

CITY OF ALLENTOWN

Pennsylvania

COMPREHENSIVE ANNUAL FINANCIAL REPORT



ED PAWLOWSKI
MAYOR

DEBI BOWMAN
DEPUTY DIRECTOR OF FINANCE & TREASURY

For the year ended
December 31, 2014

**CITY OF ALLENTOWN, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**



MAYOR

Ed Pawlowski

CITY COUNCIL

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Ray O'Connell, Vice President
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Jeanette Eichenwald
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Daryl Hendricks
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CITY SOLICITOR

Jerry A. Snyder, Esq.

Garret H. Strathearn, Director of Finance
Debi Bowman, Deputy Director of Finance and Treasury

Maher Duessel, 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. National Penn Bank Corp. relocated its headquarters to the brand new 11-story Two City Center in the downtown in 2014. 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 Center opened in September 2014, and serves as home to the Lehigh Valley Phantoms of the American Hockey League. The City maintains 2,000 acres of park land, well above the national average.

CITY OF ALLENTOWN, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2014

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June 30, 2015

Honorable Mayor and Members of City Council
Allentown, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the City of Allentown, Pennsylvania (City), for the fiscal year ended December 31, 2014 is submitted herewith. This report was prepared by the City's Department of Finance. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

The City provides a full range of municipal services. These services include police and fire protection; emergency medical services; sanitation services; the construction and maintenance of streets, roads, and infrastructure; 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 2014.

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 approved by City Council. Activities of the General Fund, certain Special Revenue Funds, and Debt Service Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The 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 legal level of budgetary control to the account level. Transfers exceeding \$5,000 must be approved by City Council.

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

OTHER INFORMATION

Independent Audit: The City's Administrative Code requires that an annual audit of the books of accounts, financial records, and transactions of the City be performed by independent certified public accountants. The accounting firm of Maher Duessel, Certified Public Accountants was selected by City Council in 2014 to perform the annual audit for fiscal years 2013 through 2015. 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: 2014 was a year of extraordinary economic growth and building in the heart of Downtown Allentown. PPL Center, an arena which serves as home to the Lehigh Valley Phantoms – the top American Hockey League (AHL) team of the Philadelphia Flyers (this arena has a capacity of 8,500 seats for hockey and 10,000 for concerts) and a new 11-floor office building housing the headquarters of National Penn Bancshares opened in 2014. A 180-room Marriott Renaissance Hotel attached to the arena neared completion as did a nearby 167,000 square-foot, \$50 million seven story office and retail building and a five-story building and adjacent three-story building with 168 apartments between them.

This economic development success comes as a direct result of the Neighborhood Improvement Zone, or NIZ, created by state legislation. Passed in 2009 and 2011 and unique to the City of Allentown, this law allows the City to use certain tax revenues to rebuild its downtown core and waterfront areas with the specific purpose of generating millions of dollars of investment in new job creating projects. The NIZ stretches from the City's center to its Lehigh River waterfront.

2014 also saw a continued decrease in violent crime (more than 10 percent) – a decline that started in 2006. In this effort, the City continues to employ and expand its usage of high-technology tools such as multiple remote camera sites to assist the Police Department. Again, in 2014, the Fire Department continued its leadership in emergency management situations and training; thus, maintaining the City’s position as a regional pacesetter in the emergency management arena.

In 2014, Standard and Poor’s raised the City’s bond rating from BBB+ to A+(SPUR) with a stable outlook and Moody’s affirmed the City’s A3 rating with a stable outlook.

Finally, in 2014, management continued to work diligently with City Council and the Controller to pursue its efforts at achieving significant cost containment measures across the board.

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, Maria T. Quigney and Eliana Cruz.

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,

A handwritten signature in cursive script that reads "Debi Bowman".

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**

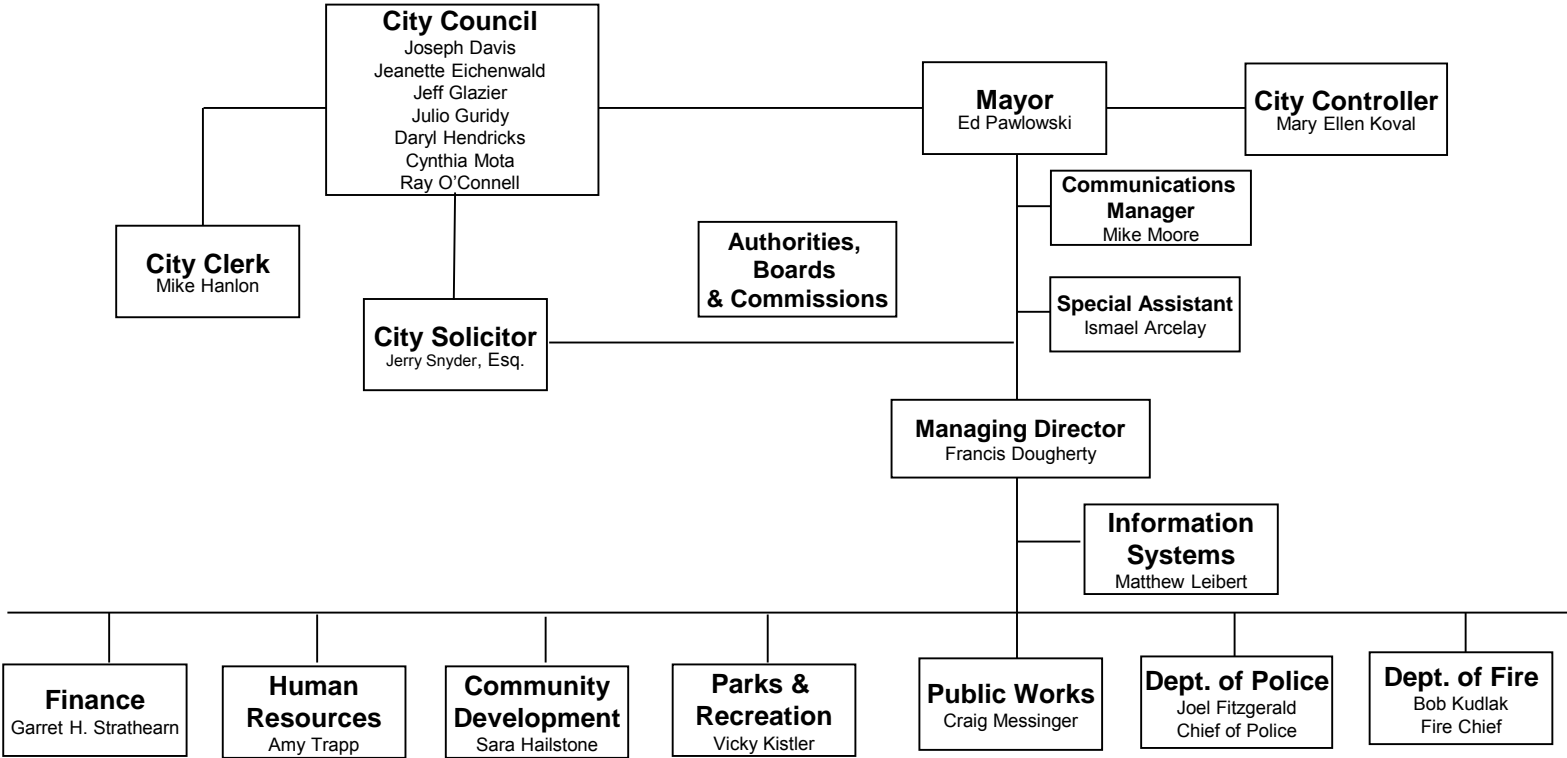
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

City of Allentown

2014 Organizational Chart



Independent Auditor's Report

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

Report on 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 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.

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, 2014, 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.

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 post-employment benefit information on pages 4 through 20, 95 through 101, and 102 through 110, 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
June 30, 2015

**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, 2014. 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, 2014. 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 2014, the City's total net position increased by \$6,082,243. The net position of governmental activities increased \$6,397,597 and the net position of business-type activities decreased \$315,354. The increase in the governmental net position was primarily due to the amortization of the utility system concession lease over the term of lease and an increase in business privilege tax revenue.

Property tax rates remained at 5.81 mills for 2014.

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 non-major funds.

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

- *Government-wide financial statements*, the first two statements, provide a broad overview of the City's overall financial status as well as the financial status of the City's component units, in a manner similar to private-sector business.
- *Fund financial statements*, the remaining statements, focus on individual parts of City government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental 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 related to one another.

