net increase of \$1.3 million from the previous year. Table A-7 provides a summary of outstanding debt.

Table A-7: Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital leases	\$ 3,756,786	\$ 1,002,341	\$ 499,495	\$ 395,189	\$ 4,256,281	\$ 1,397,530
Bonds and notes	84,048,953	82,776,716	-	-	84,048,953	82,776,716
Pension obligation bonds	12,660,000	15,565,000	-	-	12,660,000	15,565,000
Total	\$ 100,465,739	\$ 99,344,057	\$ 499,495	\$ 395,189	\$ 100,965,234	\$ 99,739,246

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, 2017 was approximately \$232.2 million, and the total debt outstanding was \$100.5 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2017 was approximately \$325.1 million and the total debt outstanding was \$87.8 million. For computation purposes, the \$100.5 million has been reduced by \$12.7 million, which is the outstanding balance of the 2004 General Obligation bond issue used to finance the City's pension funding liability as allowed by statute.

Detailed information about the City's Long-term Debt can be found in Note 9, Notes to Financial Statements.

Bond rating

The City is rated A3 with a stable outlook by Moody's Investors Service and A+(SPUR) with a stable outlook by S&P.

GOVERNMENTAL FUNDS

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

The focus of 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, a schedule is presented to reconcile the fund statements to the government-wide statements.

The City's governmental funds include the general fund, special revenue funds, debt service fund, and capital projects fund. The general fund is the chief operating fund for the City. Special revenue funds are restricted to specific legislated use. The debt service fund is used to record the funding and payment of principal and interest on the issuance of debt in the governmental funds. The capital projects fund accounts for the proceeds of bond issues 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, 2017 and 2016 were as follows. Table A-8 also presents changes from 2016 to 2017.

Table A-8: Revenues by source, governmental funds

	2017	2016	Changes from 2016 to 2017	Percent change
Revenues:				
Taxes	\$ 71,512,921	\$ 64,853,652	\$ 6,659,269	10.3%
Licenses and permits	6,095,884	5,907,269	188,615	3.2
Charges for services	4,450,086	5,422,775	(972,689)	(17.9)
Fines and forfeits	593,368	1,180,590	(587,222)	(49.7)
Investment earnings	87,816	61,159	26,657	43.6
Intergovernmental revenues	24,512,139	30,798,475	(6,286,336)	(20.4)
Other	2,989,734	2,910,028	79,706	2.7
Total revenues	\$ 110,241,948	\$ 111,133,948	\$ (892,000)	-0.8%

Governmental fund revenues totaled \$110.2 million for the year ended December 31, 2017. This is a decrease of \$0.9 million from 2016, primarily due to the increase in the resident earned income tax rate and decrease in the amount of capital grants for bridge infrastructure.

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2017 and 2016 were as follows. Table A-9 also presents changes from 2016 to 2017.

Table A-9: Expenditures by function, governmental funds

	2017	2016	Changes from 2016 to 2017	Percent change
Expenditures:				
General government	\$ 10,073,023	\$ 9,925,924	\$ 147,099	1.5%
Public safety	61,595,723	58,337,847	3,257,876	5.6
Community development	8,523,967	9,625,276	(1,101,309)	(11.4)
Public works	15,009,623	14,558,597	451,026	3.1
Health and sanitation	3,543,585	3,301,982	241,603	7.3
Parks and recreation	5,939,343	5,833,745	105,598	1.8
Debt service:				
Principal	17,121,284	7,933,320	9,187,964	115.8
Interest	2,899,745	3,271,606	(371,861)	(11.4)
Capital outlay	10,728,546	14,164,247	(3,435,701)	(24.3)
Total expenditures	\$ 135,434,839	\$ 126,952,544	\$ 8,482,295	6.7%

The City maintains ten 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, capital projects, and debt service fund which are considered major funds. Nonmajor funds which include the liquid fuels fund, the CDBG (community development block grant) fund, revolving loan fund, the Trexler fund, grants fund, Lease A.O. and the E-911 fund, 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 \$135.4 million for the year ended December 31, 2017, a decrease of 8.4 percent from 2016. In 2017, from the proceeds of the utility system concession lease, an additional \$2.5 million debt payment was made on the City's pension obligation bond.

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, 2017 and 2016.

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

	2017		2016	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	\$ 13,251,806	\$ -	\$ 19,534,349	\$ -
Liquid Fuels Fund	1,920,781	-	1,878,598	-
Community Development				
Block Grant	4,509,378	-	4,292,519	-
Trexler	193,988	-	125,105	-
Capital Projects	5,121,069	-	6,816,278	-
E-911	(118,840)	-	481,012	-
Revolving Loan	1,327,791	-	1,327,717	-
Grants Fund	-	-	(15,948)	-
Lease A.O. Fund	1,082,926	-	(282,569)	-
Municipal Golf Course	-	1,962,590	-	2,105,502
Solid Waste Fund	-	8,937,845	-	7,730,303
Total	\$ 27,288,899	\$ 10,900,435	\$ 34,157,061	\$ 9,835,805

The City's governmental funds reported a combined fund balance of \$27.3 million at December 31, 2017. Of the total, \$4.5 million is restricted for CDBG projects, \$5.1 million is restricted for capital acquisitions, \$1.9 million is restricted for liquid fuels, \$1.3 million is restricted for the revolving loan fund, \$1.1 million is restricted for the lease A.O. fund, and \$0.2 million is restricted for the Trexler fund.

The General Fund balance decreased \$6.3 million largely attributed to, \$2.5 million additional pension bond payment discussed previously, and the additional transfer of \$3.5 million to the Capital Fund. The Capital Fund balance decreased \$1.7 million largely attributed to reduction in grants. The Lease A.O. Fund balance increased \$0.8 million due to a full year of revenue activity.

Budgetary highlights

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

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

Because the City'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. Other revenue variances are based on grants received but not anticipated.

The 2017 City general fund budget anticipated an effective operating deficit of \$3.6 million net of dedicated pension obligation bond remittances. The actual net operating deficit for the year was \$3.7 million, with lower-than-budgeted operating costs offset by a necessary transfer to the Capital Fund for appropriated project completions from previous years.

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. According to the 2010 Census, Allentown is home to 118,032 residents, 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, with the City's Hispanic population growing by 93.6% during the decade and now comprising 42.7% of the City's population.

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 as well as major regional operations for BB&T Bank. 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 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.

2017 was a year of continued economic revitalization in Allentown's Center City. The 8,500-seat PPL Center plays host to numerous entertainment events and is home to the Lehigh Valley Phantoms, the American Hockey League affiliate of the Philadelphia Flyers. Along with the increasing corporate presence previously mentioned, more than 300 luxury apartments have opened in Center City since 2015. Another 12-story office tower opened early in 2018 and a larger tower is in the early construction stage; these buildings will add nearly half a million square feet of office space to that already constructed in the previous five years.

This economic development success comes as a direct result of the state-authorized Neighborhood Improvement Zone (NIZ), which allows the City to use certain tax revenues to rebuild its downtown core with the specific purpose of generating millions of dollars of investment in new job-creating projects. As a result of the NIZ, Allentown is experiencing employment growth in such sectors as legal and financial services, banking, insurance, financial planning, tourism, entertainment, and destination visiting.

Beyond the NIZ, Allentown continued to pursue residential and commercial development at multiple sites, including the expanded redevelopment of Hamilton Street in Center City Allentown through state and local partnerships such as the Keystone Opportunity Zone (KOZ) and the availability of designated land parcels with a greatly reduced tax burden for residents and businesses.

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, Amazon.com, Lehigh Portland Cement, Nestle, Olympus, FedEx, Uline and LSI 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 2017, 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 2017 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 apace 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.

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.

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CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Assets	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current assets:				
Cash and cash equivalents	\$ 22,700,887	\$ 4,030,251	\$ 26,731,138	\$ 2,701,919
Investments - restricted	4,085,727	-	4,085,727	980,000
Receivables (net of allowance for uncollectible):				
Taxes	15,218,645	-	15,218,645	-
Accounts	2,021,300	1,801,907	3,823,207	217,288
Grants	2,926,218	250,000	3,176,218	-
Other current assets	6,792	-	6,792	84,417
Inventory	-	12,568	12,568	24,652
Notes receivable	-	-	-	500,000
Prepaid expenses	-	-	-	115,887
Prepaid debt insurance	531,837	-	531,837	-
Due from other governments	-	-	-	34,480
Internal balances	(3,667,855)	3,667,855	-	-
Total current assets	43,823,551	9,762,581	53,586,132	4,658,643
Noncurrent assets:				
Capital assets, net:				
Land	9,809,945	1,134,759	10,944,704	8,665,607
Assets under concession lease-LCA	79,445,780	-	79,445,780	-
Assets under concession lease-City	5,054,907	-	5,054,907	-
Buildings	4,661,491	676,216	5,337,707	47,507,457
Land and building improvements	17,601,333	1,196,589	18,797,922	-
Machinery and equipment	13,606,365	1,802,292	15,408,657	368,999
Vehicles	6,222,405	1,173,651	7,396,056	487,775
Distribution and collection systems	-	28,194	28,194	-
Construction in progress	6,340,966	-	6,340,966	-
Infrastructure	95,640,036	-	95,640,036	-
Total capital assets, net	238,383,228	6,011,701	244,394,929	57,029,838
Loans and notes receivable	4,757,356	-	4,757,356	2,160,246
Net pension asset	-	-	-	270,650
Utility system concession lease receivable	22,296,000	-	22,296,000	-
Property held for development	-	-	-	61,415
Total noncurrent assets	265,436,584	6,011,701	271,448,285	59,522,149
Total Assets	309,260,135	15,774,282	325,034,417	64,180,792
Deferred Outflows of Resources				
Deferred outflows of resources for pensions	20,948,404	1,056,787	22,005,191	3,796
Deferred charge on refunding	361,399	-	361,399	607,564
Total Deferred Outflows of Resources	21,309,803	1,056,787	22,366,590	611,360

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(Continued)

Liabilities	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current liabilities:				
Accounts payable and other current liabilities	3,074,764	1,780,340	4,855,104	580,054
Wages payable	1,751,560	71,784	1,823,344	-
Accrued interest payable	374,296	-	374,296	-
Claims liability	512,543	-	512,543	-
Other liabilities	1,605,531	114,557	1,720,088	54,230
Due to other governments	1,599,174	-	1,599,174	-
Compensated absences	3,973,262	180,336	4,153,598	-
Unearned revenue	-	-	-	308,403
Facility contractual obligation	142,146	-	142,146	-
Capital leases payable	996,366	132,926	1,129,292	5,789
Notes and bonds payable, current maturities	6,328,360	-	6,328,360	1,000,000
Total current liabilities	<u>20,358,002</u>	<u>2,279,943</u>	<u>22,637,945</u>	<u>1,948,476</u>
Noncurrent liabilities:				
Capital leases payable	2,760,420	366,569	3,126,989	-
Compensated absences	253,213	-	253,213	-
Unearned revenue	-	-	-	8,350,610
Net pension liability	76,715,526	2,881,683	79,597,209	-
Other postemployment benefit liability	18,446,730	401,137	18,847,867	166,659
Notes and bonds payable	90,380,593	-	90,380,593	33,888,756
Total noncurrent liabilities	<u>188,556,482</u>	<u>3,649,389</u>	<u>192,205,871</u>	<u>42,406,025</u>
Total Liabilities	<u>208,914,484</u>	<u>5,929,332</u>	<u>214,843,816</u>	<u>44,354,501</u>
Deferred Inflows of Resources				
Utility system concession lease	212,631,820	-	212,631,820	-
Deferred inflows of resources for pensions	7,851,522	1,302	7,852,824	146,401
Total Deferred Inflows of Resources	<u>220,483,342</u>	<u>1,302</u>	<u>220,484,644</u>	<u>146,401</u>
Net Position				
Net investment in capital assets	189,628,005	5,512,206	195,140,211	22,742,857
Restricted for:				
Public works	3,003,707	-	3,003,707	-
Community development	5,837,169	-	5,837,169	888,000
Parks and recreation	193,988	-	193,988	-
Unrestricted	(297,490,757)	5,388,229	(292,102,528)	(3,339,607)
Total Net Position	<u>\$ (98,827,888)</u>	<u>\$ 10,900,435</u>	<u>\$ (87,927,453)</u>	<u>\$ 20,291,250</u>
				(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

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	\$ 14,870,717	\$ 4,333,343	\$ 18,263	\$ -	\$ (10,519,111)	\$ -	\$ (10,519,111)	\$ -
Public safety	67,712,399	4,890,164	497,088	125,455	(62,199,692)	-	(62,199,692)	-
Community development	8,735,099	3,893,058	4,186,740	-	(655,301)	-	(655,301)	-
Public works	21,464,580	1,053,964	-	416,788	(19,993,828)	-	(19,993,828)	-
Health and sanitation	3,527,955	379,396	1,724,316	-	(1,424,243)	-	(1,424,243)	-
Parks and recreation	6,806,202	530,315	1,859,142	156,312	(4,260,433)	-	(4,260,433)	-
Water and sewer	-	4,292,734	-	-	4,292,734	-	4,292,734	-
Interest on long-term debt	4,601,557	-	-	-	(4,601,557)	-	(4,601,557)	-
Total governmental activities	127,718,509	19,372,974	8,285,549	698,555	(99,361,431)	-	(99,361,431)	-
Business-Type activities:								
Solid Waste Fund	14,377,533	16,052,450	480,489	-	-	2,155,406	2,155,406	-
Municipal Golf Course	1,259,924	1,248,675	75,235	-	-	63,986	63,986	-
Total business-Type activities	15,637,457	17,301,125	555,724	-	-	2,219,392	2,219,392	-
Total primary government	<u>\$ 143,355,966</u>	<u>\$ 36,674,099</u>	<u>\$ 8,841,273</u>	<u>\$ 698,555</u>	<u>(99,361,431)</u>	<u>2,219,392</u>	<u>(97,142,039)</u>	<u>-</u>
Component units:								
Redevelopment Authority of the City of Allentown	\$ 166,178	\$ 7,595	\$ 50,672	\$ -	-	-	-	(107,911)
Allentown Parking Authority	7,918,704	7,363,956	500,000	-	-	-	-	(54,748)
Total component units	<u>\$ 8,084,882</u>	<u>\$ 7,371,551</u>	<u>\$ 550,672</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,659)</u>
General revenues:								
Property taxes					32,519,646	-	32,519,646	-
Act 511					39,419,301	-	39,419,301	-
Utility realty					66,171	-	66,171	-
Deed transfer tax					1,580,644	-	1,580,644	-
Grants and contributions not restricted to specific purposes					14,592,416	-	14,592,416	-
Investment earnings					88,062	-	88,062	38,930
Transfers					1,154,762	(1,154,762)	-	-
Total general revenues and transfers					<u>89,421,002</u>	<u>(1,154,762)</u>	<u>88,266,240</u>	<u>38,930</u>
Change in Net Position					(9,940,429)	1,064,630	(8,875,799)	(123,729)
Net Position:								
Beginning of year					(88,887,459)	9,835,805	(79,051,654)	20,414,979
End of year					<u>\$ (98,827,888)</u>	<u>\$ 10,900,435</u>	<u>\$ (87,927,453)</u>	<u>\$ 20,291,250</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 13,015,855	\$ 937,773	\$ -	\$ 4,294,894	\$ 18,248,522
Investments - restricted	50,405	4,035,322	-	-	4,085,727
Receivables, net:					
Taxes	15,218,645	-	-	-	15,218,645
Loans	124,550	-	-	4,632,806	4,757,356
Accounts	1,970,580	-	-	49,220	2,019,800
Grants	482,839	586,175	-	1,857,204	2,926,218
Utility system concession lease	22,296,000	-	-	-	22,296,000
Interest	-	-	-	6,791	6,791
Due from other funds	1,771,412	1,382	1,040	136,635	1,910,469
Total Assets	\$ 54,930,286	\$ 5,560,652	\$ 1,040	\$ 10,977,550	\$ 71,469,528
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 1,165,320	\$ 321,109	\$ 1,040	\$ 351,497	\$ 1,838,966
Wages payable	1,677,722	-	-	70,270	1,747,992
Due to other funds	139,057	-	-	1,582,124	1,721,181
Due to other governments	1,599,174	-	-	-	1,599,174
Advance from other fund	3,857,143	-	-	-	3,857,143
Other liabilities	1,414,729	118,474	-	57,635	1,590,838
Total Liabilities	9,853,145	439,583	1,040	2,061,526	12,355,294
Deferred Inflows of Resources:					
Unavailable revenue - taxes	9,529,335	-	-	-	9,529,335
Unavailable revenue - utility system concession lease	22,296,000	-	-	-	22,296,000
Total Deferred Inflows of Resources	31,825,335	-	-	-	31,825,335
Fund Balance:					
Restricted	-	5,121,069	-	9,034,864	14,155,933
Assigned	-	-	-	-	-
Unassigned	13,251,806	-	-	(118,840)	13,132,966
Total Fund Balance	13,251,806	5,121,069	-	8,916,024	27,288,899
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 54,930,286	\$ 5,560,652	\$ 1,040	\$ 10,977,550	\$ 71,469,528

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, 2017

Total Fund Balance - Governmental Funds	\$	27,288,899
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.		238,383,228
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in governmental funds.		31,825,335
Prepaid debt insurance is reported as an asset and amortized on the statement of net position.		531,837
Utility system concession lease is required to be amortized over the life of the lease for governmental activities.		(212,631,820)
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	(374,296)	
Facility contractual obligation	(142,146)	
Notes and bonds payable	(96,708,953)	
Less: deferred charge on refunding	361,399	
Capital leases payable	(3,756,786)	
Compensated absences	(4,223,839)	
Other post-employment benefits liability	(18,446,730)	
Net pension liability, net of related deferred inflows and outflows of resources	<u>(63,618,644)</u>	(186,909,995)
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.		<u>2,684,628</u>
Total Net Position - Governmental Activities	<u>\$</u>	<u>(98,827,888)</u>

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, 2017

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 71,512,921	\$ -	\$ -	\$ -	\$ 71,512,921
Licenses and permits	6,095,884	-	-	-	6,095,884
Charges for services	4,309,573	140,513	-	-	4,450,086
Fines and forfeits	593,368	-	-	-	593,368
Investment earnings	7,857	75,229	-	4,730	87,816
Intergovernmental revenues	12,046,101	698,555	-	11,767,483	24,512,139
Other	1,958,962	4,940	-	1,025,832	2,989,734
Total revenues	<u>96,524,666</u>	<u>919,237</u>	<u>-</u>	<u>12,798,045</u>	<u>110,241,948</u>
Expenditures:					
Current:					
General government	9,846,073	204,270	12,140	10,540	10,073,023
Public safety	58,680,195	-	-	2,915,528	61,595,723
Community development	4,815,029	-	-	3,708,938	8,523,967
Public works	11,928,640	-	-	3,080,983	15,009,623
Health and sanitation	3,543,585	-	-	-	3,543,585
Parks and recreation	4,270,938	-	-	1,668,405	5,939,343
Debt service:					
Principal	-	-	17,116,284	5,000	17,121,284
Interest	-	-	2,879,470	20,275	2,899,745
Capital outlay	2,873,602	6,643,206	-	1,211,738	10,728,546
Total expenditures	<u>95,958,062</u>	<u>6,847,476</u>	<u>20,007,894</u>	<u>12,621,407</u>	<u>135,434,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>566,604</u>	<u>(5,928,239)</u>	<u>(20,007,894)</u>	<u>176,638</u>	<u>(25,192,891)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	3,276,566	-	-	1,189,706	4,466,272
Issuance of refunding bonds	-	9,025,000	-	-	9,025,000
Bond issuance premium	-	232,667	-	-	232,667
Capital lease proceeds	3,295,820	-	-	-	3,295,820
Transfers in	1,564,591	4,169,760	20,007,894	561,300	26,303,545
Transfers out	<u>(14,986,124)</u>	<u>(9,194,397)</u>	<u>-</u>	<u>(818,054)</u>	<u>(24,998,575)</u>
Total other financing sources (uses)	<u>(6,849,147)</u>	<u>4,233,030</u>	<u>20,007,894</u>	<u>932,952</u>	<u>18,324,729</u>
Net Change in Fund Balance	(6,282,543)	(1,695,209)	-	1,109,590	(6,868,162)
Fund Balance:					
Beginning of year	19,534,349	6,816,278	-	7,806,434	34,157,061
End of year	<u>\$ 13,251,806</u>	<u>\$ 5,121,069</u>	<u>\$ -</u>	<u>\$ 8,916,024</u>	<u>\$ 27,288,899</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, 2017

Net Change in Fund Balance - Governmental Funds	\$	(6,868,162)
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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.		10,728,546
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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.		(9,342,940)
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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.		(430,747)
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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.		2,072,841
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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.		(259,122)
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Activities of the internal service fund are reported as net revenue in the statement of activities.		385,549
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The issuance of capital leases provides current financial resources to governmental funds.		(3,295,820)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds.		(13,491,272)
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Principal payments on capital leases consumes the current financial resources of governmental funds.		541,375
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The repayment of principal of long-term debt consumes the current financial resources of governmental funds.		17,121,284
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The accretion of capital appreciation bonds does not consume current financial resources of governmental funds.		(1,880,076)
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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.		95,676
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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.		82,588
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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.		(7,390,646)
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Other postemployment benefits are reported in the statement of activities but not require the use of current financial resources.		(2,085,366)
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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.		4,075,863
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Change in Net Position - Governmental Activities	\$	<u>(9,940,429)</u>
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CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	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	\$ 4,028,851	\$ 1,400	\$ 4,030,251	\$ 4,452,365
Accounts receivable:				
Refuse collection	1,907,989	-	1,907,989	-
Grants	250,000	-	250,000	-
Other	-	-	-	1,500
Total accounts receivable	2,157,989	-	2,157,989	1,500
Allowance for doubtful accounts	106,082	-	106,082	-
Net accounts receivable	2,051,907	-	2,051,907	1,500
Advance to other funds	642,857	-	642,857	-
Inventories	-	12,568	12,568	-
Total current assets	6,723,615	13,968	6,737,583	4,453,865
Noncurrent assets:				
Advance to other funds	3,214,286	-	3,214,286	-
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	3,768,812	1,400,877	5,169,689	-
Vehicles	4,089,825	239,225	4,329,050	-
Distribution and collection systems	-	37,465	37,465	-
Total capital assets	10,352,831	6,463,203	16,816,034	-
Accumulated depreciation	(6,838,223)	(3,966,110)	(10,804,333)	-
Net capital assets	3,514,608	2,497,093	6,011,701	-
Total noncurrent assets	6,728,894	2,497,093	9,225,987	-
Total assets	13,452,509	2,511,061	15,963,570	4,453,865
<u>Deferred Outflows of Resources</u>				
Deferred outflows of resources for pensions	952,268	104,519	1,056,787	-

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017
(Continued)

Business-Type Activities - Enterprise Funds				
Liabilities	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Total	Internal Service Fund
Current liabilities:				
Accounts payable	1,775,915	4,425	1,780,340	1,235,798
Wages payable	62,329	9,455	71,784	3,568
Claims liability	-	-	-	512,543
Other liabilities	114,233	324	114,557	14,693
Due to other funds	-	189,288	189,288	-
Compensated absences	159,337	20,999	180,336	2,477
Capital leases payable	111,686	21,240	132,926	-
Total current liabilities	2,223,500	245,731	2,469,231	1,769,079
Noncurrent liabilities				
Capital leases payable	299,018	67,551	366,569	-
Compensated absences	-	-	-	158
Net pension liability	2,596,678	285,005	2,881,683	-
Other postemployment benefit liability	346,563	54,574	401,137	-
Total noncurrent liabilities	3,242,259	407,130	3,649,389	158
Total Liabilities	5,465,759	652,861	6,118,620	1,769,237
Deferred Inflows of Resources				
Deferred inflows of resources for pensions	1,173	129	1,302	-
Net Position				
Net investment in capital assets	3,103,904	2,408,302	5,512,206	-
Unrestricted	5,833,941	(445,712)	5,388,229	2,684,628
Total Net Position	\$ 8,937,845	\$ 1,962,590	\$ 10,900,435	\$ 2,684,628

(Concluded)

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	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	\$ 15,305,831	\$ -	\$ 15,305,831	\$ -
Recycling	275,617	-	275,617	-
Other charges	-	1,248,675	1,248,675	22,041,285
Miscellaneous	471,002	-	471,002	-
Total operating revenues	<u>16,052,450</u>	<u>1,248,675</u>	<u>17,301,125</u>	<u>22,041,285</u>
<u>Operating Expenses:</u>				
Personnel services	3,877,503	680,111	4,557,614	-
Utility Services	16,358	21,712	38,070	-
Contracted services	9,600,009	101,272	9,701,281	-
Materials and supplies	403,778	217,746	621,524	-
Claims and benefits	-	-	-	21,516,081
Depreciation expense	398,529	227,006	625,535	-
Miscellaneous	81,356	12,077	93,433	-
Total operating expenses	<u>14,377,533</u>	<u>1,259,924</u>	<u>15,637,457</u>	<u>21,516,081</u>
Operating Income (Loss)	<u>1,674,917</u>	<u>(11,249)</u>	<u>1,663,668</u>	<u>525,204</u>
<u>Non-Operating Revenues (Expenses):</u>				
Grants	392,236	25,235	417,471	10,553
Gain (loss) on disposal of fixed assets	88,253	50,000	138,253	-
Total non-operating revenues (expenses)	<u>480,489</u>	<u>75,235</u>	<u>555,724</u>	<u>10,553</u>
Change in net position before transfers	2,155,406	63,986	2,219,392	535,757
Transfers out	(947,864)	(302,622)	(1,250,486)	(150,208)
Transfers in	-	95,724	95,724	-
Change in Net Position	<u>1,207,542</u>	<u>(142,912)</u>	<u>1,064,630</u>	<u>385,549</u>
<u>Net Position:</u>				
Beginning of year	7,730,303	2,105,502	9,835,805	2,299,079
End of Year	<u>\$ 8,937,845</u>	<u>\$ 1,962,590</u>	<u>\$ 10,900,435</u>	<u>\$ 2,684,628</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities
		Nonmajor Fund Municipal Golf Course	Totals	Internal Service Fund
	Solid Waste Fund			
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 14,817,611	\$ 1,255,112	\$ 16,072,723	\$ 23,180,096
Payments to suppliers for services	(9,894,034)	(351,781)	(10,245,815)	(21,891,567)
Payments to employees	(3,497,248)	(673,415)	(4,170,663)	(229,989)
Net cash provided by (used in) operating activities	1,426,329	229,916	1,656,245	1,058,540
Cash Flows From Non-Capital Financing Activities:				
Operating grants received	142,236	25,235	167,471	10,553
Transfers in	-	95,724	95,724	-
Transfers out	(947,864)	(302,622)	(1,250,486)	(150,208)
Net cash used in non-capital financing activities	(805,628)	(181,663)	(987,291)	(139,655)
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(530,390)	(214,722)	(745,112)	-
Receipts on sale of capital assets	88,253	50,000	138,253	-
Advance from/to other fund	642,857	173,123	815,980	-
Payments of obligations under capital leases	(376,745)	(56,654)	(433,399)	-
Net cash provided by (used in) capital and related financing activities	(176,025)	(48,253)	(224,278)	-
Net Increase (Decrease) in Cash and Cash Equivalents	444,676	-	444,676	918,885
Cash and Cash Equivalents:				
Beginning of year	3,584,175	1,400	3,585,575	3,533,480
End of year	\$ 4,028,851	\$ 1,400	\$ 4,030,251	\$ 4,452,365
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 1,674,917	\$ (11,249)	\$ 1,663,668	\$ 525,204
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	398,529	227,006	625,535	-
Changes in:				
Accounts receivable	(1,234,839)	6,437	(1,228,402)	-
Due from other governments	-	-	-	70,018
Due from other funds	-	-	-	1,068,793
Inventories	-	(57)	(57)	-
Deferred outflows of resources for pensions	(9,646)	30,225	20,579	-
Accounts payable	176,190	943	177,133	(390,179)
Wages payable	10,901	1,925	12,826	(535)
Claims liability	-	-	-	(230,380)
Other liabilities	31,277	140	31,417	14,693
Compensated absences	12,750	5,025	17,775	926
Net pension liability	373,157	(36,815)	336,342	-
Other postemployment benefit liability	(6,445)	6,444	(1)	-
Deferred inflows of resources for pensions	(462)	(108)	(570)	-
Total adjustments	(248,588)	241,165	(7,423)	533,336
Net cash provided by (used in) operating activities	\$ 1,426,329	\$ 229,916	\$ 1,656,245	\$ 1,058,540
Schedule of Noncash Investing Capital and Financing Activities				
Issuance of capital lease obligations	\$ 537,704	\$ -	\$ 537,704	\$ -

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ -	\$ 1,389,339
Interest receivable	190,231	-
Investments, at fair value:		
Money market funds	13,280,101	-
Equity mutual funds	193,696,595	-
Bond mutual funds	36,491,762	-
Corporate bonds	7,020,529	-
U.S. government obligations	28,123,943	-
U.S. government agency obligations	5,653,068	-
Total Assets	<u>284,456,229</u>	<u>1,389,339</u>
<u>Liabilities</u>		
Accounts payable	60,945	-
Payroll tax liability	-	1,371,871
Due to other governments	-	17,468
Total Liabilities	<u>60,945</u>	<u>\$ 1,389,339</u>
<u>Net Position</u>		
Restricted for pension benefits	<u>\$ 284,395,284</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, 2017

	Pension Trust Fund
<u>Additions:</u>	
Contributions:	
Employer	\$ 7,559,833
Plan members	1,456,004
Total contributions	<u>9,015,837</u>
Investment income (loss):	
Net appreciation in fair value of investments	33,078,845
Interest and dividends	5,043,525
Less investment expenses	<u>(211,943)</u>
Net investment income (loss)	<u>37,910,427</u>
Total additions	<u>46,926,264</u>
<u>Deductions:</u>	
Benefits paid to recipients	20,728,389
Administrative and other fees	27,693
Total deductions	<u>20,756,082</u>
Change in Net Position	26,170,182
<u>Net Position:</u>	
Beginning of year	<u>258,225,102</u>
End of year	<u><u>\$ 284,395,284</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, 2017

	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 545,104	\$ 2,156,815	\$ 2,701,919
Certificates of deposit	-	980,000	980,000
Accounts receivable	-	217,288	217,288
Other current assets	-	84,417	84,417
Notes receivable	-	500,000	500,000
Inventory	-	24,652	24,652
Prepaid expenses	2,300	113,587	115,887
Due from other governments	34,480	-	34,480
Total current assets	581,884	4,076,759	4,658,643
Noncurrent assets:			
Land	-	8,665,607	8,665,607
Land and building improvements	-	47,507,457	47,507,457
Machinery and equipment	-	368,999	368,999
Vehicles	-	487,775	487,775
Total capital assets, net	-	57,029,838	57,029,838
Loans receivable	1,760,246	-	1,760,246
Notes receivable	-	400,000	400,000
Net pension asset	-	270,650	270,650
Property held for development	61,415	-	61,415
Total noncurrent assets	1,821,661	57,700,488	59,522,149
Total Assets	2,403,545	61,777,247	64,180,792
Deferred Outflows of Resources			
Deferred outflows of resources for pensions	-	3,796	3,796
Deferred charge on refunding	-	607,564	607,564
Total Deferred Outflows of Resources	-	611,360	611,360
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	10,346	569,708	580,054
Other liabilities	-	54,230	54,230
Unearned revenue	-	308,403	308,403
Capital lease payable	-	5,789	5,789
Notes and bonds payable, current maturities	-	1,000,000	1,000,000
Total current liabilities	10,346	1,938,130	1,948,476
Noncurrent liabilities:			
Unearned revenue	-	8,350,610	8,350,610
Other postemployment benefit liability	-	166,659	166,659
Bonds payable	-	33,888,756	33,888,756
Total noncurrent liabilities	-	42,406,025	42,406,025
Total Liabilities	10,346	44,344,155	44,354,501
Deferred Inflows of Resources			
Deferred inflows of resources for pensions	-	146,401	146,401
Total Deferred Inflows of Resources	-	146,401	146,401
Net Position			
Net investment in capital assets	-	22,742,857	22,742,857
Restricted	888,000	-	888,000
Unrestricted (deficit)	1,505,199	(4,844,806)	(3,339,607)
Total Net Position	\$ 2,393,199	\$ 17,898,051	\$ 20,291,250

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2017

	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	\$ 166,178	\$ 7,595	\$ 50,672	\$ (107,911)	\$ -	\$ (107,911)
Allentown Parking Authority	7,915,179	7,363,956	500,000	-	(51,223)	(51,223)
Total component units	<u>\$ 8,081,357</u>	<u>\$ 7,371,551</u>	<u>\$ 550,672</u>	<u>\$ (107,911)</u>	<u>\$ (51,223)</u>	<u>\$ (159,134)</u>
General revenues:						
Gain (loss) on sale of capital assets				-	(3,525)	(3,525)
Investment earnings				-	38,930	38,930
Total general revenues				-	35,405	35,405
Change in Net Position				(107,911)	(15,818)	(123,729)
Net Position:						
Beginning of year				2,501,110	17,913,869	20,414,979
End of year				<u>\$ 2,393,199</u>	<u>\$ 17,898,051</u>	<u>\$ 20,291,250</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, 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, 2017 were immaterial to the basic financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017

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.

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 Fund and Agency Fund:

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017 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 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, 2017

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 \$2.2 million at December 31, 2017. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$1 million at December 31, 2017. The allowance for accounts receivable presented in General Fund, was approximately \$730,000 at December 31, 2017. The allowance for doubtful accounts, presented in the Solid Waste Fund, was approximately \$100,000 at December 31, 2017.

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, 2017.