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

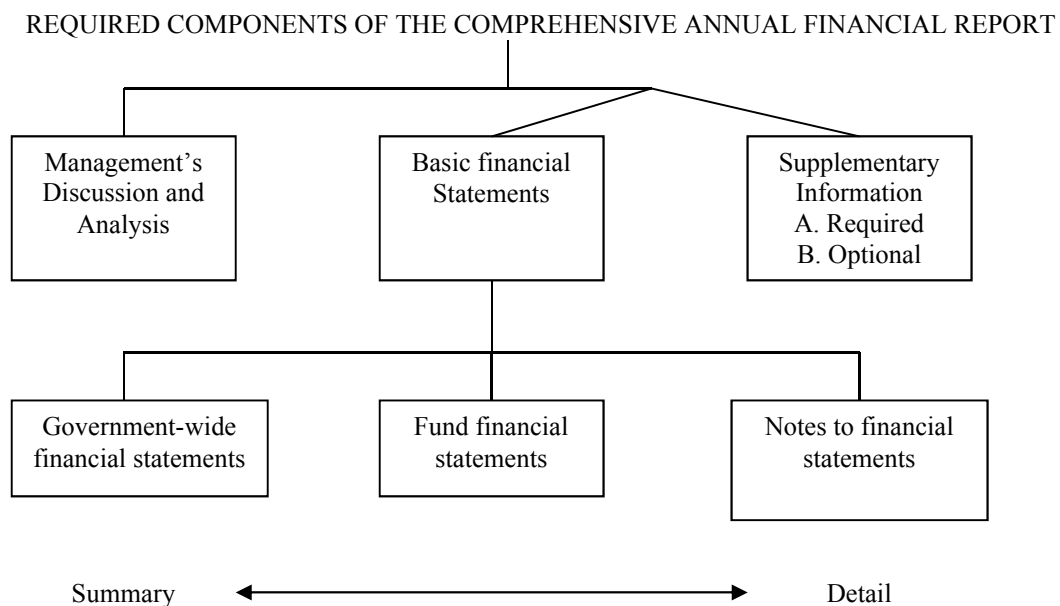


Table A-2 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

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

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

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

Government-wide financial statements

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

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

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

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

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the City can exercise influence and/or be obligated to provide financial support. The City has two discretely presented component units: the Allentown Parking Authority and the Redevelopment Authority of the City of Allentown.

There are two categories of activities for the primary government.

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

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Capital assets are reported as expenditures when financial resources (monies) are expended to purchase or build assets in the fund financial statements. Likewise, the financial resources that may have been borrowed are considered other financing sources when they are received in the fund financial statements. Principal and interest payments are both considered expenditures when paid in the fund financial statements. Depreciation is not calculated, as it does not provide or reduce current financial resources in the fund financial statements.

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

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position 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 eight governmental funds that the City maintains (General, Liquid Fuels, Community Development Block Grant, Revolving Loan, Debt Service, Capital Projects, Trexler, and E-911) are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental 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, and capital project funds, as required by state law. Budgetary comparisons for the general fund are presented as required supplementary information. Budgetary comparisons for the capital projects fund, liquid fuels fund, community development block grant, Trexler, E-911, and debt service fund are presented as supplementary information.

- *Proprietary funds* report business-type programs and activities that charge fees designed to cover the cost of providing services. They report using the full accrual basis of accounting.
- *Fiduciary funds* are funds for which the City is the trustee or fiduciary. These include the Officers and Employees Pension Fund, the 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 \$468,306,749 at December 31, 2014. Of this amount, \$216,061,252 was capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 62,959,667	\$ 79,628,340	\$ 9,139,272	\$ 8,187,381	\$ 72,098,939	\$ 87,815,721
Capital assets, net	210,102,073	192,072,489	5,959,179	5,963,327	216,061,252	198,035,816
Other non-current assets	180,146,558	182,678,472	-	-	180,146,558	182,678,472
Total Assets	453,208,298	454,379,301	15,098,451	14,150,708	468,306,749	\$ 468,530,009
Current and other liabilities	22,721,023	23,348,353	2,404,959	1,401,009	25,125,982	24,749,362
Long-term liabilities	102,528,802	106,353,803	763,773	504,626	103,292,575	106,858,429
Total Liabilities	125,249,825	129,702,156	3,168,732	1,905,635	128,418,557	131,607,791
Deferred Inflows of Resources:						
Utility system concession lease	213,911,105	216,988,383	-	-	213,911,105	216,988,383
Deferred charge on refunding	311,924	350,915	-	-	311,924	350,915
Total Deferred Inflows of Resources	214,223,029	217,339,298	-	-	214,223,029	217,339,298
Net position:						
Net investment in capital assets	143,512,599	126,410,580	5,267,292	5,551,723	148,779,891	131,962,303
Restricted	159,837,021	162,936,167	-	-	159,837,021	162,936,167
Unrestricted	(189,614,176)	(182,008,900)	6,662,427	6,693,350	(182,951,749)	(175,315,550)
Total Net Position	\$ 113,735,444	\$ 107,337,847	\$ 11,929,719	\$ 12,245,073	\$ 125,665,163	\$ 119,582,920

During 2014, the net position increased \$6.1 million or 5.1 percent to \$125.6 million. Of this amount, \$149 million represents the net balance of long-term capital assets and capital related long-term debt, while \$160 million is restricted for various purposes.

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, 2014. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

Table A-4: Changes in net position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 19,318,324	\$ 16,220,177	\$ 15,912,862	\$ 33,795,141	\$ 35,231,186	\$ 50,015,318
Operating grants and contributions	16,149,411	17,010,242	621,636	887,428	16,771,047	17,897,670
Capital grants	14,981,948	24,157,607	-	-	14,981,948	24,157,607
General revenues:						
Taxes	58,012,491	58,031,788	-	-	58,012,491	58,031,788
Investment earnings	28,820	69,236	-	132,218	28,820	201,454
Unrestricted grants/contributions	11,484,314	10,290,239	-	-	11,484,314	10,290,239
Total revenues	119,975,308	125,779,289	16,534,498	34,814,787	136,509,806	160,594,076
Expenses:						
General government	19,866,840	16,865,074	-	-	19,866,840	16,865,074
Public safety	53,806,692	48,764,915	-	-	53,806,692	48,764,915
Community development	7,443,093	7,909,900	-	-	7,443,093	7,909,900
Public works	19,032,550	13,962,846	-	-	19,032,550	13,962,846
Health and sanitation	2,944,949	3,116,962	-	-	2,944,949	3,116,962
Parks and recreation	5,687,877	3,938,834	-	-	5,687,877	3,938,834
Water and sewer	1,033,067	-	-	-	1,033,067	-
Interest long-term debt	4,419,672	4,997,583	-	-	4,419,672	4,997,583
Water fund	-	-	-	8,718,973	-	8,718,973
Sewer fund	-	-	-	9,673,907	-	9,673,907
Municipal golf course	-	-	1,220,773	1,204,675	1,220,773	1,204,675
Solid waste fund	-	-	14,599,155	14,529,054	14,599,155	14,529,054
Total expenses	114,234,740	99,556,114	15,819,928	34,126,609	130,054,668	133,682,723
Change in net position before capital contributions and transfers	5,740,568	26,223,175	714,570	688,178	6,455,138	26,911,353
Transfers	1,029,924	71,674,238	(1,029,924)	(71,674,238)	-	-
Special items	(372,895)	-	-	(1,299,079)	(372,895)	(1,299,079)
Change in net position	6,397,597	97,897,413	(315,354)	(72,285,139)	6,082,243	25,612,274
Net position beginning	107,337,847	9,440,434	12,245,073	84,530,212	119,582,920	93,970,646
Net position ending	\$ 113,735,444	\$ 107,337,847	\$ 11,929,719	\$ 12,245,073	\$ 125,665,163	\$ 119,582,920

Total government-wide revenues of \$136.5 million came primarily from taxes of \$58 million, representing 42.4 percent of the total. Charges for services at \$35 million made up the second largest source at 25.8 percent, followed by operating and capital grants, and contributions of \$31.7 million, or 23.2 percent, and other revenue sources made up the remaining 8.6 percent.

Total expenses for all programs in 2014 were \$130 million. The expenses cover a range of services, with the largest being public safety at \$53.8 million or 41.4 percent. The second largest program area was general government at \$19.9 million or 15.3 percent, followed by the public

City of Allentown, Pennsylvania
Management's Discussion and Analysis

works at \$19 million or 14.6 percent, then the solid waste fund at \$14.6 million or 11.2 percent, followed by the community development at \$7.4 million or 5.7 percent, then by parks and recreation at \$5.7 million or 4.4 percent, followed by interest on outstanding debt at \$4.4 million or 3.4 percent, then health and sanitation at \$2.9 million or 2.3 percent, then golf course at \$1.2 million or 0.9 percent and water and sewer at \$1 million or 0.8 percent. Water and sewer expenses are not a fund but expenses related to prior commitments that are now reflected in the General Fund.

Capital and operating grants and contributions decreased by \$10.3 million from 2013 to 2014 primarily due to grants for bridge infrastructure.

Public Safety expenses increased \$5 million, which was due to increase in personnel costs and professional services. Public Works increased \$5 million and Parks and Recreation increased by \$1.7 million due to a full year from the restructuring of personnel.

Government-wide charges for services decreased \$14.7 million and business-type activities expenses decreased \$18.3 million due to the utility system concession lease which took place in 2013.

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 2014, real estate and Act 511 taxes brought in \$58 million. There were \$11.4 million in grants and contributions not restricted to specific purposes. Table A-5 depicts the net program expenses for the years ended December 31, 2014 and 2013.

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

	Total cost of services		Net cost of services	
	2014	2013	2014	2013
Program:				
General government	\$ 19,866,840	\$ 16,865,074	\$ 10,459,469	\$ 6,153,868
Public safety	53,806,692	48,764,915	47,267,713	42,725,502
Community development	7,443,093	7,909,900	296,362	907,153
Public works	19,032,550	13,962,846	2,242,123	(12,231,546)
Health and sanitation	2,944,949	3,116,962	885,651	894,256
Parks and recreation	5,687,877	3,938,834	3,408,905	2,151,321
Water and sewer	1,033,067	-	(5,194,838)	(3,430,049)
Interest on long-term debt	4,419,672	4,997,583	4,419,672	4,997,583
Water fund	-	8,718,973	-	(122,800)
Sewer fund	-	9,673,907	-	731,270
Municipal golf course	1,220,773	1,204,675	(30,151)	(84,570)
Solid waste fund	14,599,155	14,529,054	(684,419)	(1,079,860)
Total expenses	\$ 130,054,668	\$ 133,682,723	\$ 63,070,487	\$ 41,612,128

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The City relied on real estate tax, Act 511 taxes and other general revenues to fund 48.5 percent of its governmental and business-type activities in 2014.