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, 2017 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, 2017

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

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

Property Held for Development

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 balance, if the individual fund's fund balance is not presented as restricted. The General Fund encumbrances of \$443,411 relate to contract services, operating materials, supplies, 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 (\$43,549) and Internal Service Fund (\$34,545) encumbrances relate to operating supplies and equipment.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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

Fund Balance

In the fund financial statements, fund balance of governmental funds is 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.

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, 2017

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. Bond discounts/premiums are included in the balance of bonds payable.

Deferred Inflows and Outflows of Resources for Pensions

In conjunction with pension 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 on the government-wide and proprietary fund financial statements. These amounts are determined based on the actuarial valuations performed for the pension plans. Note 8 presents additional information about the pension plans.

For the Parking Authority, there is a deferred outflow of resources for pensions that represents the net difference between the projected and actual investment earnings on the investments in its defined benefit pension plan.

The Parking Authority also 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, 2017, 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.

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.

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, 2017

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, 2017 is \$2.119 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 2017 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 2017 was approximately \$275,000.

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, 2017

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

Tax Abatement Programs (Continued)

remitted to the Allentown Neighborhood Improvement Zone Development Authority (ANIZDA). 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 the ANIZDA during 2017 was approximately \$2.6 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, 2017, 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, 2017, 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 \$512,543 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, 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, 2017

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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB's Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB's Statement No. 81, *Irrevocable Split-Interest Agreements*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB's Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73*. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions of GASB Statement No. 75 are effective for the City's December 31, 2018 financial statements.

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. 85, *Omnibus 2017*. 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. 86, *Certain Debt Extinguishment Issues*. This Statement is required to be adopted by the City for the year ending December 31, 2018.

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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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

Pending Changes in Accounting Principles (Continued)

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

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 \$201,017,262, 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 \$11,614,558, 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>
2018	\$ 4,678,583
2019	4,683,763
2020	4,683,763
2021	4,683,763
2022	4,683,763
Thereafter	<u>189,218,185</u>
Total	<u>\$ 212,631,820</u>

For the year ended December 31, 2017, the City recognized \$4,575,862 in charges for services – water and sewer related to the lease.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3 DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2017 consist of the following:

Petty cash	\$ 7,650
Deposits	28,112,827
Investments	288,351,725
	<u>\$ 316,472,202</u>
<u>Reconciliation to Statement of Net Position</u>	
Cash and cash equivalents:	
Governmental activities	\$ 22,700,887
Business-type activities	4,030,251
Agency Funds	1,389,339
	<u>28,120,477</u>
Investments:	
Governmental activities	4,085,727
Fiduciary funds	284,265,998
	<u>288,351,725</u>
	<u>\$ 316,472,202</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, 2017, the City's book balance was \$26,723,488 and the bank balance was \$28,112,827. Of the bank balance, \$755,000 was covered by federal depository insurance, \$250,000 was covered by National Credit Union Administration deposit insurance, and \$27,017,827 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, 2017, the City's investments were comprised of the following:

Money market funds	\$ 17,365,828
Equity mutual funds	193,696,595
Bond mutual funds	36,491,762
Corporate bonds	7,020,529
U.S. government obligations	28,123,943
U.S. government agency obligations	5,653,068
	<u>288,351,725</u>
Total	<u>\$ 288,351,725</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Cash and Cash Equivalents (Continued)

As of December 31, 2017, the City had the following investments in fixed income securities and money market funds:

	<u>12/31/2017</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant (Level 2)</u>	<u>Significant (Level 3)</u>
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 7,020,529	\$ 7,020,529	\$ -	\$ -
U.S. government obligations	28,123,943	28,123,943	-	-
U.S. Government Agencies	5,653,068	5,653,068	-	-
Total debt securities	<u>40,797,540</u>	<u>40,797,540</u>	<u>-</u>	<u>-</u>
Equity securities				
Equity mutual funds	193,696,595	193,696,595	-	-
Bond mutual funds	36,491,762	36,491,762	-	-
Total equity securities	<u>230,188,357</u>	<u>230,188,357</u>	<u>-</u>	<u>-</u>
Money market funds	17,365,828	17,365,828	-	-
Total investments at fair value	<u>\$ 288,351,725</u>	<u>\$ 288,351,725</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

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

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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

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 Township 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.

The City has the following recurring fair value measurements as of December 31, 2017:

Investment Type	Fair Value	Investment Maturities			Rating
		2018	2019-2023	2024-2027	
Bond mutual funds	\$27,771,648	\$ -	\$ -	\$27,771,648	AA
Bond mutual funds	8,720,114	-	-	8,720,114	N/A
Corporate bonds	1,259,370	1,259,370	-	-	WR
Corporate bonds	2,510,485	1,260,126	1,250,359	-	A1
Corporate bonds	1,219,630	544,738	374,892	-	A2
Corporate bonds	127,005	-	127,005	-	Aa1
Corporate bonds	634,841	634,841	-	-	Aa2
Corporate bonds	1,269,198	-	1,269,198	-	Aa3
U.S. government obligations	27,524,171	7,268,525	20,255,646	-	Aaa
U.S. government obligations	599,772	599,772	-	-	WR
U.S. government agency obligations	4,693,529	-	4,693,529	-	Aaa
U.S. government agency obligations	94,954	94,954	-	-	A2
U.S. government agency obligations	864,585	864,585	-	-	WR
Money market funds	17,365,828	17,365,828	-	-	AAAm
Total fixed income securities	<u>\$94,655,130</u>	<u>\$29,892,739</u>	<u>\$27,970,629</u>	<u>\$36,491,762</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, 2017

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, 2017 was \$4,085,727.

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 average maturity of PSDLAF is 35 days.

As of December 31, 2017, the carrying amount of external investment pool assets was \$44,263. The fair value of external investment pool assets approximate their carrying values as of December 31, 2017. 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, 2017

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, 2017, the carrying amount of the Authority's bank deposits was \$545,104. The corresponding bank balance at December 31, 2017 was \$554,728, of which \$250,000 is covered by federal deposit insurance. The remaining \$304,728 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, 2017, \$1,951,895 of the Parking Authority's bank balance of \$3,181,895 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, 2017 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, 2017, the remaining balance of the loan was \$307,247.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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 March 2012, the Authority conveyed three properties to ACIDA. In consideration of the transfer, the ACIDA entered into noninterest-bearing promissory notes totaling \$153,523. Principal payments are due when the properties are sold to a third party. If the properties are not sold within a 24-month period, the ACIDA shall commence monthly principal payments of \$750 each for each property until sold. As of December 31, 2017, the remaining balance is \$0.

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 ending December 31, 2016, the remaining balance of the loan is \$314,999.

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, 2017, 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, 2017. The note bears interest at a rate of 3% per annum, with the first payment of principal of \$500,000 and all accrued interest due eighteen 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 July 31, 2018. 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 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, 2017

NOTE 5 CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2017 is as follows:

	January 1, 2017	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,809,945	\$ -	\$ -	\$ 9,809,945
Assets under concession lease - LCA	74,643,327	4,802,453	-	79,445,780
Construction in progress	3,243,730	8,783,907	(5,686,671)	6,340,966
Total capital assets not being depreciated	87,697,002	13,586,360	(5,686,671)	95,596,691
Capital assets being depreciated:				
Assets under concession lease - City	5,097,917	233,107	-	5,331,024
Buildings	24,082,632	670,599	-	24,753,231
Land and building improvements	37,448,972	8,580	-	37,457,552
Machinery and equipment	32,761,115	5,042,264	(188,112)	37,615,267
Vehicles	22,115,655	1,676,760	(1,074,830)	22,717,585
Infrastructure	139,109,821	-	-	139,109,821
Total capital assets being depreciated	260,616,112	7,631,310	(1,262,942)	266,984,480
Less accumulated depreciation for:				
Assets under concession lease - City	92,831	183,286	-	276,117
Buildings	19,661,956	429,784	-	20,091,740
Land and building improvements	18,313,062	1,543,157	-	19,856,219
Machinery and equipment	22,338,913	1,689,796	(19,807)	24,008,902
Vehicles	15,790,387	1,517,181	(812,388)	16,495,180
Infrastructure	39,490,049	3,979,736	-	43,469,785
Total accumulated depreciation	115,687,198	9,342,940	(832,195)	124,197,943
Total capital assets being depreciated, net	144,928,914	(1,711,630)	(430,747)	142,786,537
Governmental activities capital assets, net	\$ 232,625,916	\$ 11,874,730	\$ (6,117,418)	\$ 238,383,228

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, 2017

NOTE 5 CAPITAL ASSETS (CONTINUED)

	January 1, 2017	Additions	Disposals	December 31, 2017
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	1,244,541	38,112	-	1,282,653
Land and building improvements	4,862,418	-	-	4,862,418
Machinery and equipment	4,575,866	723,797	(129,974)	5,169,689
Vehicles	4,046,263	520,907	(238,120)	4,329,050
Distribution and collection systems	37,465	-	-	37,465
Total capital assets being depreciated	14,766,553	1,282,816	(368,094)	15,681,275
Less accumulated depreciation for:				
Buildings	579,853	26,584	-	606,437
Land and building improvements	3,498,812	167,018	-	3,665,830
Machinery and equipment	3,241,296	243,661	(117,559)	3,367,398
Vehicles	3,205,625	187,894	(238,120)	3,155,399
Distribution and collection systems	8,893	378	-	9,271
Total accumulated depreciation	10,534,479	625,535	(355,679)	10,804,335
Total capital assets being depreciated, net	4,232,074	657,281	(12,415)	4,876,940
Business-type activities capital assets, net	\$ 5,366,833	\$ 657,281	\$ (12,415)	\$ 6,011,699

Depreciation expense was charged to governmental activities as follows:

General government	\$ 881,005
Public safety	1,309,176
Community development	244,220
Public works	6,113,307
Parks and recreation	795,232
Total	<u>\$ 9,342,940</u>

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

Solid Waste Fund	\$ 398,529
Municipal Golf Course Fund	227,006
Total	<u>\$ 625,535</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017 is as follows:

	January 1, 2017	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2017
Parking Authority:				
Capital assets not being depreciated:				
Land	\$ 8,665,607	\$ -	\$ -	\$ 8,665,607
Construction in progress	45,383	-	(45,383)	-
Total capital assets not being depreciated	8,710,990	-	(45,383)	8,665,607
Capital assets being depreciated:				
Land and building improvements	67,541,117	192,058	-	67,733,175
Vehicles	2,180,505	163,315	(233,935)	2,109,885
Equipment under capital lease	683,792	-	-	683,792
Total capital assets being depreciated	70,405,414	355,373	(233,935)	70,526,852
Less accumulated depreciation for:				
Land and building improvements	18,122,883	2,102,835	-	20,225,718
Vehicles	1,651,963	200,557	(230,410)	1,622,110
Equipment under capital lease	279,413	35,380	-	314,793
Total accumulated depreciation	20,054,259	2,338,772	(230,410)	22,162,621
Total capital assets being depreciated, net	50,351,155	(1,983,399)	(3,525)	48,364,231
Parking Authority capital assets, net	\$ 59,062,145	\$ (1,983,399)	\$ (48,908)	\$ 57,029,838

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose for Balance</u>	<u>Amount</u>
General	Trexler	Short-term Loan/Negative cash	\$ 563,362
General	Revolving Loan	Reimburse funds	67,304
General	E-911	Short-term Loan/Negative cash	253,520
General	CDBG	Cash advance for payroll and A/P	697,938
General	Municipal Golf Course	Short-term Loan/Negative cash	189,288
E-911	General	Reimburse funds	136,635
Capital	General	Reimburse funds	<u>1,382</u>
			1,909,429
Debt Service	General	Operating Transfer Due	<u>1,040</u>
		Total Governmental Funds	<u><u>\$1,910,469</u></u>

NOTE 7 INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017 consisted of the following:

	Transfers in:					Total
	General	Debt Service	Capital Projects	E-911 Fund	Municipal Golf Fund	
Transfers out:						
General	\$ -	\$ 10,894,060	\$ 3,530,764	\$ 561,300	\$ -	\$14,986,124
Liquid Fuels	-	60,437	-	-	-	60,437
Trexler	22,894	-	-	-	95,724	118,618
A.O.	3	-	638,996	-	-	638,999
Capital Projects	141,000	9,053,397	-	-	-	9,194,397
Solid Waste	947,864	-	-	-	-	947,864
Golf	302,622	-	-	-	-	302,622
Risk	150,208	-	-	-	-	150,208
	<u>\$1,564,591</u>	<u>\$ 20,007,894</u>	<u>\$ 4,169,760</u>	<u>\$ 561,300</u>	<u>\$ 95,724</u>	<u>\$26,399,269</u>

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

Transfer from the General Fund to E-911 Fund was made to cover ineligible expenses as required by Pennsylvania Public Safety Emergency Telephone Act.

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, 2017

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 Plan is 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, 2017

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, 2017

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, 2017

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	\$ 74,175	\$ 88,215	\$ 27,841	\$ 190,231
Investments, at fair value	163,162,477	108,227,451	12,876,070	284,265,998
Total assets	163,236,652	108,315,666	12,903,911	284,456,229
Liabilities:				
Accounts payable	21,260	21,504	18,181	60,945
Total liabilities	21,260	21,504	18,181	60,945
Net Position:				
Restricted for pension benefits	<u>\$ 163,215,392</u>	<u>\$ 108,294,162</u>	<u>\$ 12,885,730</u>	<u>\$ 284,395,284</u>
<u>Statement of Changes in Plan Net Position</u>				
Additions:				
Contributions:				
Employer	4,341,381	3,068,607	149,845	7,559,833
Plan members	931,395	520,536	4,073	1,456,004
Total contributions	5,272,776	3,589,143	153,918	9,015,837
Investment income (loss):				
Net appreciation in fair value of investments	19,280,786	12,724,755	1,073,304	33,078,845
Interest and dividends	2,975,370	1,859,965	208,190	5,043,525
Less investment expenses	(77,566)	(75,539)	(58,838)	(211,943)
Net investment income (loss)	22,178,590	14,509,181	1,222,656	37,910,427
Total additions	27,451,366	18,098,324	1,376,574	46,926,264
Deductions:				
Benefits paid to recipients	10,700,026	8,011,715	2,016,648	20,728,389
Administrative and other fees	7,509	10,092	10,092	27,693
Total deductions	10,707,535	8,021,807	2,026,740	20,756,082
Change in net position	16,743,831	10,076,517	(650,166)	26,170,182
Net position restricted for pension benefits:				
Beginning of year	146,471,561	98,217,645	13,535,896	258,225,102
End of year	<u>\$ 163,215,392</u>	<u>\$ 108,294,162</u>	<u>\$ 12,885,730</u>	<u>\$ 284,395,284</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017, the City contributed \$4,341,381 to the Police Pension Plan, of which \$2,089,065 were Act 205 funds; \$3,068,607 to the Firemen Pension Plan, of which \$1,397,450 were Act 205 funds; \$149,845 to the Officers and Employees Plan, of which \$67,175 were Act 205 funds; and \$2,240,743 to the PMRS Pension Plan, of which \$1,819,853 were Act 205 funds. During the year ended December 31, 2017, active members contributed \$931,395 to the Police Pension Plan, \$520,536 to the Firemen Pension Plan, \$4,073 to the Officers and Employees Pension Plan, and \$1,738,658 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, 2017 actuarial valuation, updated to December 31, 2017, 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, 2017

NOTE 8 PENSION PLANS (Continued)

Contributions (Continued)

	Police	Firemen	Officers and Employees
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Actuarial assumptions:			
Investment rate of return	7.50%, net of investment expenses	7.50%, net of investment expenses	6.50%, net of investment expenses
Inflation rate	2.50%	2.50%	2.50%
Salary increases	4.50%	4.50%	4.50%
Mortality:			
Healthy lives	RP-2000 Mortality Table projected with 50% scale AA for 17 years	RP-2000 Mortality Table projected with 50% scale AA for 17 years	RP-2000 Mortality Table projected with 50% scale AA for 17 years
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, 2017 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, 2017

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, 2017 were as follows:

Police Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	<u>\$ 185,058,401</u>	<u>\$ 146,471,561</u>	<u>\$ 38,586,840</u>
Changes for the year:			
Service Cost	3,500,391	-	3,500,391
Interest	14,049,286	-	14,049,286
Differences between expected and actual experience	4,018,311	-	4,018,311
Changes in assumptions	-	-	-
Contributions - employer	-	4,341,381	(4,341,381)
Contributions - member	-	931,395	(931,395)
Net investment income (loss)	-	22,256,156	(22,256,156)
Benefit payments, including refunds	(10,700,026)	(10,700,026)	-
Administrative expense	-	(85,075)	85,075
Net changes	<u>10,867,962</u>	<u>16,743,831</u>	<u>(5,875,869)</u>
Balances at December 31, 2017	<u>\$ 195,926,363</u>	<u>\$ 163,215,392</u>	<u>\$ 32,710,971</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>83.30%</u>

Firemen Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	<u>\$ 124,067,830</u>	<u>\$ 98,217,645</u>	<u>\$ 25,850,185</u>
Changes for the year:			
Service Cost	1,735,550	-	1,735,550
Interest	9,101,734	-	9,101,734
Differences between expected and actual experience	(513,486)	-	(513,486)
Changes in assumptions	-	-	-
Contributions - employer	-	3,068,607	(3,068,607)
Contributions - member	-	520,536	(520,536)
Net investment income (loss)	-	14,584,721	(14,584,721)
Benefit payments, including refunds	(8,011,715)	(8,011,715)	-
Administrative expense	-	(85,632)	85,632
Net changes	<u>2,312,083</u>	<u>10,076,517</u>	<u>(7,764,434)</u>
Balances at December 31, 2017	<u>\$ 126,379,913</u>	<u>\$ 108,294,162</u>	<u>\$ 18,085,751</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>85.69%</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

Officers and Employees Pension Plan:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 15,147,997	\$ 13,535,897	\$ 1,612,100
Changes for the year:			
Service Cost	9,614	-	9,614
Interest	917,538	-	917,538
Differences between expected and actual experience	(49,185)	-	(49,185)
Changes in assumptions	-	-	-
Contributions - employer	-	149,845	(149,845)
Contributions - member	-	4,073	(4,073)
Net investment income (loss)	-	1,281,494	(1,281,494)
Benefit payments, including refunds	(2,016,648)	(2,016,648)	-
Administrative expense	-	(68,931)	68,931
Net changes	(1,138,681)	(650,167)	(488,514)
Balances at December 31, 2017	\$ 14,009,316	\$ 12,885,730	\$ 1,123,586
Plan fiduciary net position as a percentage of the total pension liability			91.98%

PMRS Pension Plan:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 161,132,155	\$ 135,637,277	\$ 25,494,878
Changes for the year:			
Service Cost	2,885,308	-	2,885,308
Interest	8,772,091	-	8,772,091
Differences between expected and actual experience	1,235,476	-	1,235,476
Changes of assumptions	4,474,139	-	4,474,139
Contributions - employer	-	2,222,923	(2,222,923)
Contributions - member	-	1,738,658	(1,738,658)
PMRS assessment	-	17,820	(17,820)
PMRS investment income	-	7,769,184	(7,769,184)
Market value investment loss	-	3,833,927	(3,833,927)
Benefit payments, including refunds	(9,172,560)	(9,172,560)	-
PMRS administrative expense	-	(16,900)	16,900
Additional administrative expense	-	(380,621)	380,621
Net changes	8,194,454	6,012,431	2,182,023
Balances at December 31, 2017 (based on the measurement date of December 31, 2016)	\$ 169,326,609	\$ 141,649,708	\$ 27,676,901
Plan fiduciary net position as a percentage of the total pension liability			83.65%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

PMRS Pension Plan (Continued):

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, 2017. At December 31, 2017, 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, 2017, the market value of assets returned 15.2% for the Police Plan, 14.8% for the Firemen Plan, and 9.5% for the Officers and Employees Plan.

The net pension liability of the PMRS Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$24,795,218 and \$2,881,683, respectively, at December 31, 2017.

The total pension liability for PMRS was determined by an actuarial valuation performed on January 1, 2017, with liabilities measured at December 31, 2016, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	2.8-7.05%*
*includes inflation rate of 3%	
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: Male Annuitant Table projected 5 Years with Scale AA

Females: Female Annuitant Table projected 10 Years with Scale AA

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

PMRS Pension Plan (Continued):

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.
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."
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 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%	9.9%	6.4%
Domestic equity (small capitalized firms)	15.0%	9.8%	7.0%
International equity (developed markets)	15.0%	7.0%	3.7%
International equity (emerging markets)	10.0%	10.6%	7.9%
Real estate	20.0%	10.1%	7.0%
Fixed income	15.0%	5.4%	2.4%
Total portfolio	100.0%	8.9%	5.9%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

PMRS Long-Term Expected Rate of Return (Continued)

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%	3.6%	0.6%
90.0%	4.6%	1.6%
85.0%	5.3%	2.3%
80.0%	5.5%	2.5%
75.0%	5.9%	2.9%
70.0%	6.3%	3.3%
50.0%	8.2%	5.2%

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, 2016, this rate is equal to 5.25%.

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:

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

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,
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, 2016 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 PMRS Board is authorized to allocate any applicable portion of any such excess in accordance with PMRS Board policies.

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, 2017

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	\$ 59,709,405	\$ 32,710,471	\$ 10,603,534
Firemen	\$ 33,084,456	\$ 18,085,751	\$ 5,570,979
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Officers and Employees	\$ 1,956,449	\$ 1,123,586	\$ 379,264
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
PMRS	\$ 47,633,996	\$ 27,676,901	\$ 10,858,500

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017, the City recognized pension expense of \$17,265,932 in the governmental activities and \$269,101 in the business-type activities. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources:	Police	Fireman	O&E	PMRS	Total
Differences between expected & actual experience	\$3,717,129	\$ 124,930	\$ -	\$ 926,607	\$ 4,768,666
Changes in assumptions	5,268,977	2,531,930	-	4,906,543	\$12,707,450
City contributions subsequent to measurement date	-	-	-	2,629,866	\$ 2,629,866
Net difference between projected & actual earnings on pension plan investments	<u>-</u>	<u>-</u>	<u>212,401</u>	<u>1,686,808</u>	<u>\$ 1,899,209</u>
Total deferred outflows of resources	<u>\$8,986,106</u>	<u>\$2,656,860</u>	<u>\$212,401</u>	<u>\$10,149,824</u>	<u>\$22,005,191</u>
Deferred Inflows of Resources:					
Differences between expected & actual experience	\$ 136,919	\$ 712,282	\$ -	\$ 12,500	\$ 861,701
Net difference between projected & actual earnings on pension plan investments	<u>4,407,620</u>	<u>2,583,503</u>	<u>-</u>	<u>-</u>	<u>6,991,123</u>
	<u>\$4,544,539</u>	<u>\$3,295,785</u>	<u>\$ -</u>	<u>\$ 12,500</u>	<u>\$ 7,852,824</u>
Schedule of amortized outflows & inflows:					
2018	\$2,167,818	\$ 873,081	\$169,842	\$ 2,775,558	\$ 5,986,299
2019	2,167,817	873,083	169,844	2,775,557	5,986,301
2020	(221,765)	(805,513)	(34,594)	2,723,130	1,661,258
2021	(342,019)	(1,579,576)	(92,691)	(766,787)	(2,781,073)
2022	<u>669,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>669,716</u>
	<u>\$4,441,567</u>	<u>\$ (638,925)</u>	<u>\$212,401</u>	<u>\$ 7,507,458</u>	<u>\$11,522,501</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

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

	Governmental Activities	Business-Type Activities
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 4,672,189	\$ 96,477
City contributions subsequent to measurement date	2,356,047	273,819
Changes in assumptions	12,196,586	510,864
Net difference between projected and actual earning on pension plan investments	<u>1,723,582</u>	<u>175,627</u>
Total deferred outflows of resources	<u><u>\$ 20,948,404</u></u>	<u><u>\$ 1,056,787</u></u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 860,399	\$ 1,302
Net difference between projected and actual earning on pension plan investments	<u>6,991,123</u>	<u>-</u>
Total deferred inflows of resources	<u><u>\$ 7,851,522</u></u>	<u><u>\$ 1,302</u></u>

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 ending December 31, 2017. 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>	Governmental Activities	Business-Type Activities
2018	\$ 5,697,311	\$ 288,988
2019	5,697,313	288,988
2020	1,377,728	283,530
2021	(2,700,233)	(80,840)
2022	669,716	-
	<u><u>\$ 10,741,835</u></u>	<u><u>\$ 780,666</u></u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017. 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 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, 2017, the following employees were covered by the plan:

Active employees	6
Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
	<u>14</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

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. Plan members were required to contribute 5% of their compensation as a condition of membership; however, this condition has been waived as of December 31, 2010.

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, 2017.

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, 2017 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2016	\$ 3,074,701	\$ 3,054,493	\$ 20,208
Changes for the year:			
Interest	212,438	-	212,438
Differences between expected and actual experiences	(11,100)		(11,100)
Changes in assumptions	6,096		6,096
Net investment income (loss)	-	498,292	(498,292)
Benefit payments, including refunds	(474,376)	(474,376)	-
Net Changes	(266,942)	23,916	(290,858)
Balances at December 31, 2017	\$ 2,807,759	\$ 3,078,409	\$ (270,650)
Plan fiduciary net position as a percentage of the total pension liability			109.64%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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	7.25% 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 assumed
Disability	None assumed
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, 2017 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	4.01%
Balanced/Blend	7.39%
Cash	0.50%

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.

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

as what the plan's net pension liability (asset) would be if they were calculated 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%)
Parking Authority	\$ 20,689	\$ (270,650)	\$ (520,306)

Pension Expense and Deferred Outflows of Resources Related to Pensions – For the year ended December 31, 2017, the Parking Authority recognized pension expense of (\$10,161) under the defined benefit pension plan. At December 31, 2017, 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	\$ 3,796
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As of December 31, 2017 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	\$ 6,911
Net difference between projected and actual investment earnings on pension plan investments	139,490
Changes in assumptions	<u>\$ 146,401</u>

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

Year ending December 31,

2018	\$ (11,301)
2019	(10,640)
2020	(63,266)
2021	<u>(57,398)</u>
	<u>\$ (142,605)</u>

The Parking Authority's pension expense under all pension plans amounted to \$106,811 for the year ended December 31, 2017.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017 was as follows:

Notes and Bonds	Balance Outstanding January 1, 2017	Additions	Reductions	Balance Outstanding December 31, 2017	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.	\$15,565,000	\$ -	\$ 2,905,000	\$12,660,000	\$ 485,000
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	7,903,958	-	260,850	7,643,108	285,360
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	27,069,115	1,880,076	-	28,949,191	-
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	6,240,000	-	1,230,000	5,010,000	1,280,000
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	615,000	-	300,000	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	3,236,000	-	349,000	2,887,000	363,000
2011 Series A Tax-Exempt General Obligation Bond, original amount of \$7,340,000, 3.00% to 4.75% interest, payable in varying annual installments of \$355,000 in 2017 to \$225,000 in 2036. Refunded fully by 2017 general obligation bond.	4,735,000	-	4,735,000	-	-

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 9 LONG-TERM DEBT (Continued)

Notes and Bonds	Balance Outstanding January 1, 2017	Additions	Reductions	Balance Outstanding December 31, 2017	Current Portion
2012 General Obligation Bond, original amount of \$5,910,000, 2.00% to 3.00% payable in varying annual installments of \$660,000 in 2017 to \$740,000 in 2022. Refunded fully by 2017 general obligation bond.	4,175,000	-	4,175,000	-	-
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.	1,301,434	3,276,566	1,301,434	3,276,566	1,359,000
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	15,270,000	-	290,000	14,980,000	310,000
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	10,945,000	-	740,000	10,205,000	770,000
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.	347,379	1,189,706	5,000	1,532,085	116,000
2017 General Obligation Bond, Series of 2017, original amount of \$9,025,000, to refund GOB Series 2011A and 2012, payable in varying installments.	-	9,025,000	830,000	8,195,000	1,045,000
Total Governmental Activities Notes and Bonds	97,402,886	15,371,348	17,121,284	95,652,950	6,328,360
Premium on bond issuance	938,830	186,008	68,835	1,056,003	-
Total	<u>\$98,341,716</u>	<u>\$15,557,356</u>	<u>\$17,190,119</u>	<u>\$96,708,953</u>	<u>\$6,328,360</u>

During 2017, the City issued 2017 Series Refunding bonds in the amount of \$9,025,000 to currently refund the entire outstanding balances of the 2011 Series A and 2012 Series General Obligation Bonds. The current refunding resulted in the reduction of debt service payments over the remaining life of the bonds by \$290,358 and provided an economic gain of \$297,504.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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
2018	\$ 6,328,360	\$ 3,043,642	\$ 9,372,002
2019	6,565,190	2,809,333	9,374,523
2020	6,034,116	2,557,494	8,591,610
2021	5,314,850	2,741,484	8,056,334
2022	5,297,574	2,758,028	8,055,602
2023-2027	23,750,766	12,973,637	36,724,403
2028-2032	22,089,114	14,646,383	36,735,497
2033-2037	14,152,980	17,933,140	32,086,120
2038-2042	3,605,000	907,435	4,512,435
2043-2045	2,515,000	196,158	2,711,158
Total	<u>\$ 95,652,950</u>	<u>\$ 60,566,734</u>	<u>\$ 156,219,684</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, 2017, \$25,710,000 of general obligation bonds, \$940,000 of water revenue bonds, and \$1,010,000 of sewer revenue bonds outstanding are considered defeased.

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

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Current Portion
Compensated absences:					
Governmental activities	\$ 3,966,427	\$ 4,325,097	\$ 4,065,049	\$ 4,226,475	\$ 3,973,262
Business-type activities	162,561	165,234	147,459	180,336	159,337
Total accrued compensated absences	<u>\$ 4,128,988</u>	<u>\$ 4,490,331</u>	<u>\$ 4,212,508</u>	<u>\$ 4,406,811</u>	<u>\$ 4,132,599</u>
Capital leases:					
Governmental activities	\$ 1,002,881	\$ 3,295,280	\$ 541,375	\$ 3,756,786	\$ 996,366
Business-type activities	395,189	537,704	433,398	499,495	132,926
Total capital leases	<u>\$ 1,398,070</u>	<u>\$ 3,832,984</u>	<u>\$ 974,773</u>	<u>\$ 4,256,281</u>	<u>\$ 1,129,292</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, 2017

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	\$ 9,570,266	\$ 1,308,611
Less accumulated depreciation	3,730,246	307,270
	<u>\$ 5,840,020</u>	<u>\$ 1,001,341</u>

Debt service requirements for capital lease obligations are as follows:

Year Ending	Governmental Activities	Business-Type Activities	Total
2018	\$ 996,366	\$ 145,253	\$ 1,141,619
2019	996,366	145,253	1,141,619
2020	704,606	145,253	849,859
2021	704,606	60,688	765,294
2022	590,062	36,833	626,895
	<u>3,992,006</u>	<u>533,280</u>	<u>4,525,286</u>
Less interest	235,220	33,785	269,005
Total	<u>\$ 3,756,786</u>	<u>\$ 499,495</u>	<u>\$ 4,256,281</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017 consisted of the following:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Current Portion
2014 Parking Revenue Note, original amount of \$1,500,000, interest is payable monthly at the 30 day London Interbank Offering Rate (LIBOR) plus 1.70% (1.86% at December 31, 2016), \$1,500,000 due in 2017.	\$ 548,870	\$ -	\$ 548,870	\$ -	\$ -
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.	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 \$1,201,231 are due annually beginning in 2024 through 2039. The Parking Authority has not drawn down the full amount of the bond.	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. The Parking Authority has not drawn down the full amount of the bond.	8,483,228	-	1,000,000	7,483,228	1,000,000
	36,437,626	-	1,548,870	34,888,756	<u>\$1,000,000</u>
Capital Lease	130,005	-	124,216	5,789	
Unearned revenue	8,579,618	-	229,008	8,350,610	
Net pension liability (asset)	20,208	-	20,208	-	
OPEB liability	116,974	49,685	-	166,659	
	<u>\$45,284,431</u>	<u>\$49,685</u>	<u>\$1,922,302</u>	<u>\$43,411,814</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 9 LONG-TERM DEBT (Continued)

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

Parking Authority (Continued)

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

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2018	\$ 1,005,789	\$ 1,384,266	\$ 2,390,055
2019	1,000,000	1,341,352	2,341,352
2020	1,000,000	1,298,448	2,298,448
2021	1,100,000	1,255,544	2,355,544
2022	1,100,000	1,208,349	2,308,349
2023-2027	7,743,228	5,564,815	13,308,043
2028-2032	9,660,000	3,885,972	13,545,972
2033-2037	8,630,000	1,767,538	10,397,538
2038-2039	3,655,528	193,650	3,849,178
Total	<u>\$ 34,894,545</u>	<u>\$ 17,899,934</u>	<u>\$ 52,794,479</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	\$ -	\$ 5,121,069	\$ -	\$ 5,121,069
Public works	-	-	3,003,707	3,003,707
Community development	-	-	5,837,169	5,837,169
Public safety	-	-	-	-
Parks and recreation	-	-	193,988	193,988
Pension benefits	-	-	-	-
	<u>-</u>	<u>5,121,069</u>	<u>9,034,864</u>	<u>14,155,933</u>
Assigned for:				
General government	21,329	-	-	21,329
Public works	116,869	-	-	116,869
Community development	178,913	-	-	178,913
Public safety	123,946	-	-	123,946
Parks and recreation	2,354	-	-	2,354
Pension benefits	3,407,623	-	-	3,407,623
	<u>\$ 3,851,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,851,034</u>
Total fund balance	<u>\$ 3,851,034</u>	<u>\$ 5,121,069</u>	<u>\$ 9,034,864</u>	<u>\$ 18,006,967</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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 during the past two years are as follows:

	2017	2016
Accrued claims liability, January 1	\$ 742,923	\$ 742,923
Incurred claims, including estimated claims incurred but not reported as of December 31:		
Provision for current year events	1,765,412	1,444,272
Payments	<u>(1,995,792)</u>	<u>(2,709,044)</u>
Accrued claims liability, December 31	512,543	(521,849)
Current portion	<u>512,543</u>	<u>(521,849)</u>
Long-term portion	<u>\$ -</u>	<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, 2017

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy and Annual OPEB Cost

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

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

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

Annual required contribution (ARC)	\$ 7,032,663
Interest on net OPEB obligation	670,500
Adjustment to ARC	<u>(837,268)</u>
Annual OPEB cost	6,865,895
Contributions made	<u>4,780,529</u>
Increase in net OPEB obligation	2,085,366
Net OPEB obligation, beginning of year	<u>16,762,501</u>
Net OPEB obligation, end of year	<u><u>\$ 18,847,867</u></u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 6,203,172	59%	\$ 14,266,939
12/31/2016	\$ 6,547,192	62%	\$ 16,762,501
12/31/2017	\$ 6,865,895	70%	\$ 18,847,867

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2017, the most recent actuarial valuation, was as follows:

<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
\$ -	\$ 84,233,657	0%	\$ 53,565,129	157%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Remaining amortization period	21 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.0% per annum
Payroll growth rate	3.5% per year (with merit)
Ultimate rate of medical inflation	4.0%

Discretely Presented Component Units' OPEB Plan

Parking Authority

The Parking Authority has established a single-employer defined benefit postemployment benefit plan (OPEB Plan) to provide for payment of health care insurance premiums for the eligible retired employees. The Parking Authority provides continuation of medical insurance coverage to employees who retire at a minimum age of 55 from a management position with at least 20 years of management service. The employee must be actively employed up to age 55 to be eligible. The benefit is not provided to employees hired after December 30, 2010. The single employer plan allows for participation in the Parking Authority's "basic" medical plan, which includes a prescription drug benefit. The authority under which obligations to contribute are established is the OPEB Plan document and the Board of Directors. The Parking Authority will pay a percentage of the cost of single coverage to age 65 or until the retiree becomes eligible for Medicare benefits, whichever comes first, at a rate of 80% and 100% for retired employees with more than 20 and 25 years of service, respectively. Coverage may be deferred until a later date prior to eligibility for Medicare, provided the retiree has documentation of continued medical and prescription drug coverage. During the deferment period, the Parking Authority will pay the retiree 25% of the cost of "basic" single coverage. The OPEB Plan also provides for spousal and dependent coverage, provided the premium is paid by the employee.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discretely Presented Component Units' OPEB Plan (Continued)

Parking Authority (Continued)

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

The number of participants as of January 1, 2017, the date of the OPEB valuation, is 11 active employees and 4 retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

Funding Status and Progress

The Parking Authority established a trust to accumulate and invest assets necessary to pay for the accumulated and current liabilities. The actuarial value of assets is fair value.

The funded status of the plan as of January 1, 2017, the latest actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2017	\$ 239,070	\$ 1,484,342	\$ 1,245,272	16.11%	\$ 267,800	465.00%

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$ 146,276
Interest on net OPEB obligation	6,434
Adjustment to ARC	<u>(9,529)</u>
Annual OPEB cost	143,181
Contributions made	<u>93,496</u>
Increase in net OPEB obligation	49,685
Net OPEB obligation, beginning of year	<u>116,974</u>
Net OPEB obligation, end of year	<u>\$ 166,659</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Parking Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the year ended December 31, 2017 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 69,149	74%	\$ 103,473
12/31/2016	68,137	80%	116,974
12/31/2017	143,181	65%	166,659

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of calculations.

The unfunded actuarial accrued liability is being amortized over the future working lifetime of active participants as a level dollar amount.

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, 2017 is as follows:

<u>Year Ending</u>	<u>Total</u>
2018	\$ 220,875
2019	221,879
2020	221,879
2021	221,879
2022	221,879
Thereafter	8,279,370
Total	<u>\$ 9,387,761</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017 of approximately \$1.8 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, 2017, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

Litigation

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.

NOTE 15 SUBSEQUENT EVENT

The City has evaluated all subsequent events through the report issue dated of June 28, 2018. No additional events have taken place that effect the financial statements or require disclosure.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes:				
Real Estate:				
Real estate - current	\$ 29,650,000	\$ 29,650,000	\$ 29,187,108	\$ (462,892)
Real estate - prior	1,450,000	1,450,000	1,163,952	(286,048)
Real estate - Lehigh County	500	500	-	(500)
Total Real Estate Taxes	31,100,500	31,100,500	30,351,060	(749,440)
Act 511 Taxes:				
Earned income	28,723,913	28,723,913	29,564,937	841,024
Residence per capita	-	-	141,691	141,691
Amusement devices	11,000	11,000	11,470	470
Deed transfer	1,650,000	1,650,000	1,580,644	(69,356)
Local services	1,900,000	1,900,000	1,707,963	(192,037)
Business privilege	6,850,000	6,850,000	7,003,958	153,958
Total Act 511 Taxes	39,134,913	39,134,913	40,010,663	875,750
Total Taxes	70,235,413	70,235,413	70,361,723	126,310
Licenses and Permits:				
Business licenses	425,000	425,000	384,079	(40,921)
Billboard and sign permits/licenses	8,500	8,500	19,340	10,840
Building permits and licenses	600,000	600,000	681,857	81,857
Plumbing permits and licenses	110,000	110,000	154,238	44,238
Electrical permits and licenses	230,200	230,200	306,413	76,213
Sheet metal technician license	15,800	15,800	22,725	6,925
Liquor licenses	60,000	60,000	54,550	(5,450)
Health bureau permits and licenses	240,000	240,000	246,186	6,186
Rental inspection program	1,975,000	1,975,000	2,385,492	410,492
Presales inspection program	160,000	160,000	206,840	46,840
Zoning permits and fees	75,000	75,000	87,268	12,268
Fire department inspection fees	90,000	90,000	79,367	(10,633)
CATV franchise fees	1,300,000	1,300,000	1,468,558	168,558
Shade tree permits/fees	2,000	2,000	2,480	480
Other permits and licenses	380,450	380,450	174,256	(206,194)
Total Licenses and Permits	5,671,950	5,671,950	6,273,649	601,699
Fines and Forfeits:				
District court	310,000	310,000	221,066	(88,934)
Fines and restitution	145,000	145,000	130,757	(14,243)
Parking Authority transfer	1,025,000	1,025,000	638,091	(386,909)
Total Fines and Forfeits	1,480,000	1,480,000	989,914	(490,086)

(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, 2017
(CONTINUED)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues (Continued):				
Intergovernmental Revenue:				
Health grants	2,055,070	2,055,070	1,654,883	(400,187)
Police/fire training	212,000	306,061	208,731	(97,330)
State aid for pension	4,000,000	4,000,000	4,597,480	597,480
Police grants/reimbursements	783,900	845,681	923,940	78,259
Casino fee	3,900,000	3,900,000	3,753,442	(146,558)
Other grants/miscellaneous	591,780	683,180	330,100	(353,080)
Total Intergovernmental Revenue	11,542,750	11,789,992	11,468,576	(321,416)
Charges for Services:				
Departmental Earnings:				
Tax/municipal certifications	153,000	153,000	140,950	(12,050)
Police extra duty jobs	600,000	600,000	358,132	(241,868)
Health bureau services	131,150	131,150	135,526	4,376
Street excavation/restoration	60,000	60,000	76,886	16,886
Printing and copier fees	75,000	75,000	85,140	10,140
Other charges for service	30,000	30,000	49,127	19,127
Vehicle towing agreement	262,500	262,500	296,800	34,300
EMS transit fees	3,670,000	3,670,000	2,752,353	(917,647)
Warrants of survey	15,000	15,000	15,569	569
Stormwater	-	-	-	-
Water and sewer	350,000	350,000	287,132	(62,868)
Total Departmental Earnings	5,346,650	5,346,650	4,197,615	(1,149,035)
Municipal Recreation:				
Swimming pool fees	225,000	225,000	114,006	(110,994)
Recreation fees	93,000	93,000	86,069	(6,931)
Total Municipal Recreation	318,000	318,000	200,075	(117,925)
General Fund Service Charges:				
Other service charges	1,380,582	1,380,582	1,380,582	-
Total General Fund Service Charges	1,380,582	1,380,582	1,380,582	-
Total Charges for Services	7,045,232	7,045,232	5,778,272	(1,266,960)
Investment Income	11,120	11,120	7,378	(3,742)

(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, 2017
(CONTINUED)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues (Continued):				
Other Income:				
Rental of city property	245,000	245,000	135,418	(109,582)
Marketing/advertising	130,000	130,000	125,920	(4,080)
Contributions	50,000	50,000	400	(49,600)
Damage to city property	25,000	25,000	59,422	34,422
Lights in parkway	170,000	180,000	224,519	44,519
Pennsylvania Utility Realty tax	70,000	70,000	66,171	(3,829)
Allentown Housing Authority	110,000	110,000	123,509	13,509
Sale of property	160,000	160,000	117,022	(42,978)
Recreation/special events	23,750	23,750	24,989	1,239
Miscellaneous	1,798,883	1,868,998	1,326,415	(542,583)
Total Other Income	2,782,633	2,862,748	2,203,785	(658,963)
Total Revenues	98,769,098	99,096,455	97,083,297	(2,013,158)
Expenditures:				
General Government:				
Nondepartmental:				
City Council	575,142	575,142	373,697	201,445
Office of the Mayor	598,798	596,798	602,665	(5,867)
City Controller	202,065	202,065	193,989	8,076
Law	757,339	777,276	633,832	143,444
General and civic	517,469	527,701	452,334	75,367
Total Nondepartmental	2,650,813	2,678,982	2,256,517	422,465
Department of Finance	3,681,963	3,811,163	3,619,136	192,027
Total Department of Finance	3,681,963	3,811,163	3,619,136	192,027
Human Resources	685,123	681,123	583,030	98,093
Total Human Resources	685,123	681,123	583,030	98,093
Management Systems				
Management Director and Information				
Services	2,656,414	2,656,414	2,497,377	159,037
Total Management Systems	2,656,414	2,656,414	2,497,377	159,037
Total General Government	9,674,313	9,827,682	8,956,060	871,622

(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, 2017
(CONTINUED)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued):				
Public Safety:				
Department of Public Safety:				
Police	33,396,139	33,739,367	32,449,117	1,290,250
Fire	21,164,151	21,251,982	21,244,490	7,492
Communications	54,560	54,560	51,701	2,859
Total Public Safety	54,614,850	55,045,909	53,745,308	1,300,601
Public Works:				
Department of Public Works:				
Director's office	455,121	460,853	412,798	48,055
Engineering	1,491,688	1,525,733	1,518,673	7,060
Building maintenance	2,166,569	2,184,532	1,939,205	245,327
Fleet maintenance operation	3,110,604	3,109,372	2,883,828	225,544
Streets	945,713	990,693	825,302	165,391
Traffic planning and control	982,880	1,006,585	941,537	65,048
Communications - Technical Service	753,965	755,144	728,869	26,275
Street lighting	720,195	731,942	636,112	95,830
Stormwater	2,296,139	2,384,067	2,133,585	250,482
Total Public Works	12,922,874	13,148,921	12,019,909	1,129,012
Health and Sanitation:				
Department of Community Development:				
Health	3,630,132	3,666,620	3,543,585	123,035
Total Health and Sanitation	3,630,132	3,666,620	3,543,585	123,035
Parks and Recreation:				
Department of Parks and Recreation:				
Park maintenance	3,484,488	3,524,649	3,405,863	118,786
Recreation	639,885	643,685	640,705	2,980
Swimming pool operation	313,609	270,406	243,749	26,657
Total Parks and Recreation	4,437,982	4,438,740	4,290,317	148,423
Community Development and Planning:				
Department of Community Development:				
Director's office	1,096,285	1,091,285	983,611	107,674
Planning and zoning	933,368	1,106,362	934,130	172,232
Building standards and safety	3,575,954	3,668,454	3,331,559	336,895
Total Community Development and Planning	5,605,607	5,866,101	5,249,300	616,801
Capital Outlays	2,064,203	2,990,190	2,958,197	31,993
Total Capital Outlays	2,064,203	2,990,190	2,958,197	31,993
Total Expenditures	92,949,961	94,984,163	90,762,676	4,221,487

(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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess (Deficiency) of Revenues over Expenditures	\$ 5,819,137	\$ 4,112,292	\$ 6,320,621	\$ 2,208,329
Other Financing Sources (Uses):				
Issuance of long-term debt	1,671,663	2,358,455	3,276,566	918,111
Transfers in:				
Capital Fund	-	141,000	141,000	-
Equipment Fund	561,464	583,802	561,464	(22,338)
Administrative Order Fund	217,239	217,239	838,634	621,395
Transfers out:				
Equipment Fund	(561,464)	(583,802)	(561,464)	22,338
Capital Fund	-	-	(3,530,764)	(3,530,764)
Risk Fund	(2,147,671)	(2,147,671)	(2,147,671)	-
Debt Service Fund	(10,290,638)	(10,290,638)	(10,893,020)	(602,382)
E-911 Fund	(561,300)	(561,300)	(561,300)	-
Solid Waste	(642,857)	(642,857)	(642,857)	-
Total other financing sources (uses)	(11,753,564)	(10,925,772)	(13,519,412)	(2,593,640)
Net Change in Fund Balance	\$ (5,934,427)	\$ (6,813,480)	(7,198,791)	\$ (385,311)
Net effect of agency fund, other income and expenditure accruals			916,248	
Net Change in Fund Balance			(6,282,543)	
Fund Balance (Deficit):				
Beginning of year			19,534,349	
End of year			\$ 13,251,806	
				(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, 2017

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, 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 SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2017
(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>			
General Government:			
Office of Mayor - Permanent Wages	\$ 373,572	\$ 390,527	4.54%
General Civic Other Contract Services	55,580	61,033	9.81%
Interfund Transfers	11,142,466	14,140,019	26.90%
Public Works			
Engineering - Permanent Wages	829,678	879,986	6.06%
Communication - Equipment	-	9,915	100.00%
Public Safety:			
Department of Public Safety:			
Police - Holiday Pay	653,846	788,893	20.65%
Police - OT	1,782,706	1,903,738	6.79%
Fire\EMS - Temporary Wages	165,000	204,879	24.17%
Fire\EMS - Premium Pay	436,818	524,542	20.08%
Fire\EMS - FICA	197,446	205,605	4.13%
Fire - Premium Pay	810,611	1,339,686	65.27%
<u>Lease A.O. Fund:</u>			
Finance - A.O. Special Revenue			
Professional Service Fees	-	49,043	100.00%
Interfund Transfers	-	1,477,630	100.00%
<u>Internal Service Fund:</u>			
Finance - Risk Management			
Professional Service Fees	500,000	622,681	24.54%
Auto Losses	300,000	369,612	23.20%
Insurance - Other Employee	25,000	31,742	26.97%
Employee Health Benefits	\$ 18,020,834	\$ 18,634,109	3.40%

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

	2017*	2016*	2015*	2014*
<u>Total Pension Liability:</u>				
Service cost	\$ 3,500,391	\$ 3,039,127	\$ 2,856,276	\$ 2,661,908
Interest	14,049,286	13,161,554	12,720,534	12,280,247
Difference between expected and actual experience	4,018,311	(205,379)	737,072	-
Changes in assumptions	-	7,903,467	-	-
Benefit payments, including refunds	(10,700,026)	(10,506,610)	(10,190,293)	(10,194,574)
Net Changes in Total Pension Liability	10,867,962	13,392,159	6,123,589	4,747,581
Total Pension Liability - Beginning	185,058,401	171,666,242	165,542,653	160,795,072
Total Pension Liability - Ending (a)	<u>\$ 195,926,363</u>	<u>\$ 185,058,401</u>	<u>\$ 171,666,242</u>	<u>\$ 165,542,653</u>
<u>Plan Fiduciary Net Position:</u>				
Contributions - employer	\$ 4,341,381	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471
Contributions - member	931,395	991,017	914,420	825,381
Net investment income (loss)	22,256,156	10,741,586	(701,889)	6,419,152
Benefit payments, including refunds	(10,700,026)	(10,506,610)	(10,190,293)	(10,194,574)
Administrative expense	(85,075)	(9,593)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	16,743,831	5,432,937	(7,317,676)	(453,252)
Plan Fiduciary Net Position - Beginning	146,471,561	141,038,624	148,356,300	148,809,552
Plan Fiduciary Net Position - Ending (b)	<u>\$ 163,215,392</u>	<u>\$ 146,471,561</u>	<u>\$ 141,038,624</u>	<u>\$ 148,356,300</u>
Net Pension Liability - Ending (a-b)	<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>83.30%</u>	<u>79.15%</u>	<u>82.16%</u>	<u>89.62%</u>
Covered Payroll	<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	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