Property taxes and other general revenues covered 52.6 percent of general government spending with the remainder coming from grants and fees for specific services. Nearly 87.8 percent of public safety spending came from the property tax and other general revenues with the remainder coming from grants, fines, and court costs. Community development costs were funded except for 4.0 percent by fees, charges for service, and the balance from Community Development Block Grant (CDBG) funding.

Public works spending were covered 88.2 percent by program revenues, 75.0 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 30.1 percent of its revenue from program revenues, 58.7 percent of which was in the form of grants. Parks and recreation expenses were covered 40.1 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, 2014, net of accumulated depreciation, was \$216 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Table A-6 is a summary of capital assets at December 31, 2014 and 2013.

Table A-6: Capital assets at December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and land improvements	\$ 9,809,945	\$ 8,409,945	\$ 1,134,759	\$ 1,134,759	\$ 10,944,704	\$ 9,544,704
Assets under concession lease	67,831,222	67,831,222	-	-	67,831,222	67,831,222
Buildings and improvements	84,577,761	66,236,875	2,317,553	2,525,670	86,895,314	68,762,545
Vehicles, machinery and equipment	16,059,135	15,706,387	2,477,539	2,273,191	18,536,674	17,979,578
Distribution and collection systems	-	-	29,328	29,707	29,328	29,707
Infrastructure	31,824,010	33,888,060	-	-	31,824,010	33,888,060
Total	\$ 210,102,073	\$ 192,072,489	\$ 5,959,179	\$ 5,963,327	\$ 216,061,252	\$ 198,035,816

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, 2014, the City had \$95.4 million of debt outstanding, including bonds, notes, and capital leases. This was a net decrease of \$6.1 million from the previous year. Table A-7 provides a summary of outstanding debt.

Table A-7: Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital lease	\$ 1,855,031	\$ 853,070	\$ 691,887	\$ 411,604	\$ 2,546,918	\$ 1,264,674
Bonds and notes	68,793,268	70,817,568	-	-	68,793,268	70,817,568
Pension obligation bonds	24,130,000	29,445,000	-	-	24,130,000	29,445,000
Total	\$ 94,778,299	\$ 101,115,638	\$ 691,887	\$ 411,604	\$ 95,470,186	\$ 101,527,242

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, 2014 was approximately \$228.8 million, and the total debt outstanding was \$94.8 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2014 was approximately \$320.3 million and the total debt outstanding was \$70.6 million. For computation purposes, the \$94.7 million has been reduced by \$24.1 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, 2014 and 2013 were as follows. Table A-8 also presents changes from 2013 to 2014.

Table A-8: Revenues by source, governmental funds

	2014	2013	Changes from 2013 to 2014	Percent change
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues:				
Taxes	\$ 57,874,403	\$ 57,865,676	\$ 8,727	-
Licenses and permits	6,309,428	5,781,973	527,455	9.1
Charges for services	8,271,223	6,615,357	1,655,866	25.0
Fines and forfeits	748,687	672,105	76,582	11.4
Investment earnings	28,820	69,236	(40,416)	(58.4)
Intergovernmental revenues	39,416,740	49,185,888	(9,769,148)	(19.9)
Other	3,766,919	3,961,421	(194,502)	(4.9)
Total revenues	<hr/> \$ 116,416,220	<hr/> \$ 124,151,656	<hr/> \$ (7,735,436)	<hr/> (6.2)

Governmental fund revenues totaled \$116.4 million for the year ended December 31, 2014. This is a decrease of \$7.7 million from 2013, primarily due to a decrease in the amount of capital and operating grants received. Charges for service increased \$1.7 million primarily due to the collection of outstanding water and sewer receivables.

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2014 and 2013 were as follows. Table A-9 also presents changes from 2013 to 2014.

Table A-9: Expenditures by function, governmental funds

	2014	2013	Changes from 2013 to 2014	Percent change
Expenditures:				
General government	\$ 16,352,843	\$ 18,108,503	\$ (1,755,660)	(9.7)
Public safety	47,934,281	196,455,831	(148,521,550)	(75.6)
Community development	7,047,296	7,669,312	(622,016)	(8.1)
Public works	12,413,386	12,262,727	150,659	1.2
Health and sanitation	2,877,343	3,420,443	(543,100)	(15.9)
Parks and recreation	5,008,229	3,963,487	1,044,742	26.4
Water and sewer	1,033,067	-	1,033,067	100.0
Debt service:				
Principal	8,898,300	3,874,400	5,023,900	129.7
Interest	3,733,786	3,827,906	(94,120)	(2.5)
Capital outlay	24,851,039	28,386,348	(3,535,309)	(12.5)
Total expenditures	\$ 130,149,570	\$ 277,968,957	\$ (147,819,387)	(53.2)

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund which are considered major funds. Non-major funds which include the liquid fuels fund, the CDBG (community development block grant) fund, revolving loan fund, the debt service fund, the Trexler fund, and the E-911 fund, are presented separately in the combining balance sheet - other non-major governmental funds and in the combining statement of revenues, expenditures, and changes in fund balance – other non-major governmental funds.

Governmental fund expenditures totaled \$130 million for the year ended December 31, 2014, a decrease of 53.2 percent from 2013. In 2013, public safety expenses included the loaning of funds, and subsequent loan forgiveness, to the City's pension funds; which did not occur again in 2014. In 2014, from the proceeds of the utility system concession lease, an additional \$4.6 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 proprietary funds at December 31, 2014 and 2013.

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

	2014		2013	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	\$ 34,018,330	\$ -	\$ 46,404,650	\$ -
Liquid Fuels Fund	1,273,125	-	1,363,903	-
Community Development Block Grant	4,943,790	-	5,165,373	-
Trexler	(44,940)	-	(151,609)	-
Capital Projects	776,285	-	897,778	-
E-911	429,133	-	730,332	-
Revolving Loan	1,327,604	-	1,327,575	-
Municipal Golf Course		2,309,713	-	2,614,239
Solid Waste Fund		9,620,006	-	9,630,834
Total	\$ 42,723,327	\$ 11,929,719	\$ 55,738,002	\$ 12,245,073

The City's governmental funds reported a combined fund balance of \$42.7 million at December 31, 2014. Of the total, \$4.9 million is restricted for CDBG projects, \$.8 million is restricted for capital acquisitions, \$1.3 million is restricted for liquid fuels, \$1.3 million is restricted for the revolving loan fund, and \$.4 million is restricted for the E-911 fund.

The General Fund balance decreased \$12.4 million of which \$11.1 million reflects a budgeted transfer to the Capital Projects Fund and the additional pension bond payment discussed previously.

Budgetary highlights

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

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

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

The general fund budget for revenues increased \$4.3 million during the year from the original budget of \$89.5 million to the final budget of \$93.8 million. Actual revenues were \$1.9 million below the final budget. This variance was partly due to the \$2.3 million decrease in other grants/miscellaneous.

The general fund budget for expenditures increased \$6.2 million during the year from the original budget of \$82.9 million to the final budget of \$89.1 million, primarily due to pass-through grants and personnel costs. Actual expenditures were \$4.2 million lower than the amended budget. This was achieved by acknowledging the decline in revenue and putting general spending restraints in place.

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, the City is home to 118,032 residents, thus making it the third largest city in Pennsylvania. The City recorded one of the fastest rates of growth of any municipality in the Commonwealth between the 2000 and 2010 Censuses. Also of note, the 2010 Census reported the City's Hispanic community grew by 93.6% and now makes up 42.7% of the City's population, compared to 24.4% in 2000.

Known as "The City Without Limits", Allentown is strategically located within a 300 mile radius of the largest metropolitan areas on the eastern seaboard of the United States. Excellent transportation systems and close proximity to both New York and Philadelphia make it attractive to businesses and families desiring to live in a community that offers clean air, good water, diverse neighborhoods and more than 2,000 acres of the best municipal parks and recreation systems in the country – including a trout hatchery located in a serene wooded topography – *and* an award winning municipal golf course that hosted 42,000 rounds of golf in 2014.

ECONOMIC DEVELOPMENT ACHIEVEMENTS

The City has long served as the economic engine for the Lehigh Valley. The City is home to a number of major corporate headquarters, including international energy provider PPL (a Fortune 500 company). The City has the largest employment concentration in the region. Within the City's boundaries, the Allentown School District and the government of Lehigh County combine to employ more than 4,384 people in the public sector.

Allentown is home to two nationally respected institutions of higher education: Muhlenberg College and Cedar Crest College. Together they have full-time enrollments of over 4,300 students and employment for over 3,043 personnel. Also, a branch campus of the Lehigh Carbon Community College is located in the heart of the City's Downtown.

Major regional health care institutions employ more than 4,187 people within Allentown. Lehigh Valley Hospital, Sacred Heart Hospital and St. Luke's each maintain various acute-care facilities across the City.

2014 was a year of extraordinary economic growth and building in the heart of Downtown Allentown. PPL Center, an arena which serves as home to the Lehigh Valley Phantoms – the top American Hockey League (AHL) team of the Philadelphia Flyers (this arena has a capacity of 8,500 seats for hockey and 10,000 for concerts) and a new 11-floor office building housing the headquarters of National Penn Bancshares opened in 2014. A 180-room Marriott Renaissance Hotel attached to the arena neared completion as did a nearby 167,000 square-foot, \$50 million seven story office and retail building and a five-story building and adjacent three-story building with 168 apartments between them.

This economic development success comes as a direct result of state legislation, (Neighborhood Improvement Zone - NIZ). Passed in 2009 and 2011 and unique to the City of Allentown, this law allows the City to use certain tax revenues to rebuild its downtown core and waterfront areas with the specific purpose of generating millions of dollars of investment in new job creating projects. The NIZ stretches from the City's center to its Lehigh River waterfront.

Over the years, the government, corporate, education and health sector entities cited above historically provided a primary base for the City's job market. Now, 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; destination visiting and similar services. This sector of the economy epitomizes the service industry with its orientation towards office use and paper and data handling, an area which has shown considerable growth in this decade. Along with what is noted above, the City and Lehigh County continue to seek ways to attract new businesses to the area. These new businesses stimulate the economy by providing jobs and other economic benefits derived from productive employment.

It is important to note that that the Allentown Neighborhood Improvement Zone Development Authority (ANIZDA) has made it a priority of the Authority that businesses benefitting from the advantages of the NIZ make every effort to hire local Allentown residents – especially those living within and close to the NIZ.

Beyond the NIZ, in 2014, the City continued to pursue residential and commercial development at multiple sites, including the expanded redevelopment of Hamilton Street in Center City Allentown through local initiatives and state and local partnerships such as Keystone Opportunity Zones (KOZ) and offering designated land parcels with a greatly reduced tax burden for residents and businesses. Efforts continue to further expand potential development at other such critically important sites as the former Allentown State Hospital.

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

SUMMARY

2014 was a year of monumental development and accomplishment towards the City of Allentown achieving long-term financial and community stability. Yet, management recognized this is just the beginning of an ongoing process. There is still much work to be done in being effective stewards of the City's resources. While most City expenses throughout 2014 remained relatively stable due to stringent monitoring and management practices, certain areas continue to increase at rates above the Consumer Price Index. Revenue initiatives and cost control measures continue to be implemented in order to counter this situation. City Administration, working with Council and the City Controller, will lead the way to insuring that the successes of 2014 will be preserved and capitalized on 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 Deputy Director of Finance, City of Allentown, 435 Hamilton Street, Allentown, Pennsylvania 18101.

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Assets				
Current assets:				
Cash and cash equivalents	\$ 40,762,804	\$ 5,320,735	\$ 46,083,539	\$ 1,189,568
Cash and cash equivalents - restricted	-	-	-	329,537
Investments - restricted	4,058,825	-	4,058,825	735,000
Receivables (net of allowance for uncollectible):				
Taxes	12,389,078	-	12,389,078	-
Accounts	2,409,245	692,221	3,101,466	318,102
Grants	5,415,182	-	5,415,182	-
Other current assets	6,377	-	6,377	1,939
Inventory	-	39,817	39,817	20,421
Prepaid expenses	-	-	-	284,005
Prepaid debt insurance	824,655	-	824,655	-
Due from other governments	180,000	-	180,000	315,245
Internal balances	(3,086,499)	3,086,499	-	-
Total current assets	62,959,667	9,139,272	72,098,939	3,193,817
Noncurrent assets:				
Capital assets, net:				
Land	9,809,945	1,134,759	10,944,704	8,495,258
Assets under concession lease	67,831,222	-	67,831,222	-
Buildings	5,157,277	723,352	5,880,629	-
Land and building improvements	18,181,760	1,594,201	19,775,961	29,910,019
Machinery and equipment	11,899,115	1,623,966	13,523,081	561,956
Vehicles	4,160,020	853,573	5,013,593	314,124
Distribution and collection systems	-	29,328	29,328	-
Construction in progress	61,238,724	-	61,238,724	5,645,701
Infrastructure	31,824,010	-	31,824,010	-
Total capital assets, net	210,102,073	5,959,179	216,061,252	44,927,058
Net pension asset	150,317,987	-	150,317,987	-
Loans and notes receivable	5,838,871	-	5,838,871	1,556,483
Utility system concession lease receivable	23,300,000	-	23,300,000	-
Property held for development	689,700	-	689,700	22
Total noncurrent assets	390,248,631	5,959,179	396,207,810	46,483,563
Total Assets	453,208,298	15,098,451	468,306,749	49,677,380
Deferred Outflows of Resources				
Deferred charge on refunding	-	-	-	715,309
Total Deferred Outflows of Resources	-	-	-	715,309

(Continued)

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	9,155,140	1,925,155	11,080,295	1,402,937
Wages payable	1,212,803	45,762	1,258,565	-
Accrued interest payable	731,083	-	731,083	-
Claims liability	1,100,792	-	1,100,792	-
Other liabilities	1,216,554	86,150	1,302,704	110,410
Due to pension trust funds	49,466	-	49,466	-
Due to other governments	4,502	-	4,502	-
Compensated absences	3,523,970	146,641	3,670,611	-
Unearned revenue	569,175	-	569,175	250,845
Developer escrow deposits	-	-	-	79,537
Facility contractual obligation	174,675	-	174,675	-
Capital leases payable	427,823	201,251	629,074	136,971
Line of credit	-	-	-	276,000
Notes and bonds payable, current maturities	4,555,040	-	4,555,040	400,000
Total current liabilities	22,721,023	2,404,959	25,125,982	2,656,700
Noncurrent liabilities:				
Claims liability	927,299	-	927,299	-
Capital leases payable	1,427,208	490,636	1,917,844	269,924
Compensated absences	335,495	1,816	337,311	-
Unearned revenue	-	-	-	9,037,634
Other post-employment benefit liability	11,470,572	271,321	11,741,893	85,749
Notes and bonds payable	88,368,228	-	88,368,228	18,730,000
Total noncurrent liabilities	102,528,802	763,773	103,292,575	28,123,307
Total Liabilities	125,249,825	3,168,732	128,418,557	30,780,007
Deferred Inflows of Resources				
Utility system concession lease	213,911,105	-	213,911,105	-
Deferred charge on refunding	311,924	-	311,924	-
Total Deferred Inflows of Resources	214,223,029	-	214,223,029	-
Net Position				
Net investment in capital assets	143,512,599	5,267,292	148,779,891	25,829,472
Restricted for:				
Capital acquisitions	776,285	-	776,285	-
Public works	1,273,125	-	1,273,125	-
Community development	6,404,594	-	6,404,594	967,537
Public safety	429,133	-	429,133	-
Pension benefits	150,953,884	-	150,953,884	-
Unrestricted	(189,614,176)	6,662,427	(182,951,749)	(7,184,327)
Total Net Position	\$ 113,735,444	\$ 11,929,719	\$ 125,665,163	\$ 19,612,682
(Concluded)				

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

Functions/Programs:	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 19,866,840	\$ 4,087,754	\$ 5,319,617
Public safety	53,806,692	3,935,055	2,603,924
Community development	7,443,093	3,996,649	2,669,493
Public works	19,032,550	236,424	2,281,653
Health and sanitation	2,944,949	329,332	1,729,966
Parks and recreation	5,687,877	505,205	1,544,758
Water and sewer	1,033,067	6,227,905	-
Interest on long-term debt	4,419,672	-	-
Total governmental activities	<u>114,234,740</u>	<u>19,318,324</u>	<u>16,149,411</u>
Business-type activities:			
Solid Waste Fund	14,599,155	14,675,253	608,321
Municipal Golf Course	<u>1,220,773</u>	<u>1,237,609</u>	<u>13,315</u>
Total business-type activities	<u>15,819,928</u>	<u>15,912,862</u>	<u>621,636</u>
Total primary government	<u><u>\$ 130,054,668</u></u>	<u><u>\$ 35,231,186</u></u>	<u><u>\$ 16,771,047</u></u>
Component units:			
Redevelopment Authority of the City of Allentown	\$ 519,459	\$ 1,041,274	\$ 663,739
Allentown Parking Authority	<u>5,811,753</u>	<u>6,163,089</u>	<u>-</u>
Total component units	<u><u>\$ 6,331,212</u></u>	<u><u>\$ 7,204,363</u></u>	<u><u>\$ 663,739</u></u>
General revenues:			
Property taxes			
Act 511			
Utility realty			
Deed transfer tax			
Grants and contributions not restricted to specific purposes			
Investment earnings			
Transfers			
Special item			
Total general revenues, transfers, and special items			
Change in Net Position			
Net Position:			
Beginning of year			
End of year			