	2017*	2016*	2015*	2014*
<u>Total Pension Liability:</u>				
Service cost	\$ 1,735,550	\$ 1,544,110	\$ 1,513,683	\$ 1,422,468
Interest	9,101,734	8,940,922	8,782,604	8,601,438
Difference between expected and actual experience	(513,486)	(502,487)	312,322	-
Changes in assumptions	-	4,219,884	-	-
Benefit payments, including refunds	(8,011,715)	(8,113,374)	(8,104,277)	(8,075,886)
Net Changes in Total Pension Liability	2,312,083	6,089,055	2,504,332	1,948,020
Total Pension Liability - Beginning	124,067,830	117,978,775	115,474,443	113,526,423
Total Pension Liability - Ending (a)	<u>\$ 126,379,913</u>	<u>\$ 124,067,830</u>	<u>\$ 117,978,775</u>	<u>\$ 115,474,443</u>
<u>Plan Fiduciary Net Position:</u>				
Contributions - employer	\$ 3,068,607	\$ 2,965,478	\$ 1,205,379	\$ 1,355,613
Contributions - member	520,536	495,834	482,441	450,825
Net investment income (loss)	14,584,721	7,093,225	(374,539)	4,173,658
Benefit payments, including refunds	(8,011,715)	(8,113,274)	(8,104,277)	(8,075,886)
Administrative expense	(85,632)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	10,076,517	2,431,671	(6,800,669)	(2,106,472)
Plan Fiduciary Net Position - Beginning	98,217,645	95,785,974	102,586,743	104,693,125
Plan Fiduciary Net Position - Ending (b)	<u>\$ 108,294,162</u>	<u>\$ 98,217,645</u>	<u>\$ 95,785,974</u>	<u>\$ 102,586,653</u>
Net Pension Liability - Ending (a-b)	<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>85.69%</u>	<u>79.16%</u>	<u>81.19%</u>	<u>88.84%</u>
Covered Payroll	<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	173.75%	261.07%	232.53%	143.70%

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

	2017*	2016*	2015*	2014*
<u>Total Pension Liability:</u>				
Service cost	\$ 9,614	\$ 8,894	\$ 8,254	\$ 7,950
Interest	917,538	1,010,525	1,064,075	1,169,496
Difference between expected and actual experience	(49,185)	278,360	(434,623)	-
Changes in assumptions	-	294,664	-	-
Benefit payments, including refunds	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Net Changes in Total Pension Liability	(1,138,681)	(543,912)	(1,598,260)	(1,194,228)
Total Pension Liability - Beginning	15,147,997	15,691,909	17,290,169	18,484,397
Total Pension Liability - Ending (a)	<u>\$ 14,009,316</u>	<u>\$ 15,147,997</u>	<u>\$ 15,691,909</u>	<u>\$ 17,290,169</u>
<u>Plan Fiduciary Net Position:</u>				
Contributions - employer	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519
Contributions - member	4,073	3,930	3,851	3,573
Net investment income	1,281,494	647,814	50,233	940,162
Benefit payments, including refunds	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Administrative expense	(68,931)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(650,167)	(1,344,663)	(2,030,533)	(1,335,102)
Plan Fiduciary Net Position - Beginning	13,535,897	14,880,560	16,911,093	18,246,195
Plan Fiduciary Net Position - Ending (b)	<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>\$ 1,123,586</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>91.98%</u>	<u>89.36%</u>	<u>94.83%</u>	<u>97.81%</u>
Covered Payroll	<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	1517.09%	2254.31%	1159.07%	583.55%

* 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 - PMRS PLAN

	2017*	2016*	2015*
<u>Total Pension Liability:</u>			
Service cost	\$ 2,885,308	\$ 3,121,592	\$ 3,792,600
Interest	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	1,235,476	-	(42,319)
Benefit payments, including refunds	(9,172,560)	(8,283,599)	(7,706,851)
Net Changes in Total Pension Liability	8,194,454	5,907,202	4,310,804
Total Pension Liability - Beginning	161,132,155	155,224,953	150,914,149
Total Pension Liability - Ending (a)	<u>169,326,609</u>	<u>161,132,155</u>	<u>155,224,953</u>
<u>Plan Fiduciary Net Position:</u>			
Contributions - employer	\$ 2,240,743	\$ 2,230,827	\$ 1,558,888
Contributions - member	1,738,658	1,710,952	1,672,158
Net investment income	11,603,111	(36,944)	7,201,360
Transfers	-	-	(42,319)
Benefit payments, including refunds	(9,172,560)	(8,283,599)	(7,706,851)
Administrative expense	(397,521)	(338,130)	(304,806)
Net Change in Plan Fiduciary Net Position	6,012,431	(4,716,894)	2,378,430
Plan Fiduciary Net Position - Beginning	<u>\$ 135,637,277</u>	<u>\$ 140,354,171</u>	<u>\$ 137,975,741</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 141,649,708</u>	<u>\$ 135,637,277</u>	<u>\$ 140,354,171</u>
Net Pension Liability - Ending (a-b)	<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>16.35%</u>	<u>84.18%</u>	<u>90.42%</u>
Covered Payroll	\$ 23,169,719	\$ 23,067,602	\$ 22,740,178
Net Pension Liability as a Percentage of Covered Payroll	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

	2017*	2016*	2015*
<u>Total Pension Liability:</u>			
Interest	\$ 212,438	\$ 220,605	\$ 218,085
Difference between expected and actual experience	(11,100)	-	-
Changes in assumptions	6,096	-	-
Benefit payments, including refunds	(474,376)	(174,612)	(194,346)
Net Changes in Total Pension Liability	(266,942)	45,993	23,739
Total Pension Liability - Beginning	3,074,701	3,028,708	3,004,969
Total Pension Liability - Ending (a)	<u>\$ 2,807,759</u>	<u>\$ 3,074,701</u>	<u>\$ 3,028,708</u>
<u>Plan Fiduciary Net Position:</u>			
Net investment income (loss)	\$ 498,292	\$ 246,491	\$ (35,622)
Benefit payments, including refunds	(474,376)	(174,612)	(194,346)
Net Change in Plan Fiduciary Net Position	23,916	71,879	(229,968)
Plan Fiduciary Net Position - Beginning	3,054,493	2,982,614	3,212,582
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,078,409</u>	<u>\$ 3,054,493</u>	<u>\$ 2,982,614</u>
Net Pension Liability - Ending (a-b)	<u>\$ (270,650)</u>	<u>\$ 20,208</u>	<u>\$ 46,094</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>-9.64%</u>	<u>0.66%</u>	<u>98.48%</u>
Covered Payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Pension Liability as a Percentage of Covered Payroll	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
POLICE PENSION PLAN										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 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	\$ 6,022,935
Contributions in relation to the actuarially determined contribution	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	6,022,935
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (84,500,000)	\$ (924,592)	\$ (259,128)	\$ -	\$ -	\$ -
Covered payroll	\$ 19,231,733	\$ 18,931,433	\$ 17,794,000	\$ 17,031,352	\$ 15,293,935	\$ 14,487,385	\$ 13,788,954	\$ 13,821,650	\$ 13,001,025	\$ 11,384,012
Contributions as a percentage of covered payroll	22.57%	22.27%	15.00%	14.72%	567.39%	56.94%	55.10%	41.43%	54.73%	52.91%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	15.20%	7.30%	0.44%	4.51%						
FIREMEN PENSION PLAN										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 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	\$ 3,106,329
Contributions in relation to the actuarially determined contribution	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	3,106,329
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (10,000)	\$ (61,200,086)	\$ (513,705)	\$ (146,227)	\$ -	\$ -	\$ -
Covered payroll	\$ 10,408,858	\$ 9,901,453	\$ 9,544,000	\$ 8,968,810	\$ 8,117,293	\$ 9,755,213	\$ 7,558,653	\$ 10,475,590	\$ 10,179,600	\$ 9,386,995
Contributions as a percentage of covered payroll	29.48%	29.95%	12.63%	15.11%	772.53%	46.98%	56.80%	29.91%	35.02%	33.09%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	14.80%	7.10%	-0.32%	4.29%						

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
OFFICERS AND EMPLOYEES PENSION PLAN:										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519	\$ 81,097	\$ 512,669	\$ 514,014	\$ 343,531	\$ 451,053	\$ 355,279
Contributions in relation to the actuarially determined contribution	149,845	149,540	161,022	103,519	4,381,097	577,431	532,150	343,531	451,053	355,279
Contribution deficiency (excess)	-	-	-	-	(4,300,000)	(64,762)	(18,136)	-	-	-
Covered payroll	74,062	71,512	70,000	64,960	62,491	250,856	250,324	314,909	386,999	370,644
Contributions as a percentage of covered payroll	202.32%	209.11%	230.03%	159.36%	7010.76%	230.18%	212.58%	109.09%	116.55%	95.85%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	9.50%	4.80%	0.67%	5.99%						
PMRS PLAN:										
<u>Schedule of City Contributions**</u>										
Actuarially determined contribution under Act 205	\$ 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	\$ 1,263,532
Contributions in relation to the actuarially determined contribution	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	1,263,532
Contribution deficiency (excess)	(1,209)	(1,721)	(980)	-	-	-	-	-	-	-
Covered payroll	23,169,719	23,067,602	28,432,224							
Contributions as a percentage of covered employee payroll	9.67%	9.67%	5.48%							

** 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

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION
 YEAR ENDED DECEMBER 31, 2017

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, 2017 are as follows:

	<u>Police</u>	<u>Firemen</u>	<u>Officers and Employees</u>
Valuation date	1/1/2017	1/1/2017	1/1/2017
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	13 years	13 years	13 years
Asset valuation method	*	*	*
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	6.50%
Projected salary increases	4.50%	4.50%	4.50%

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

CITY OF ALLENTOWN, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

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, 2017 (presented as the subsequent year on the preceding schedules) are as follows:

Valuation date	1/1/2017
Actuarial cost method	Entry age normal
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	5.25%
Projected salary increases	3.0% - 8.3%
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 Health Mortality Table

Discretely Presented Component Unit

Parking Authority

Actuarial cost method	Entry age normal
Investment return	7.25% per annum
Salary increases	None assumed
Pre-retirement mortality	None assumed
Post-retirement mortality	RP-2000 Mortality Table projected to 2017 using Scale AA
Disability	None assumed
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
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ -	\$ 74,006,955	\$ 74,006,955	0.00%	\$ 40,290,000	183.69%
1/1/2014	-	78,153,672	78,153,672	0.00%	44,723,414	174.75%
1/1/2015	-	79,819,800	79,819,800	0.00%	46,735,967	170.79%
1/1/2016	-	82,749,584	82,749,584	0.00%	51,258,497	161.44%
1/1/2017	-	84,233,657	84,233,657	0.00%	53,565,129	157.25%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2008	\$ 3,856,279	47%
2009	3,734,207	49%
2010	3,760,413	56%
2011	3,892,027	64%
2012	4,663,870	62%
2013	5,438,743	73%
2014	5,941,529	65%
2015	6,271,532	59%
2016	6,658,352	61%
2017	6,865,895	70%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	21 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.00%
Payroll growth rate	3.50% per year (with merit)
Ultimate rate of medical inflation	4.00%

Discretely Presented Component Unit Parking Authority

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 345,602	\$ 345,602	0.00%	\$ 605,005	57.12%
1/1/2011	52,414	449,381	396,967	11.66%	615,954	64.45%
1/1/2014	124,901	704,645	579,744	17.73%	485,094	119.51%
1/1/2017	239,070	1,484,342	1,245,272	16.11%	267,800	465.00%

CITY OF ALLENTOWN, PENNSYLVANIA
COMBINING BALANCE SHEET
OTHER NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	Lease/A.O.	
Assets								
Cash and cash equivalents	\$ 2,092,385	\$ 896,807	\$ 269,279	\$ -	\$ 2,717	\$ -	\$ 1,033,706	\$ 4,294,894
Receivables:								
Loans	-	3,506,990	1,125,816	-	-	-	-	4,632,806
Accounts	-	-	-	-	-	-	49,220	49,220
Grants	-	1,063,429	-	793,775	-	-	-	1,857,204
Interest	-	-	-	6,791	-	-	-	6,791
Due from other funds	-	-	-	-	136,635	-	-	136,635
Total Assets	\$ 2,092,385	\$ 5,467,226	\$ 1,395,095	\$ 800,566	\$ 139,352	\$ -	\$ 1,082,926	\$ 10,977,550
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	\$ 125,896	\$ 202,275	\$ -	\$ 18,654	\$ 4,672	\$ -	\$ -	\$ 351,497
Wages payable	45,708	-	-	24,562	-	-	-	70,270
Due to other funds	-	697,938	67,304	563,362	253,520	-	-	1,582,124
Other liabilities	-	57,635	-	-	-	-	-	57,635
Total Liabilities	\$ 171,604	\$ 957,848	\$ 67,304	\$ 606,578	\$ 258,192	\$ -	\$ -	\$ 2,061,526
Fund Balance:								
Restricted	\$ 1,920,781	\$ 4,509,378	\$ 1,327,791	\$ 193,988		\$ -	\$ 1,082,926	\$ 9,034,864
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(118,840)	-	-	(118,840)
Total Fund Balance	1,920,781	4,509,378	1,327,791	193,988	(118,840)	-	1,082,926	8,916,024
Total Liabilities and Fund Balance	\$ 2,092,385	\$ 5,467,226	\$ 1,395,095	\$ 800,566	\$ 139,352	\$ -	\$ 1,082,926	\$ 10,977,550

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	Lease/A.O.	
Revenues:								
Investment earnings	\$ -	\$ -	\$ 74	\$ -	\$ 670	\$ -	\$ 3,986	\$ 4,730
Intergovernmental revenues	3,176,727	3,900,849	-	1,910,201	2,753,706	26,000	-	11,767,483
Other	117,446	46,148	-	25,673	-	-	836,565	1,025,832
Total revenues	3,294,173	3,946,997	74	1,935,874	2,754,376	26,000	840,551	12,798,045
Expenditures:								
Current:								
General government	-	-	-	-	-	10,052	488	10,540
Public safety	-	-	-	-	2,915,528	-	-	2,915,528
Community development	-	3,708,938	-	-	-	-	-	3,708,938
Public works	3,080,983	-	-	-	-	-	-	3,080,983
Parks and recreation	-	-	-	1,668,405	-	-	-	1,668,405
Debt Service								
Principal	-	-	-	-	-	-	5,000	5,000
Interest	-	-	-	-	-	-	20,275	20,275
Capital outlay	110,570	21,200	-	79,968	1,000,000	-	-	1,211,738
Total Expenditures	3,191,553	3,730,138	-	1,748,373	3,915,528	10,052	25,763	12,621,407
Excess (Deficiency) of Revenues Over (Under) Expenditures	102,620	216,859	74	187,501	(1,161,152)	15,948	814,788	176,638
Other Financing Sources (Uses):								
Issuance of long-term debt	-	-	-	-	-	-	1,189,706	1,189,706
Transfers in	-	-	-	-	561,300	-	-	561,300
Transfers Out	(60,437)	-	-	(118,618)	-	-	(638,999)	(818,054)
Total other financial sources (uses)	(60,437)	-	-	(118,618)	561,300	-	550,707	932,952
Net Change in Fund Balance	42,183	216,859	74	68,883	(599,852)	15,948	1,365,495	1,109,590
Fund Balance (Deficit):								
Beginning of year	1,878,598	4,292,519	1,327,717	125,105	481,012	(15,948)	(282,569)	7,806,434
End of year	\$ 1,920,781	\$ 4,509,378	\$ 1,327,791	\$ 193,988	\$ (118,840)	\$ -	\$ 1,082,926	\$ 8,916,024

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Charges for services	\$ -	\$ -	\$ 391,237	\$ 391,237
Intergovernmental	-	394,210	2,583,832	2,189,622
Other	-	273,407	270,611	(2,796)
Total revenues	-	667,617	3,245,680	2,578,063
Expenditures:				
Capital outlay	67,098,643	66,619,792	8,265,658	58,354,134
Total Expenditures	67,098,643	66,619,792	8,265,658	58,354,134
Excess (Deficiency) of Revenues over Expenditures	(67,098,643)	(65,952,175)	(5,019,978)	60,932,197
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	9,257,667	9,257,667
Transfers in	-	-	4,169,760	4,169,760
Transfers out	-	-	(9,257,667)	(9,257,667)
Total other financing sources (uses)	-	-	4,169,760	4,169,760
Net Change in Fund Balance	\$ (67,098,643)	\$ (65,952,175)	(850,218)	\$ 65,101,957
Net effect of other income and expenditure accruals			(844,991)	
Net Change in Fund Balance			(1,695,209)	
Fund Balance:				
Beginning of year			6,816,278	
End of year			\$ 5,121,069	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures:				
Current:				
General government	\$ 35,000	\$ 35,000	\$ 12,140	\$ 22,860
Debt service - principal	8,290,850	8,290,850	8,054,902	235,948
Debt service - interest	843,723	3,167,290	2,887,455	279,835
Total Expenditures	9,169,573	11,493,140	10,954,497	538,643
Excess (Deficiency) of Revenues over Expenditures	(9,169,573)	(11,493,140)	(10,954,497)	538,643
Other Financing Sources (Uses):				
Transfers in	11,493,140	11,493,140	10,954,497	(538,643)
Total other financing sources (uses)	11,493,140	11,493,140	10,954,497	(538,643)
Net Change in Fund Balance	\$ 2,323,567	\$ -	\$ -	\$ -