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

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
\$ -	\$ (10,459,469)	\$ -	\$ (10,459,469)	\$ -
-	(47,267,713)	-	(47,267,713)	-
480,589	(296,362)	-	(296,362)	-
14,272,350	(2,242,123)	-	(2,242,123)	-
-	(885,651)	-	(885,651)	-
229,009	(3,408,905)	-	(3,408,905)	-
-	5,194,838	-	5,194,838	-
-	(4,419,672)	-	(4,419,672)	-
14,981,948	(63,785,057)	-	(63,785,057)	-
-	-	684,419	684,419	-
-	-	30,151	30,151	-
-	-	714,570	714,570	-
\$ 14,981,948	(63,785,057)	714,570	(63,070,487)	-
\$ -	-	-	-	1,185,554
-	-	-	-	351,336
\$ -	-	-	-	1,536,890
	29,604,712	-	29,604,712	-
	27,273,388	-	27,273,388	-
	72,379	-	72,379	-
	1,062,012	-	1,062,012	-
	11,484,314	-	11,484,314	-
	28,820	-	28,820	7,466
	1,029,924	(1,029,924)	-	-
	(372,895)	-	(372,895)	-
	70,182,654	(1,029,924)	69,152,730	7,466
	6,397,597	(315,354)	6,082,243	1,544,356
	107,337,847	12,245,073	119,582,920	18,068,326
\$ 113,735,444	\$ 11,929,719	\$ 125,665,163	\$ 19,612,682	

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

CITY OF ALLENTOWN, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 33,025,945	\$ -	\$ 3,637,239	\$ 36,663,184
Investments - restricted	-	4,058,825	-	4,058,825
Receivables:				
Taxes	12,389,078	-	-	12,389,078
Loans	133,200	-	5,705,671	5,838,871
Accounts	2,149,675	143,245	88,231	2,381,151
Grants	936,697	3,423,561	1,054,924	5,415,182
Utility system concession lease	23,300,000	-	-	23,300,000
Interest	-	-	6,377	6,377
Due from other funds	5,040,937	2,931,519	-	7,972,456
Total Assets	\$ 76,975,532	\$10,557,150	\$ 10,492,442	\$ 98,025,124
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 5,741,487	\$ 2,460,636	\$ 368,260	\$ 8,570,383
Wages payable	1,168,384	-	41,219	1,209,603
Due to other funds	2,252,945	7,125,570	1,680,440	11,058,955
Due to pension trust funds	49,466	-	-	49,466
Due to other governments	4,502	-	-	4,502
Unearned revenue	-	135,233	433,942	569,175
Other liabilities	1,117,259	59,426	39,869	1,216,554
Total Liabilities	10,334,043	9,780,865	2,563,730	22,678,638
Deferred Inflows of Resources:				
Unavailable revenue - taxes	8,769,071	-	-	8,769,071
Unavailable revenue - utilities	554,088	-	-	554,088
Unavailable revenue - utility system concession lease	23,300,000	-	-	23,300,000
Total Deferred Inflows of Resources	32,623,159	-	-	32,623,159
Fund Balance:				
Restricted	769,097	776,285	7,973,652	9,519,034
Assigned	15,534,027	-	-	15,534,027
Unassigned	17,715,206	-	(44,940)	17,670,266
Total Fund Balance	34,018,330	776,285	7,928,712	42,723,327
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 76,975,532	\$10,557,150	\$ 10,492,442	\$ 98,025,124

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, 2014

Total Fund Balance - Governmental Funds	\$ 42,723,327
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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.	210,102,073
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Property held for development in governmental activities is not a financial resource and, therefore, is not reported as an asset in governmental funds.	689,700
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds.	32,623,159
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Net pension asset included on the statement of net position.	150,317,987
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Prepaid debt insurance is reported as an asset and amortized on the statement of net position.	824,655
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Utility system concession lease is required to be amortized over the life of the lease for governmental activities.	(213,911,105)
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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	\$ (731,083)	
Facility contractual obligation	(174,675)	
Notes and bonds payable	(92,923,268)	
Capital leases payable	(1,855,031)	
Compensated absences	(3,852,699)	
Other post-employment benefits liability	(11,470,572)	
Deferred charge on refunding	(311,924)	(111,319,252)

Assets and liabilities of the internal service fund reported in the statement of net position are used to charge the costs of insurance to individual funds and are not reported in the governmental funds.	1,684,900
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Total Net Position - Governmental Activities	\$ 113,735,444
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The accompanying notes are an integral part of these financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 57,874,403	\$ -	\$ -	\$ 57,874,403
Licenses and permits	6,309,428	-	-	6,309,428
Charges for services	8,151,288	123,740	-	8,275,028
Fines and forfeits	748,687	-	-	748,687
Investment earnings	27,828	597	395	28,820
Intergovernmental revenues	18,637,568	14,981,948	5,797,224	39,416,740
Other	1,432,708	9,137	2,321,269	3,763,114
Total revenues	93,181,910	15,115,422	8,118,888	116,416,220
Expenditures:				
Current:				
General government	15,520,117	823,396	9,330	16,352,843
Public safety	44,878,300	-	3,055,981	47,934,281
Community development	4,850,003	-	2,197,293	7,047,296
Public works	10,081,066	-	2,332,320	12,413,386
Health and sanitation	2,877,343	-	-	2,877,343
Parks and recreation	3,757,595	-	1,250,634	5,008,229
Water and sewer	1,033,067	-	-	1,033,067
Debt service:				
Principal	-	-	8,898,300	8,898,300
Interest	-	-	3,733,786	3,733,786
Capital outlay	4,821,961	19,583,719	445,359	24,851,039
Total expenditures	87,819,452	20,407,115	21,923,003	130,149,570
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,362,458	(5,291,693)	(13,804,115)	(13,733,350)
Other Financing Sources (Uses):				
Transfers in	1,014,117	5,170,200	13,496,480	19,680,797
Transfers out	(18,390,000)	-	(199,227)	(18,589,227)
Total other financing sources	(17,375,883)	5,170,200	13,297,253	1,091,570
Net Change in Fund Balance Before Special Item	(12,013,425)	(121,493)	(506,862)	(12,641,780)
Special Item - Tax Settlement	(372,895)	-	-	(372,895)
Net Change in Fund Balance	(12,386,320)	(121,493)	(506,862)	(13,014,675)
Fund Balance:				
Beginning of year	46,404,650	897,778	8,435,574	55,738,002
End of year	\$ 34,018,330	\$ 776,285	\$ 7,928,712	\$ 42,723,327

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, 2014

Net Change in Fund Balance - Governmental Funds	\$ (13,014,675)
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.	24,851,039
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in governmental funds.	(6,821,455)
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.	(364,325)
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(322,206)
Activities of the internal service fund are reported as net expense in the statement of activities.	(3,965,073)
Change in net pension asset not reflected in the funds.	(2,339,161)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds.	(1,773,621)
Principal payments on capital leases consumes the current financial resources of governmental funds.	771,660
The repayment of principal of long-term debt consumes the current financial resources of governmental funds.	8,898,300
The accretion of capital appreciation bonds does not consume current financial resources of governmental funds.	(1,593,650)
Governmental funds report the effect of debt insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	6,499
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.	97,113
Other post-employment benefits are reported in the statement of activities but do not require the use of current financial resources.	(1,956,261)
The deferred inflow of resources from the utility system concession lease is amortized over the life of the lease in the statement of activities.	3,923,413
Change in Net Position - Governmental Activities	\$ 6,397,597

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,319,335	\$ 1,400	\$ 5,320,735	\$ 4,099,620
Accounts receivable:				
Refuse collection	1,849,632	-	1,849,632	-
Other	-	-	-	28,094
Total accounts receivable	1,849,632	-	1,849,632	28,094
Allowance for doubtful accounts	1,157,411	-	1,157,411	-
Net accounts receivable	692,221	-	692,221	28,094
Due from other governments	-	-	-	180,000
Due from other funds	3,251,576	-	3,251,576	-
Inventories	-	39,817	39,817	-
Total current assets	9,263,132	41,217	9,304,349	4,307,714
Noncurrent assets:				
Capital assets, net:				
Land	-	1,134,759	1,134,759	-
Buildings	1,017,066	227,475	1,244,541	-
Land and building improvements	1,477,128	3,273,182	4,750,310	-
Machinery and equipment	3,253,590	1,046,375	4,299,965	-
Vehicles	3,778,621	230,510	4,009,131	-
Distribution and collection systems	-	37,465	37,465	-
Total capital assets	9,526,405	5,949,766	15,476,171	-
Accumulated depreciation	(6,174,711)	(3,342,281)	(9,516,992)	-
Net capital assets	3,351,694	2,607,485	5,959,179	-
Total noncurrent assets	3,351,694	2,607,485	5,959,179	-
Total Assets	12,614,826	2,648,702	15,263,528	4,307,714

(Continued)

	Business-type Activities - Enterprise Funds			
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Total	Internal Service Fund
Liabilities				
Liabilities:				
Current liabilities:				
Accounts payable	1,910,074	15,081	1,925,155	584,757
Wages payable	35,922	9,840	45,762	3,200
Claims liability	-	-	-	1,100,792
Other liabilities	85,439	711	86,150	-
Due to other funds	-	165,077	165,077	-
Compensated absences	131,989	14,652	146,641	6,199
Capital leases payable	167,028	34,223	201,251	-
Total current liabilities	2,330,452	239,584	2,570,036	1,694,948
Noncurrent liabilities:				
Claims liability	-	-	-	927,299
Capital leases payable	421,840	68,796	490,636	-
Compensated absences	1,635	181	1,816	567
Other post-employment benefit liability	240,893	30,428	271,321	-
Total noncurrent liabilities	664,368	99,405	763,773	927,866
Total Liabilities	2,994,820	338,989	3,333,809	2,622,814
Net Position				
Net investment in capital assets	2,762,826	2,504,466	5,267,292	-
Unrestricted	6,857,180	(194,753)	6,662,427	1,684,900
Total Net Position	<u>\$ 9,620,006</u>	<u>\$ 2,309,713</u>	<u>\$ 11,929,719</u>	<u>\$ 1,684,900</u>
				(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Non-Major Fund			
	Solid Waste Fund	Municipal Golf Course	Totals	Internal Service Fund
Operating Revenues:				
Charges for services:				
Refuse collections	\$ 14,008,615	\$ -	\$ 14,008,615	\$ -
Recycling	381,407	-	381,407	-
Other charges	-	1,163,107	1,163,107	15,886,946
Miscellaneous	285,231	74,502	359,733	19,535
Total operating revenues	<u>14,675,253</u>	<u>1,237,609</u>	<u>15,912,862</u>	<u>15,906,481</u>
Operating Expenses:				
Personnel services	2,653,219	720,436	3,373,655	-
Utility services	16,988	15,997	32,985	-
Contracted services	10,742,793	67,995	10,810,788	-
Materials and supplies	402,176	176,932	579,108	-
Claims and benefits	-	-	-	19,817,432
Depreciation and amortization	565,093	199,732	764,825	-
Miscellaneous	218,886	39,681	258,567	-
Total operating expenses	<u>14,599,155</u>	<u>1,220,773</u>	<u>15,819,928</u>	<u>19,817,432</u>
Operating Income (Loss)	<u>76,098</u>	<u>16,836</u>	<u>92,934</u>	<u>(3,910,951)</u>
Non-Operating Revenues				
(Expenses):				
Grants	608,321	13,315	621,636	7,524
Total non-operating revenues				
(expenses)	<u>608,321</u>	<u>13,315</u>	<u>621,636</u>	<u>7,524</u>
Change in net position before transfers	684,419	30,151	714,570	(3,903,427)
Transfers out	(695,247)	(334,677)	(1,029,924)	(61,646)
Change in Net Position	<u>(10,828)</u>	<u>(304,526)</u>	<u>(315,354)</u>	<u>(3,965,073)</u>
Net Position:				
Beginning of year	9,630,834	2,614,239	12,245,073	5,649,973
End of year	<u>\$ 9,620,006</u>	<u>\$ 2,309,713</u>	<u>\$ 11,929,719</u>	<u>\$ 1,684,900</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Totals	Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 14,981,118	\$ 1,250,967	\$ 16,232,085	\$ 15,698,387
Payments to suppliers for services	(10,468,390)	(296,543)	(10,764,933)	(18,607,603)
Payments to employees	(2,607,226)	(701,436)	(3,308,662)	(6,351)
Net cash provided by (used in) operating activities	1,905,502	252,988	2,158,490	(2,915,567)
Cash Flows From Non-Capital Financing Activities:				
Operating grants received	608,321	13,315	621,636	7,524
Transfers out	(695,247)	(225,180)	(920,427)	(61,646)
Net cash used in non-capital financing activities	(86,926)	(211,865)	(298,791)	(54,122)
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(350,442)	(6,746)	(357,188)	-
Advance from/to other fund	(250,415)	-	(250,415)	-
Payments of obligations under capital leases	(88,829)	(34,377)	(123,206)	-
Net cash used in capital and related financing activities	(689,686)	(41,123)	(730,809)	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,128,890	-	1,128,890	(2,969,689)
Cash and Cash Equivalents:				
Beginning of year	4,190,445	1,400	4,191,845	7,069,309
End of year	\$ 5,319,335	\$ 1,400	\$ 5,320,735	\$ 4,099,620
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 76,098	\$ 16,836	\$ 92,934	\$ (3,910,951)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	565,093	199,732	764,825	-
Changes in:				
Accounts receivable	305,865	13,358	319,223	(28,094)
Due from other governments	-	-	-	(180,000)
Inventories	-	(1,306)	(1,306)	-
Accounts payable	918,444	5,218	923,662	(32,948)
Accrued payroll	1,035	1,998	3,033	355
Claims liability	-	-	-	1,242,777
Other liabilities	(5,991)	150	(5,841)	-
Compensated absences	2,870	(13,426)	(10,556)	(6,706)
Other post-employment benefit liability	42,088	30,428	72,516	-
Total adjustments	1,829,404	236,152	2,065,556	995,384
Net cash provided by (used in) operating activities	\$ 1,905,502	\$ 252,988	\$ 2,158,490	\$ (2,915,567)
Non-Cash Capital and Related Financing Activities:				
Issuance of capital lease	\$ 403,489	\$ -	\$ 403,489	\$ -

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2014

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ -	\$ 1,208,717
Interest receivable	135,341	-
Due from City's General Fund	49,466	-
Other receivables	977	-
Investments, at fair value:		
Money market funds	48,703,702	-
Equity mutual funds	133,765,658	-
Bond mutual funds	22,210,377	-
Corporate bonds	9,509,591	-
U.S. government obligations	35,653,320	-
U.S. government agency obligations	17,869,341	-
Total Assets	<u>267,897,773</u>	<u>1,208,717</u>
 Liabilities		
Accounts payable	43,637	-
Payroll tax liability	-	1,182,641
Due to other governments	-	26,076
Total Liabilities	<u>43,637</u>	<u>\$ 1,208,717</u>
 Net Position		
Restricted for pension benefits	<u>\$ 267,854,136</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, 2014

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 3,966,603
Plan members	<u>1,279,779</u>
Total contributions	<u>5,246,382</u>
Investment income:	
Net appreciation in fair value of investments	7,171,800
Interest and dividends	4,667,391
Less investment expenses	<u>(306,219)</u>
Net investment income	<u>11,532,972</u>
Total additions	<u>16,779,354</u>
Deductions:	
Benefits paid to recipients	20,642,134
Administrative and other fees	<u>32,046</u>
Total deductions	<u>20,674,180</u>
Change in Net Position	<u>(3,894,826)</u>
Net Position:	
Beginning of year	<u>271,748,962</u>
End of year	<u><u>\$267,854,136</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, 2014

Assets	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
Current assets:			
Cash and cash equivalents	\$ 415,249	\$ 774,319	\$ 1,189,568
Cash and cash equivalents - restricted	329,537	-	329,537
Certificates of deposit	-	735,000	735,000
Accounts receivable	-	318,102	318,102
Other current assets	-	1,939	1,939
Inventory	-	20,421	20,421
Prepaid expenses	4,195	279,810	284,005
Due from other governments	315,245	-	315,245
Total current assets	<u>1,064,226</u>	<u>2,129,591</u>	<u>3,193,817</u>
Noncurrent assets:			
Land	-	8,495,258	8,495,258
Land and building improvements	-	29,910,019	29,910,019
Machinery and equipment	-	561,956	561,956
Vehicles	-	314,124	314,124
Construction in progress	-	5,645,701	5,645,701
Total capital assets, net	<u>-</u>	<u>44,927,058</u>	<u>44,927,058</u>
Loans receivable	1,556,483	-	1,556,483
Property held for development	22	-	22
Total noncurrent assets	<u>1,556,505</u>	<u>44,927,058</u>	<u>46,483,563</u>
Total Assets	<u>2,620,731</u>	<u>47,056,649</u>	<u>49,677,380</u>
Deferred Outflows of Resources			
Deferred charge on refunding	-	715,309	715,309
Total Deferred Outflows of Resources	<u>-</u>	<u>715,309</u>	<u>715,309</u>

(Continued)

	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	6,882	1,396,055	1,402,937
Other liabilities	-	110,410	110,410
Unearned revenue	-	250,845	250,845
Developer escrow deposits	79,537	-	79,537
Line of credit	-	276,000	276,000
Notes and bonds payable, current maturities	-	400,000	400,000
Capital lease payable	-	136,971	136,971
Total current liabilities	86,419	2,570,281	2,656,700
Noncurrent liabilities:			
Unearned revenue	-	9,037,634	9,037,634
Other post-employment benefit liability	-	85,749	85,749
Capital lease payable	-	269,924	269,924
Bonds payable	-	18,730,000	18,730,000
Total noncurrent liabilities	-	28,123,307	28,123,307
Total Liabilities	86,419	30,693,588	30,780,007
Net Position			
Net investment in capital assets	-	25,829,472	25,829,472
Restricted	967,537	-	967,537
Unrestricted	1,566,775	(8,751,102)	(7,184,327)
Total Net Position	\$ 2,534,312	\$ 17,078,370	\$ 19,612,682
			(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF ACTIVITIES COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2014

Component Units:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total Component Units
Redevelopment Authority of the City of Allentown	\$ 519,459	\$ 1,041,274	\$ 663,739	\$ 1,185,554	\$ -	\$ 1,185,554
Allentown Parking Authority	5,811,753	6,163,089	-	-	351,336	351,336
Total component units	\$ 6,331,212	\$ 7,204,363	\$ 663,739	1,185,554	351,336	1,536,890
General revenues:						
Investment earnings				3	7,463	7,466
Total general revenues				3	7,463	7,466
Change in Net Position				1,185,557	358,799	1,544,356
Net Position:						
Beginning of year				1,348,755	16,719,571	18,068,326
End of year				<u>\$ 2,534,312</u>	<u>\$ 17,078,370</u>	<u>\$ 19,612,682</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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 119,000 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. 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 that 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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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 organizations does not extend beyond making appointments. These boards include the Allentown Commercial and Industrial Development Authority (ACIDA) and the Allentown Housing Authority.