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - LIQUID FUELS FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
PA Liquid Fuels Tax	\$ 2,967,609	\$ 2,967,609	\$ 3,057,432	\$ 89,823
State aid for pension	55,756	55,756	119,295	63,539
Total intergovernmental revenues	<u>3,023,365</u>	<u>3,023,365</u>	<u>3,176,727</u>	<u>153,362</u>
Other income:				
Miscellaneous	50,000	50,000	330,700	280,700
Total other income	<u>50,000</u>	<u>50,000</u>	<u>330,700</u>	<u>280,700</u>
Total Revenues	<u>3,073,365</u>	<u>3,073,365</u>	<u>3,507,427</u>	<u>434,062</u>
<u>Expenditures:</u>				
Public Works:				
Department of Public Works:				
Streets	3,616,425	3,766,425	3,191,553	574,872
Total public works	<u>3,616,425</u>	<u>3,766,425</u>	<u>3,191,553</u>	<u>574,872</u>
Capital Outlay	60,437	60,437	60,437	-
Total Expenditures	<u>3,676,862</u>	<u>3,826,862</u>	<u>3,251,990</u>	<u>574,872</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(603,497)</u>	<u>(753,497)</u>	<u>255,437</u>	<u>1,008,934</u>
Net Change in Fund Balance	<u>\$ (603,497)</u>	<u>\$ (753,497)</u>	<u>255,437</u>	<u>\$ 1,008,934</u>
Net effect of other income and expenditure accruals			(213,254)	
Net Change in Fund Balance			<u>42,183</u>	
Fund Balance:				
Beginning of year			<u>1,878,598</u>	
End of year			<u>\$ 1,920,781</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
CDBG Grant Revenue	\$ -	\$ -	\$ 4,642,327	\$ 4,642,327
Program Revenue	-	-	175,029	175,029
Rental\Rehab Loan Repayments	-	-	40,174	40,174
Interest on Rental\Rehab Cash Acct	-	-	246	246
State Aid	-	-	-	-
Program Income\Home	-	-	24,188	24,188
Total intergovernmental revenues	-	-	4,881,964	4,881,964
 Total Revenues	-	-	4,881,964	4,881,964
 <u>Expenditures:</u>				
CDBG				
Community Development				
CDBG, Home & Esg	7,460,446	9,814,159	3,160,559	6,653,600
Total CDBG	7,460,446	9,814,159	3,160,559	6,653,600
Total Expenditures	7,460,446	9,814,159	3,160,559	6,653,600
 Excess (Deficiency) of Revenues over Expenditures	(7,460,446)	(9,814,159)	1,721,405	11,535,564
 <u>Other Financing Sources (Uses):</u>				
Transfers out	-	-	-	-
 Total other financing sources (uses)	-	-	-	-
 Net Change in Fund Balance	\$ (7,460,446)	\$ (9,814,159)	1,721,405	\$ 11,535,564
 Net effect of other income and expenditure accruals			(1,504,546)	
Net Change in Fund Balance			216,859	
 Beginning of year			4,292,519	
End of year			\$ 4,509,378	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - TREXLER FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
Trexler Maintenance Grant	\$ 1,910,000	\$ 1,910,000	\$ 1,745,830	\$ (164,170)
Springwood Trust	22,000	22,000	25,517	3,517
State aid for pension	37,171	37,171	55,059	17,888
Rental Fees\Misc	-	-	-	-
Total intergovernmental revenues	<u>1,969,171</u>	<u>1,969,171</u>	<u>1,826,406</u>	<u>(142,765)</u>
Total Revenues	<u>1,969,171</u>	<u>1,969,171</u>	<u>1,826,406</u>	<u>(142,765)</u>
<u>Expenditures:</u>				
Parks & Recreation				
Department of Parks & Recreation				
Grounds Maintenance	<u>1,844,524</u>	<u>1,890,571</u>	<u>1,748,375</u>	<u>142,196</u>
Total Parks & Recreation	<u>1,844,524</u>	<u>1,890,571</u>	<u>1,748,375</u>	<u>142,196</u>
Total Expenditures	<u>1,844,524</u>	<u>1,890,571</u>	<u>1,748,375</u>	<u>142,196</u>
Excess (Deficiency) of Revenues over Expenditures	<u>124,647</u>	<u>78,600</u>	<u>78,031</u>	<u>(569)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>(118,618)</u>	<u>(118,618)</u>	<u>(118,618)</u>	<u>-</u>
Total other financing sources (uses)	<u>(118,618)</u>	<u>(118,618)</u>	<u>(118,618)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 6,029</u>	<u>\$ (40,018)</u>	<u>(40,587)</u>	<u>\$ (569)</u>
Net effect of other income and expenditure accruals			<u>109,470</u>	
Net Change in Fund Balance			68,883	
Fund Balance:				
Beginning of year			<u>125,105</u>	
End of year			<u>\$ 193,988</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - E-911 FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Investment earnings	\$ 300	\$ 300	\$ 670	\$ 370
Intergovernmental revenues:	2,500,000	2,500,000	2,753,706	253,706
Total Revenues	<u>2,500,300</u>	<u>2,500,300</u>	<u>2,754,376</u>	<u>254,076</u>
<u>Expenditures:</u>				
Public Safety				
Department of Police				
Emergency Communications	3,078,648	4,078,648	3,915,291	163,357
Total Public Safety	<u>3,078,648</u>	<u>4,078,648</u>	<u>3,915,291</u>	<u>163,357</u>
Total Expenditures	<u>3,078,648</u>	<u>4,078,648</u>	<u>3,915,291</u>	<u>163,357</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(578,348)</u>	<u>(1,578,348)</u>	<u>(1,160,915)</u>	<u>417,433</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	561,300	561,300	561,300	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>561,300</u>	<u>561,300</u>	<u>561,300</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (17,048)</u>	<u>\$ (1,017,048)</u>	(599,615)	<u>\$ 417,433</u>
Net effect of other income and expenditure accruals			(237)	
Net Change in Fund Balance			<u>(599,852)</u>	
Fund Balance:				
Beginning of year			<u>481,012</u>	
End of year			<u>\$ (118,840)</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - GRANTS FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues:</u>				
Intergovernmental revenues:				
Other Grants	\$ -	\$ -	\$ 12,500	\$ 12,500
Federal Grants	-	34,780	13,500	(21,280)
State Funds	-	1,500,000	-	(1,500,000)
Total intergovernmental revenues	-	1,534,780	26,000	(1,508,780)
 Total Revenues	-	1,534,780	26,000	(1,508,780)
 <u>Expenditures:</u>				
Non-Departmental	6,476,009	8,010,780	26,000	7,984,780
Community Development	34,762	3,183,500	(15,948)	3,199,448
Total Expenditures	6,510,771	11,194,280	10,052	11,184,228
 Excess (Deficiency) of Revenues over Expenditures	(6,510,771)	(9,659,500)	15,948	9,675,448
 Net Change in Fund Balance	<u>\$ (6,510,771)</u>	<u>\$ (9,659,500)</u>	15,948	<u>\$ 9,675,448</u>
 Net effect of other income and expenditure accruals			-	
Net Change in Fund Balance			15,948	
 Fund Balance:				
Beginning of year			(15,948)	
End of year			<u>\$ -</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS - A.O. FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Investment Earnings	\$ 500	\$ 500	\$ 3,986	\$ 3,486
Other	352,000	352,000	787,345	435,345
Total revenues	<u>352,500</u>	<u>352,500</u>	<u>791,331</u>	<u>438,831</u>
Expenditures:				
General Government	500	500	488	12
Debt service - principal	5,000	5,000	5,000	-
Debt service - interest	217,239	217,239	20,275	196,964
Total Expenditures	<u>222,739</u>	<u>222,739</u>	<u>25,763</u>	<u>196,976</u>
Excess (Deficiency) of Revenues over Expenditures	<u>129,761</u>	<u>129,761</u>	<u>765,568</u>	<u>635,807</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	638,996	638,996
Transfers in Capital	-	-	-	-
Transfers out	-	-	(638,999)	(638,999)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>
Net Change in Fund Balance	<u>\$ 129,761</u>	<u>\$ 129,761</u>	<u>765,565</u>	<u>\$ 635,804</u>
Net effect of other income and expenditure accruals			<u>599,930</u>	
Net Change in Fund Balance			<u>1,365,495</u>	
Fund Balance:				
Beginning of year			<u>(282,569)</u>	
End of year			<u>\$ 1,082,926</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2017

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
<u>Assets</u>				
Interest Receivable	\$ 74,175	\$ 88,215	\$ 27,841	\$ 190,231
Investments, at fair value				
Money market funds	6,862,112	5,843,871	574,118	13,280,101
Equity mutual funds	112,594,194	74,907,884	6,194,517	193,696,595
Bond mutual funds	27,771,648	8,720,114	-	36,491,762
Corporate bonds	2,714,184	3,184,748	1,121,597	7,020,529
U.S. government obligations	11,088,166	13,069,199	3,966,578	28,123,943
U.S. government agency obligations	2,132,173	2,501,635	1,019,260	5,653,068
Total Assets	163,236,652	108,315,666	12,903,911	284,456,229
<u>Liabilities</u>				
Accounts Payable	21,260	21,504	18,181	60,945
Total Liabilities	21,260	21,504	18,181	60,945
<u>Net Position</u>				
Retricted for pension benefits	\$ 163,215,392	\$ 108,294,162	\$ 12,885,730	\$ 284,395,284

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
<u>Additions</u>				
Contributions:				
Employer	\$ 4,341,381	\$ 3,068,607	\$ 149,845	\$ 7,559,833
Plan Members	931,395	520,536	4,073	1,456,004
Total Contributions	<u>5,272,776</u>	<u>3,589,143</u>	<u>153,918</u>	<u>9,015,837</u>
Investment income (loss):				
Net appreciation in fair value of investments	19,280,786	12,724,755	1,073,304	33,078,845
Interest and Dividends	2,975,370	1,859,965	208,190	5,043,525
Less Investment Expenses	(77,566)	(75,539)	(58,838)	(211,943)
Net investment income (loss)	<u>22,178,590</u>	<u>14,509,181</u>	<u>1,222,656</u>	<u>37,910,427</u>
Total additions	<u>27,451,366</u>	<u>18,098,324</u>	<u>1,376,574</u>	<u>46,926,264</u>
<u>Deductions</u>				
Benefits paid to recipients	10,700,026	8,011,715	2,016,648	20,728,389
Administrative and other fees	7,509	10,092	10,092	27,693
Total Deductions	<u>10,707,535</u>	<u>8,021,807</u>	<u>2,026,740</u>	<u>20,756,082</u>
Change in Net Position	16,743,831	10,076,517	(650,166)	26,170,182
<u>Net Position</u>				
Beginning of year	146,471,561	98,217,645	13,535,896	258,225,102
End of year	<u>\$ 163,215,392</u>	<u>\$ 108,294,162</u>	<u>\$ 12,885,730</u>	<u>\$ 284,395,284</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
<u>Earned Income Tax Escrow</u>				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 357	\$ 357	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 357</u>	<u>\$ 357</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	\$ 1,262,252	\$ 16,376,237	\$ 16,249,150	\$ 1,389,339
Total Assets	<u>\$ 1,262,252</u>	<u>\$ 16,376,237</u>	<u>\$ 16,249,150</u>	<u>\$ 1,389,339</u>
Liabilities:				
Payroll Tax Liability	\$ 1,256,905	\$ 16,325,326	\$ 16,210,360	\$ 1,371,871
Due to Other Governments	5,347	50,911	38,790	17,468
Total Liabilities	<u>\$ 1,262,252</u>	<u>\$ 16,376,237</u>	<u>\$ 16,249,150</u>	<u>\$ 1,389,339</u>
<u>Tax Collection Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 1,040	\$ 1,040	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 1,040</u>	<u>\$ 1,040</u>	<u>\$ -</u>
Liabilities:				
Due to Other Governments	\$ -	\$ 1,040	\$ 1,040	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 1,040</u>	<u>\$ 1,040</u>	<u>\$ -</u>
<u>Total All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 1,262,252	\$ 16,377,634	\$ 16,250,547	\$ 1,389,339
Total Assets	<u>\$ 1,262,252</u>	<u>\$ 16,377,634</u>	<u>\$ 16,250,547</u>	<u>\$ 1,389,339</u>
Liabilities:				
Payroll Tax Liability	\$ 1,256,905	\$ 16,325,326	\$ 16,210,360	\$ 1,371,871
Due to Other Governments	5,347	52,308	40,187	17,468
Total Liabilities	<u>\$ 1,262,252</u>	<u>\$ 16,377,634</u>	<u>\$ 16,250,547</u>	<u>\$ 1,389,339</u>

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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
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Financial Trends	1 – 5
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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
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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
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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
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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
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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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net Investment in Capital Assets	\$ 20,127,498	\$ 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
Restricted	9,304,474	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881	9,034,864
Unrestricted	(20,610,569)	(23,777,059)	(22,257,663)	(26,754,250)	(33,811,444)	(182,008,900)	(189,614,176)	(234,253,739)	(248,954,870)	(297,490,757)
Total governmental activities net position	<u>8,821,403</u>	<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>
Business - type activities										
Net Investment in Capital Assets	60,620,384	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
Unrestricted	16,822,538	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
Total business - type activities net position	<u>77,442,922</u>	<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>
Primary government										
Net Investment in Capital Assets	80,747,882	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
Restricted	9,304,474	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881	9,034,864
Unrestricted	(3,788,031)	(8,314,614)	(4,774,698)	(8,440,861)	(16,575,239)	(175,315,550)	(182,951,749)	(228,961,379)	(244,090,709)	(292,102,528)
Total primary government activities net position	<u>\$ 86,264,325</u>	<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>

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	\$ 14,193,579	\$ 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
Public safety	50,050,802	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
Community development	12,548,838	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
Public works	11,874,900	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
Health and sanitation	3,045,226	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
Parks and recreation	3,603,363	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
Other	-	-	-	-	-	-	1,033,067	-	-	-
Interest on long-term debt	3,577,271	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
Total governmental activities expenses	<u>98,893,979</u>	<u>96,352,567</u>	<u>98,339,353</u>	<u>100,111,298</u>	<u>101,998,473</u>	<u>99,556,114</u>	<u>114,234,740</u>	<u>113,689,246</u>	<u>126,732,256</u>	<u>127,718,509</u>
Business - type activities:										
Water fund	10,663,179	10,932,251	11,410,407	11,308,214	10,999,925	8,718,973	-	-	-	-
Sewer fund	12,607,533	13,639,529	13,034,825	13,533,543	14,242,086	9,673,907	-	-	-	-
Solid waste fund	12,528,680	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
Municipal golf course	1,078,094	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
Total business - type activities expenses	<u>36,877,486</u>	<u>38,226,043</u>	<u>38,057,396</u>	<u>39,164,895</u>	<u>40,958,122</u>	<u>34,126,609</u>	<u>15,819,928</u>	<u>16,208,364</u>	<u>15,797,911</u>	<u>15,637,457</u>
Total primary government expenses	<u>\$ 135,771,465</u>	<u>\$ 134,578,610</u>	<u>\$ 136,396,749</u>	<u>\$ 139,276,193</u>	<u>\$ 142,956,595</u>	<u>\$ 133,682,723</u>	<u>\$ 130,054,668</u>	<u>\$ 129,897,610</u>	<u>\$ 142,530,167</u>	<u>\$ 143,355,966</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 5,664,480	\$ 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
Public safety	6,602,040	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
Community development	1,949,934	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
Public works	1,418,930	2,463,882	183,134	192,673	189,821	277,561	236,424	358,278	1,139,669	1,053,964
Health and sanitation	177,924	170,013	180,922	192,961	436,682	309,931	329,332	344,749	390,794	379,396
Parks and recreation	332,878	358,414	411,409	424,910	418,634	461,267	505,205	314,298	528,225	530,315
Other	-	-	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	3,430,049	6,227,905	4,870,740	5,973,852	4,292,734
Operating grants and contributions	17,197,783	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
Capital grants and contributions	3,180,479	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
Total governmental activities program revenues	<u>36,524,448</u>	<u>31,250,042</u>	<u>31,865,934</u>	<u>31,565,069</u>	<u>31,280,435</u>	<u>57,388,026</u>	<u>50,449,683</u>	<u>42,154,798</u>	<u>39,854,789</u>	<u>28,357,078</u>
Business - type activities:										
Charges for services:										
Water fund	14,122,453	13,194,621	15,220,117	14,878,781	15,525,790	8,782,028	-	-	-	-
Sewer fund	15,035,859	15,089,091	14,480,766	15,595,169	14,331,640	8,798,348	-	-	-	-
Solid waste fund	13,589,330	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
Municipal golf course	1,278,723	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
Operating grants and contributions	823,762	397,701	1,280,326	828,291	1,630,127	887,428	621,636	411,842	508,689	555,724
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>44,850,127</u>	<u>43,271,022</u>	<u>45,764,924</u>	<u>46,316,568</u>	<u>47,708,588</u>	<u>34,682,569</u>	<u>16,534,498</u>	<u>16,595,205</u>	<u>16,253,079</u>	<u>17,856,849</u>
Total primary government program revenues	<u>\$ 81,374,575</u>	<u>\$ 74,521,064</u>	<u>\$ 77,630,858</u>	<u>\$ 77,881,637</u>	<u>\$ 78,989,023</u>	<u>\$ 92,070,595</u>	<u>\$ 66,984,181</u>	<u>\$ 58,750,003</u>	<u>\$ 56,107,868</u>	<u>\$ 46,213,927</u>
Net (expense)/revenue:										
Governmental activities	\$ (62,369,531)	\$ (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)
Business - type activities	7,972,641	5,044,979	7,707,528	7,151,673	6,750,466	555,960	714,570	386,841	455,168	2,219,392
Total primary government net expense	<u>\$ (54,396,890)</u>	<u>\$ (60,057,546)</u>	<u>\$ (58,765,891)</u>	<u>\$ (61,394,556)</u>	<u>\$ (63,967,572)</u>	<u>\$ (41,612,128)</u>	<u>\$ (63,070,487)</u>	<u>\$ (71,147,607)</u>	<u>\$ (86,422,299)</u>	<u>\$ (97,142,039)</u>