The amounts the City appropriated to these organizations during the year ended December 31, 2014 were immaterial to the basic financial statements.

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

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

General Fund - is used to account for all financial transactions applicable to the general operations of the City except for those accounted for in another fund.

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.

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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).

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 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, and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

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 for the City's self-insurance program and externally administered insurance programs.

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 and investment income. 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.

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

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

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

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. 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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

- a. United States Treasury Bills.
- b. Short-term obligations of the United States Government or its agencies or instrumentalities.
- c. Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are 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.
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CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

The Parking Authority had no deposit or investment transactions during the year ended December 31, 2014 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.

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

Internal Balances

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Allowance for Uncollectible Receivables

All property tax, per capita tax, curb and sidewalk, water, sewer, and solid waste charges for service receivables are shown net of an allowance for uncollectibles. All allowances have been calculated based on historical collections. The allowance for property tax and per capita tax, presented in the General Fund, was approximately \$2.5 million at December 31, 2014. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$287,000 at December 31, 2014. The allowance for accounts receivable (water and sewer charges), presented in General Fund, was approximately \$1.6 million at December 31, 2014. The allowance for accounts receivable, presented in the Solid Waste Fund, was approximately \$1.2 million at December 31, 2014.

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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, 2014 are immaterial.

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

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

Capital Assets

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

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

Collections of art, historical artifacts, and similar items have been capitalized.

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

	<u>Years</u>
Buildings and improvements	35-80
Machinery and equipment	5-25
Vehicles	2-10
Infrastructure	10-99

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

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

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

Property Held for Development

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

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 had encumbrances of \$1,632,403 relating 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 had encumbrances of \$148,518 related to operating supplies and equipment.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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, Council has provided that the Finance Director serves as the designee for assignments.
- Unassigned – This category represents all other funds not otherwise defined.

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 balance in the governmental 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 the 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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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. Restricted net position is restricted by laws or regulations of outside parties. Unrestricted 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.

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 accounts payable and other current liabilities 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 outstanding.

Deferred Charge on Refunding

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Conduit Debt and Related Receivable

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

The loan is secured by a second lien mortgage on the property and the corporate and personal guarantees of the developer and the assignment of leases and rents. In November 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, 2014 is \$2.72 million.

Property Taxes

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

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

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

The 2014 tax levy was 18.46 mills.

Interfund Transactions

As a result of its operations, the City affects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2014, appropriate interfund receivables or payables have been established.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Intergovernmental Revenues

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

Self-Insurance

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2014, the City carried excess loss insurance policies, which limited its liability to \$500,000 per occurrence for workers' compensation, \$100,000 per occurrence for property and flood loss, and \$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 \$2,028,091 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, and the following non-major funds: Liquid Fuels Fund, Community Development Block Grant Fund, Trexler Fund, E-911 Fund, and Debt Service Fund.

The City Administration, 60 days prior to the beginning of the new fiscal year, presents the proposed budgets to City Council. A series of public hearings and discussions occur related to the budgets and on or before December 15, City Council approves the budgets. At the time

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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.

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.

Special Item

A special item is a transaction or other event, within the control of management, which is either unusual in nature or infrequent in occurrence.

Adoption of Governmental Accounting Standards Board (GASB) Statement

The City has adopted GASB Statement No. 67, *"Financial Reporting for Pension Plans."* This Statement enhances note disclosures and required supplementary information (RSI) for the City's Police, Firemen, Officers and Employees pension plans.

Pending Changes in Accounting Principles

In June of 2012, the GASB issued Statement No. 68, *"Accounting and Financial Reporting for Pensions."* In addition, in November of 2013, the GASB issued Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date."* These Statements revise and establish reporting requirements for most governments that provide their employees with pension benefits. The provisions of GASB Statements No. 68 and 71 are effective for the City's December 31, 2015 financial statements.

In February of 2015, the GASB issued Statement No. 72, *"Fair Value Measurement and Application."* This Statement addresses accounting and financial reporting issues related to

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

fair value measurements. The provisions of GASB Statement No. 72 are effective for the City's December 31, 2016 financial statements.

The effect of these Statements has not yet been determined.

2. UTILITY SYSTEM CONCESSION LEASE

On May 1, 2013, the City entered into an Agreement with the 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 \$213,911,105 on the governmental activities statement of net position, is being amortized over the lease term as follows:

<u>Year Ending</u>	<u>Total</u>
2015	\$ 3,923,413
2016	4,423,413
2017	4,423,413
2018	4,423,413
2019	4,423,413
Thereafter	<u>192,294,040</u>
Total	<u>\$ 213,911,105</u>

For the year ended December 31, 2014, the City recognized \$3,923,413 in charges for services – water and sewer related to the lease.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

3. DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2014 consist of the following:

Petty cash	\$ 6,500
Deposits	47,285,756
Investments	<u>271,770,814</u>
	<u>\$ 319,063,070</u>

Reconciliation to Statement of Net Position

Cash and cash equivalents:	\$ 40,762,804
Governmental activities	
Business-type activities	5,320,735
Fiduciary funds	<u>1,208,717</u>
	<u>47,292,256</u>
Investments:	
Governmental activities	4,058,825
Fiduciary funds	<u>267,711,989</u>
	<u>271,770,814</u>
	<u>\$ 319,063,070</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, 2014, the City's book balance was \$47,292,256 and the bank balance was \$49,022,241. Of the bank balance, \$500,000 was covered by federal depository insurance, \$135,549 was covered by National Credit Union Administration deposit insurance, and \$48,386,692 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

Investments

As of December 31, 2014, the City's investments were comprised of the following:

Money market funds	\$ 52,762,527
Equity mutual funds	133,765,658
Bond mutual funds	22,210,377
Corporate bonds	9,509,591
U.S. government obligations	35,653,320
U.S. government agency obligations	17,869,341
Total	<u>\$ 271,770,814</u>

As of December 31, 2014, the City had the following investments in fixed income securities and money market funds:

Investment Type	Fair Value	Investment Maturities			Rating
		2015	2016-2020	2021-2025	
Bond mutual funds	\$ 22,210,377	\$ -	\$ -	\$ 22,210,377	Aaa
Corporate bonds	640,979	640,979	-	-	AA+
Corporate bonds	4,402,461	3,126,119	1,276,342	-	AA
Corporate bonds	3,194,169	3,194,169	-	-	A+
Corporate bonds	1,271,982	1,271,982	-	-	A
U.S. government obligations	35,653,320	35,001,234	652,086	-	AA+
U.S. government agency obligations	17,869,341	17,869,341	-	-	AA+
Money market funds	48,703,702	48,703,702	-	-	AAAm
Money market funds	4,058,825	4,058,825	-	-	A-1+
Total fixed income securities	<u>\$ 138,005,156</u>	<u>\$ 113,866,351</u>	<u>\$ 1,928,428</u>	<u>\$ 22,210,377</u>	

Interest Rate Risk

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Credit Risk

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

The City's pension plans have a formal investment policy that seeks to minimize the risk of investment losses by requiring diversification of the investment portfolio targeted at 52% domestic equities, 18% international equities, 28% fixed income, and 2% cash for the Police and Firemen pension plans and 51% domestic equities, 17% international equities, 30% fixed income, and 2% cash for the Officers and Employees pension plan.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in equity 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.

Component Units' Custodial Credit Risk - Deposits

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.

The Authority's available cash is invested in demand deposit accounts. At December 31, 2014, the carrying amount of the Authority's bank deposits was \$744,786. The corresponding bank balance at December 31, 2014 was \$769,101, of which \$331,565 is covered by federal deposit insurance. The remaining \$437,536 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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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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, 2014, \$361,182 of the Parking Authority's bank balance of \$1,596,182 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.

External investment pool – Pennsylvania School District Liquid Asset Fund (PSDLAF)

The Parking Authority invests in the PSDLAF, a customized cash management program created in 1982 by the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials to provide a unique set of benefits and enhancements for investing public funds. The general objective of the PSDLAF is to provide its investors current income while preserving capital in a manner compatible with the needs 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), which oversees, reviews, and supervises the activities of all consultants and professional advisers to PSDLAF. The Trustees also retain an Executive Director of the Fund who acts as a consultant to PSDLAF and performs such consulting and advisory services with respect to matters concerning the operations and activities of PSDLAF as may from time to time be reasonably requested by the Trustees. An independent investment company has been appointed by the Trustees to act as PSDLAF's investment adviser. The fair value of the Parking Authority's position in PSDLAF is the same as the value of the pool shares and matures in less than one year. The

CITY OF ALLENTOWN, PENNSYLVANIA

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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 93 days.

As of December 31, 2014, the carrying amounts of external investment pool assets were \$11,221. The fair value of external investment pool assets approximate their carrying values as of December 31, 2014. As required by GASB, investments in external investment pools are uncategorized with regard to risk and are not included in the custodial credit risk presented above.

4. LOANS RECEIVABLE

Authority

Loans receivable as of December 31, 2014 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 and had recorded an allowance of 100% of the loan at December 31, 2013. 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, 2014, the Authority reinstated the loan receivable at the revised principal amount and removed the allowance.

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 for each property until sold. As of December 31, 2014, the remaining balance is \$3,484.