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes and other taxes	\$ 47,186,003	\$ 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
Grants and charges not restricted to specific purposes	1,313,230	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
Investment earnings	762,789	223,172	212,979	4,608	19,651	69,236	28,820	19,919	61,158	88,062
Transfers	4,369,484	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
Total governmental activities	<u>53,631,506</u>	<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>
Business - type activities:										
Investment earnings	398,954	(3,571)	128,545	-	-	132,218	-	-	-	-
Transfers	(4,369,484)	(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)
Total business - type activities	<u>(3,970,530)</u>	<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>
Total primary government	<u>\$ 49,660,976</u>	<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>
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>\$ -</u>	<u>\$ (1,299,079)</u>	<u>\$ (372,895)</u>	<u>\$ -</u>	<u>\$ (4,250,092)</u>	<u>\$ -</u>
Change in Net Position										
Governmental activities	\$ (8,738,025)	\$ (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)
Business - type activities	<u>4,002,111</u>	<u>409,814</u>	<u>3,022,957</u>	<u>2,080,597</u>	<u>2,355,736</u>	<u>(72,285,139)</u>	<u>(315,354)</u>	<u>(567,163)</u>	<u>(421,820)</u>	<u>1,064,630</u>
Total primary government	<u>\$ (4,735,914)</u>	<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>

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>
2008	\$	47,186,003	\$	29,593,673	\$	7,554,503	\$	6,311,326	\$	3,726,501
2009		47,948,307		29,761,519		8,555,867		6,512,894		3,118,027
2010		45,476,784		29,591,030		7,506,990		6,063,934		2,314,830
2011		51,955,525		29,310,491		12,744,483		6,795,191		3,105,360
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

CITY OF ALLENTOWN, PENNSYLVANIA

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

	<u>2008</u>	<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>
General Fund										
Reserved	\$ 840,183	\$ 810,719	\$ 1,428,755	-	-	-	-	-	-	-
Unreserved	7,365,006	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	-
Unassigned	-	-	-	2,467	(1,445,400)	24,022,470	17,715,206	18,038,567	12,237,375	\$ 13,251,806
Total general fund	<u>8,205,189</u>	<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>
All other governmental funds										
Reserved	10,743,716	10,532,748	7,243,969	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	(1,061,877)	(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
Assigned	-	-	-	-	-	-	-	-	46,047	-
Unassigned	-	-	-	(96,134)	(29,306)	(151,609)	(44,940)	-	(298,517)	(118,840)
Total all other governmental funds	<u>9,681,839</u>	<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>
TOTAL	<u>\$ 17,887,028</u>	<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>

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 47,039,202	\$ 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
Licenses and permits	3,459,268	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
Charges for services	5,864,796	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
Fines and forfeits	592,504	461,834	500,334	518,350	634,724	672,105	748,687	690,926	1,180,590	593,368
Investment earnings	758,833	223,172	212,979	4,608	19,686	69,236	28,820	19,919	61,159	87,816
Intergovernmental revenues	24,407,606	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
Other	3,664,260	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
Total revenues	85,786,469	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
Expenditures										
General government	7,962,093	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
Public safety	47,424,025	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
Community development	12,482,112	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
Public works	9,985,082	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
Health and sanitation	3,005,201	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
Parks and recreation	3,107,688	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
Other	-	-	-	-	-	-	1,033,067	-	-	-
Debt service:										
Principal	2,633,800	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
Interest	3,790,899	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
Payment of loan issuance costs	261,309	49,786	-	-	-	-	-	-	-	-
Capital outlay	10,351,660	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	101,003,869	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
Excess (deficiency) of revenues over (under) expenditures	(15,217,400)	(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)
Other Financing Sources (uses):										
Issuance of long term debt	6,665,000	5,310,000	258,976	13,690,000	5,910,000	-	-	17,003,395	1,427,418	\$ 13,491,272
Refunding bonds issued	-	-	-	-	-	-	-	11,425,000	-	-
Premium on refunded bonds	-	-	-	-	-	-	-	745,551	-	-
Payment to refunded bonds escrow agent	(6,410,000)	-	-	-	(5,828,246)	-	-	(6,634,456)	-	-
Bond premium	6,309	-	-	38,630	-	-	-	-	-	232,667
Bond discount	-	-	-	(126,066)	(16,111)	-	-	-	-	-
Capital lease	1,582,940	-	-	-	-	102,950	-	-	-	3,295,820
Transfers in	12,046,134	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
Transfers out	(7,630,650)	(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)
Total other financing sources and uses	6,259,733	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
Special Item	-	-	-	-	-	-	(372,895)	-	-	-
Net change in fund balances	\$ (8,957,667)	\$ (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)
Debt service as a percentage of noncapital expenditures	7.1%	7.1%	7.5%	10.9%	7.7%	3.1%	12.0%	16.4%	9.9%	16.1%

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	Real Property					Total Taxable Assessed	Tax Exempt Real Property	Total Direct Tax	Estimated Actual Taxable	Assessed Value as a Percentage of Actual Value (1)
<u>December 31</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Multi-Family Property</u>	<u>Combination Property</u>	<u>Vacant Lots</u>	<u>Value</u>	<u>Real Property</u>	<u>Rate</u>	<u>Value</u>	
2008	\$ 1,042,615,000	\$ 356,065,600	\$ 229,692,650	\$ 53,612,150	\$ 21,891,450	\$ 1,703,876,850	\$ 427,335,700	0.01753	\$ 3,407,753,700	50%
2009	1,049,378,500	359,395,350	231,912,550	53,227,200	15,995,250	1,709,908,850	466,210,300	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%

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>
2008	17.53	42.942	10.25	70.72
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

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

<u>Taxpayer</u>	<u>2017</u>			<u>2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>
Plaza at 835 W Hamilton Street LP	\$ 52,756,000	1	1.01%	\$ 21,570,550	1	1.28%
Two City Center OP LP	45,000,000	2	0.87%			
Home Properties Trexler Park LLC	34,614,100	3	0.67%	10,411,550	2	0.62%
One City Center OP LP	29,000,000	4	0.56%			
Congress Associates	25,200,000	5	0.49%	6,575,850	4	0.39%
Lehigh Valley Hospital Inc.	22,423,700	6	0.43%	5,372,750	7	0.32%
Pennsylvania Power & Light Co.	21,982,200	7	0.42%			
IPX MF Lakes Apartment Assoc. LLC/The Lakes	21,834,500	8	0.42%	5,961,050	5	0.35%
Sharma Estates & Brandywine Gardens	20,200,000	9	0.39%			
EPC-Allentown LLC	19,850,500	10	0.38%			
Morris Allentown Associates LP ET				5,753,700	6	0.34%
The Morning Call				6,905,550	3	0.41%
Westmont LP				5,156,050	10	0.31%
Mack Trucks Inc.				5,295,850	9	0.31%
230 Riverbend Apartments LLC				5,304,000	8	0.31%
Total	<u>\$ 292,861,000</u>		<u>5.63%</u>	<u>\$ 78,306,900</u>		<u>4.64%</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
2008	\$ 29,796,059	\$ 28,339,285	95.1%	\$ 781,318	\$ 29,120,603	97.7%
2009	29,383,171	28,143,621	95.8%	726,189	28,869,810	98.3%
2010	29,349,230	28,331,648	96.5%	508,891	28,840,539	98.3%
2011	29,481,538	28,274,829	95.9%	546,595	28,821,424	97.8%
2012	29,700,657	28,426,793	95.7%	515,713	28,942,506	97.4%
2013	29,788,671	28,335,558	95.1%	449,777	28,785,335	96.6%
2014	29,614,100	28,313,759	95.6%	260,033	28,573,792	96.5%
2015	30,427,086	28,803,546	94.7%	85,347	28,888,893	94.9%
2016	31,040,343	29,551,096	95.2%	21,412	29,572,508	95.3%
2017	30,594,033	29,187,108	95.4%	-	29,187,108	95.4%

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

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

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 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>
2008	\$ 91,935,249	2.70%	\$ 862
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

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, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 186,408,608	100.0%	\$ 186,408,608
Lehigh County General Obligation Bonds	129,498,123	19.6%	<u>25,381,632</u>
Subtotal, overlapping debt			211,790,240
City of Allentown Direct Debt			<u>100,465,739</u>
Total direct and overlapping debt			<u><u>\$ 312,255,979</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>2008</u>	<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>
Debt limit	\$ 257,943,550	\$ 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
Total net debt applicable to limit	<u>58,630,812</u>	<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>
Legal debt margin	<u>\$ 199,312,738</u>	<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>
Total net debt applicable to the limit as a percentage of debt lim	22.73%	24.47%	24.51%	26.49%	25.19%	23.33%	22.06%	26.93%	26.06%	36.99%
Legal Debt Margin Calculation for Fiscal year 2015										
Borrowing base (1)										\$ 92,908,361
Percentage limitation										350%
Net debt limit										325,179,264
Debt applicable to limit:										
General obligation debt (2)										100,465,739
Less: Amount set aside for pension funding liability										<u>(12,660,000)</u>
										<u>87,805,739</u>
										<u>\$ 237,373,525</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, service and maintain

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

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>	2017			2008		
	<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	3,614	1	4.92%	2,201	3	2.88%
Allentown School District	2,560	2	3.49%	2,910	1	3.81%
Muhlenberg College	2,141	3	2.92%	2,043	4	2.68%
Allied Personnel Services	1,679	4	2.29%	1,871	8	2.45%
Lehigh County & Institutions	1,666	5	2.27%	1,936	6	2.54%
Integrity Staffing Solutions	1,585	6	2.16%			
Phoebe Home Inc.	1,437	7	1.96%			
PPL Co.	1,308	8	1.78%	1,999	5	2.62%
Sacred Heart Hospital/Health Care	1,189	9	1.62%	1,615	9	2.12%
City of Allentown	1,037	10	1.41%			
Cedar Crest College				1,269	10	1.66%
Mack Trucks Inc.				2,220	2	2.91%
Performance Personnel				1,885	7	2.47%
	<u>18,216</u>		<u>24.82%</u>	<u>19,949</u>		<u>26.14%</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>2008</u>	<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>
General Government	101	94	93	93	102	96	96	97	95	88
Public Safety										
Police										
Officers	211	203	205	209	219	214	216	222	222	222
Civilians	26	32	28	27	25	21	27	28	27	22
E-911	32	32	32	32	33	33	33	33	33	31
Fire										
Firefighters and officers	140	142	143	143	144	126	125	125	125	126
Civilians	1	1	1	1	1	1	1	1	1	1
EMS	32	29	31	32	41	32	32	32	34	34
Highways and Streets	58	53	48	46	46	86	82	80	79	83
Sanitation/Recycling	38	36	32	33	33	34	36	38	38	41
Building Maintenance	15	20	12	12	13	16	15	15	15	15
Building Standards & Safety	40	41	39	38	48	36	33	31	31	34
Culture and Recreation	39	34	25	22	24	50	56	55	56	56
Golf	6	5	5	6	6	6	6	6	6	5
Health	42	36	35	35	35	35	32	35	35	35
Water	93	89	84	85	84	0	0	0	0	0
Sewer	97	96	97	96	93	0	0	0	0	0
Total	971	942	910	910	946	786	790	798	797	793

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Law violations	16,794	14,906	14,433	13,794	13,801	13,844	13,022	11,269	11,742	11,839
Traffic violations (7)	5,227	6,788	9,949	10,560	10,182	10,466	11,225	8,258	8,500	9,000
Fire										
Number of calls answered (1)	8,988	12,206	11,383	11,719	9,409	11,685	11,606	12,036	11,497	10,445
Inspections and investigations (3)	1,821	1,823	2,668	2,351	1,149	950	901	1,364	954	862
Highways and Streets										
Street reconstruction (miles)	0.29	0.13	0.02	0.00	0.10	0.28	1.83	0.16	0.09	0.80
Overlays (miles)	6.2	5.2	5.4	4.9	3.7	2.1	3.2	4.3	2.8	1.7
Potholes repaired	15,552	12,427	10,488	9,673	4,355	6,236	10,923	14,186	7,223	11,286
Sanitation										
Refuse collected (tons/year)	36,907	33,533	35,401	36,174	37,274	33,143	37,355	35,511	35,780	40,536
Recyclables collected (tons/year)	9,954	9,472	9,043	9,267	11,603	10,104	9,735	10,510	10,730	12,177
Sweep tickets issued	5,203	6,047	6,891	6,854	7,514	6,997	4,809	6,877	5,719	5,317
Animal related complaints (2)	1,476	1,467	1,193	1,268	1,441	1,286	1,378	1,482	1,556	1,706
Health										
Home hazard surveys	319	300	439	311	274	277	443	215	173	37
Food service inspections	1,456	1,708	1,765	1,306	1,613	1,712	1,615	1,853	1,693	1,675
Number of home visits	906	384	303	428	478	593	393	284	437	379
Total lead screenings/Healthy home visits (4)	773	849	945	916	788	227	0	17	5	240
Persons tested & counseled for HIV infection	2,472	2,544	2,656	2,624	2,517	2,290	2,036	2,077	2,032	2,071
Recreation										
Pavilion permits	508	389	382	294	297	523	648	629	503	703
Swimming pool season passes	195	116	211	159	253	680	263	294	256	355
Swimming pool patrons (non season pass)	56,453	65,428	64,932	47,365	36,584	50,895	31,509	33,081	25,458	32,449
Water (5)										
Water connection permits	20	16	17	47	8	3	0	0	0	0
Water main breaks	22	18	22	23	13	6	0	0	0	0
Average daily consumption (millions of gallons)	14.80	14.50	14.75	14.39	16.00	18.36	0	0	0	0
Wastewater										
Average daily sewage treatment (millions of gallons)	32.27	30.70	31.64	31.64	30.91	31.17	0.00	0.00	0	0

Operating Indicators By Function
Last Ten Years

Function	<u>2008</u>	<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>
Golf										
Number of patrons (6)	50,155	50,548	50,562	45,799	48,500	45,600	64,396	64,956	61,500	59,500
Number of days of service	305	299	293	285	310	285	251	266	270	256
E-911										
Number of calls:										
Police	103,600	112,841	112,639	127,315	119,686	120,355	123,840	119,647	110,260	113,749
EMS	13,985	13,512	13,843	14,628	14,528	13,998	14,583	15,542	15,595	15,531
Fire (1)	8,955	12,210	11,393	11,753	9,409	11,685	11,607	12,036	11,497	10,452
Other	8,760	9,259	8,572	9,653	7,901	7,843	8,630	9,455	11,497	11,397

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 waste water operations system.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Capital Asset Statistics By Function
Last Ten Years

Function	<u>2008</u>	<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>
Public Safety										
Police:										
Stations	1	1	1	2	2	2	2	2	2	2
Police officers	197	203	199	197	209	200	208	211	218	210
Patrol units	84	84	87	90	108	114	114	107	108	124
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6
Fire fighters	140	141	141	102	120	123	120	118	122	121
Sanitation										
Collection trucks	3	3	3	3	4	4	4	3	3	5
Highways and Streets										
Streets (miles)	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	433.9
Streetlights	7,835	7,990	7,995	8097	8097	8,106	8,106	8,136	8,461	8,461
Traffic signals (1)	1,622	1,622	1,622	1622	1622	1,622	195	198	196	196
Recreation										
Parks acreage	2,022	2,022	2,022	2022	2022	2,022	2,022	2,022	2,022	2,022
Parks (2)	32	32	32	32	32	32	32	45	45	45
Swimming pools	5	5	4	4	4	4	4	4	4	4
Playgrounds	19	19	19	19	19	19	19	19	21	21
Water										
Water mains (miles)	310	310	310	310	310	310	310	310	310	310
Fire hydrants	1,819	1,816	1,818	1820	1817	1,817	1,817	1,817	1,817	1,817
Maximum daily capacity (millions of gallons)	30.0	30.0	30	30	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.