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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 if 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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

5. CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2014 is as follows:

	January 1, 2014	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2014
Government activities:				
Capital assets not being depreciated:				
Land	\$ 8,409,945	\$ 1,400,000	\$ -	\$ 9,809,945
Art	95,166	-	-	95,166
Assets under concession lease	67,831,222	-	-	67,831,222
Construction in progress	45,414,274	19,969,066	(4,144,616)	61,238,724
Total capital assets not being depreciated	121,750,607	21,369,066	(4,144,616)	138,975,057
Capital assets being depreciated:				
Buildings	24,063,227	-	-	24,063,227
Land and building improvements	29,301,841	4,279,341	-	33,581,182
Machinery and equipment	29,669,740	1,181,057	(33,825)	30,816,972
Vehicles	16,884,839	1,971,859	(169,419)	18,687,279
Infrastructure	66,195,554	194,332	-	66,389,886
Total capital assets being depreciated	166,115,201	7,626,589	(203,244)	173,538,546
Less accumulated depreciation for:				
Buildings	18,397,552	508,398	-	18,905,950
Land and building improvements	14,144,915	1,254,507	-	15,399,422
Machinery and equipment	17,525,032	1,521,816	(33,825)	19,013,023
Vehicles	13,418,326	1,278,352	(169,419)	14,527,259
Infrastructure	32,307,494	2,258,382	-	34,565,876
Total accumulated depreciation	95,793,319	6,821,455	(203,244)	102,411,530
Total capital assets being depreciated, net	70,321,882	805,134	-	71,127,016
Governmental activities capital assets, net	\$ 192,072,489	\$ 22,174,200	\$ (4,144,616)	\$ 210,102,073

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 arrangement 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

YEAR ENDED DECEMBER 31, 2014

	January 1, 2014	Additions	Disposals	December 31, 2014
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	-	-	1,244,541
Land and building improvements	4,750,310	-	-	4,750,310
Machinery and equipment	3,589,598	710,367	-	4,299,965
Vehicles	3,968,098	50,310	(9,277)	4,009,131
Distribution and collection systems	37,465	-	-	37,465
Total capital assets being depreciated	13,590,012	760,677	(9,277)	14,341,412
Less accumulated depreciation for:				
Buildings	489,668	31,521	-	521,189
Land and building improvements	2,979,513	176,596	-	3,156,109
Machinery and equipment	2,331,536	344,463	-	2,675,999
Vehicles	2,952,969	211,866	(9,277)	3,155,558
Distribution and collection systems	7,758	379	-	8,137
Total accumulated depreciation	8,761,444	764,825	(9,277)	9,516,992
Total capital assets being depreciated, net	4,828,568	(4,148)	-	4,824,420
Business-type activities capital assets, net	\$ 5,963,327	\$ (4,148)	\$ -	\$ 5,959,179

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,000,220
Public safety	1,220,983
Community development	213,713
Public works	3,820,037
Parks and recreation	566,502
Total	<u>\$ 6,821,455</u>

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

Solid Waste Fund	\$ 565,093
Municipal Golf Course	199,732
Total	<u>\$ 764,825</u>

CITY OF ALLENTOWN, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2014

Component Units' Capital Assets

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2014 is as follows:

	January 1, 2014	Additions	Disposals	December 31, 2014
Parking Authority:				
Capital assets not being depreciated:				
Land	\$ 8,495,248	\$ 10	\$ -	\$ 8,495,258
Construction in progress	38,438	5,607,263	-	5,645,701
Total capital assets not being depreciated	8,533,686	5,607,273	-	14,140,959
Capital assets being depreciated:				
Land and building improvements	44,423,531	304,923	-	44,728,454
Vehicles	1,553,886	296,659	-	1,850,545
Equipment under capital lease	683,792	-	-	683,792
Total capital assets being depreciated	46,661,209	601,582	-	47,262,791
Less accumulated depreciation for:				
Land and building improvements	13,510,333	1,308,102	-	14,818,435
Vehicles	1,488,907	47,514	-	1,536,421
Equipment under capital lease	74,276	47,560	-	121,836
Total accumulated depreciation	15,073,516	1,403,176	-	16,476,692
Total capital assets being depreciated, net	31,587,693	(801,594)	-	30,786,099
Parking Authority capital assets, net	\$ 40,121,379	\$ 4,805,679	\$ -	\$ 44,927,058

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

6. INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	Trexler	Short-term loan/negative cash	\$ 81,916
	E-911	Short-term loan/negative cash	472,573
	Revolving	Payback funds to Commonwealth	1,320
	Golf	Cash advance for A/P	165,077
	Capital Projects	Bond proceeds - Sewer	3,873,994
	CDBG	Cash advance for A/P	446,057
			<u>5,040,937</u>
Capital Projects	General	Bond proceeds - Water	2,252,945
	E-911	Capital project expenditures	678,574
			<u>2,931,519</u>
Solid Waste	Capital Projects	Short-term loan/negative cash	<u>3,251,576</u>
Pension - Police	General	Payroll withholdings	<u>30,665</u>
Pension - Fire	General	Payroll withholdings	<u>18,663</u>
Pension - O&E	General	Payroll withholdings	<u>138</u>
			<u>\$ 11,273,498</u>

CITY OF ALLENTOWN, PENNSYLVANIA

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7. INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014 consisted of the following:

	Transfers in:				Total
	General Fund	Capital Projects	E-911 Fund	Debt Service Fund	
Transfers out:					
General	\$ -	\$ 5,000,000	\$ 855,064	\$ 12,534,936	\$ 18,390,000
Trexler	22,973	170,200	-	-	193,173
E-911	6,054	-	-	-	6,054
Solid Waste	695,247	-	-	-	695,247
Golf	228,197	-	-	106,480	334,677
Risk	61,646	-	-	-	61,646
	<u>\$ 1,014,117</u>	<u>\$ 5,170,200</u>	<u>\$ 855,064</u>	<u>\$ 12,641,416</u>	<u>\$ 19,680,797</u>

Transfers totaling \$1,014,117 were made to the General Fund for reimbursement of services rendered by the General Fund for other operating funds.

A transfer totaling \$170,200 was made to the Capital Projects fund for the enhancement of the park system.

A transfer totaling \$5,000,000 was made from the General Fund to Capital Projects for future capital projects. A transfer from the General Fund to the E-911 Fund was made to cover ineligible expenses as required by the Pennsylvania Public Safety Emergency Telephone Act. Transfers from the General Fund and the Golf Fund were made to the Debt Service Fund to cover the debt requirement.

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.

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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 Firemen's Plan is governed by the Mayor, Finance Director, Controller, the Chief of the Bureau of Fire, and two 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 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

CITY OF ALLENTOWN, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2014

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.

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 $1/40^{\text{th}}$ 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, 20% 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 officers a service increment benefit of $1/40^{\text{th}}$ 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,

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NOTES TO FINANCIAL STATEMENTS

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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.

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 Plan. All investments of the Plans are reported at fair value as of the measurement date.

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:

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	Officers and Employees Pension Fund	Police Pension Fund	Firemen Pension Fund	Total Pension Trust Fund
Statement of Plan Net Position				
Assets:				
Interest receivable	\$ 19,641	\$ 54,615	\$ 61,085	\$ 135,341
Due from City's General Fund	138	30,665	18,663	49,466
Other receivables	-	977	-	977
Investments, at fair value	16,901,364	148,289,727	102,520,898	267,711,989
Total assets	16,921,143	148,375,984	102,600,646	267,897,773
Liabilities:				
Accounts payable	10,050	19,684	13,903	43,637
Total liabilities	10,050	19,684	13,903	43,637
Net Position:				
Restricted for pension benefits	\$ 16,911,093	\$ 148,356,300	\$ 102,586,743	\$ 267,854,136
Statement of Changes in Plan Net Position				
Additions:				
Contributions:				
Employer	\$ 103,519	\$ 2,507,471	\$ 1,355,613	\$ 3,966,603
Plan members	3,573	825,381	450,825	1,279,779
Total contributions	107,092	3,332,852	1,806,438	5,246,382
Investment income:				
Net appreciation in fair value of investments	703,235	3,892,961	2,575,604	7,171,800
Interest and dividends	324,644	2,638,766	1,703,981	4,667,391
Less investment expenses	(87,717)	(112,575)	(105,927)	(306,219)
Net investment income	940,162	6,419,152	4,173,658	11,532,972
Total additions	1,047,254	9,752,004	5,980,096	16,779,354
Deductions:				
Benefits paid to recipients	2,371,674	10,194,574	8,075,886	20,642,134
Administrative and other fees	10,682	10,682	10,682	32,046
Total deductions	2,382,356	10,205,256	8,086,568	20,674,180
Change in net position	(1,335,102)	(453,252)	(2,106,472)	(3,894,826)
Net position restricted for pension benefits:				
Beginning of year	18,246,195	148,809,552	104,693,215	271,748,962
End of year	\$ 16,911,093	\$ 148,356,300	\$ 102,586,743	\$ 267,854,136

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Plan Membership

At December 31, 2014, Plan memberships consisted of the following:

	Police	Firemen	Officers and Employees	PMRS
	All full-time members of the Police Force	All full-time members of the Fire Department	Closed 6/8/1976	All full-time employees not previously covered
Covered Employees				
Active plan members	208	122	1	421
Inactive plan members entitled to but not yet receiving benefits	-	-	-	15
Inactive plan members or beneficiaries currently receiving benefits	278	216	157	386

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 2010 through 2014. 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 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, 2014, the City contributed \$2,507,471 to the Police Pension Plan, of which \$2,089,848 were Act 205 funds, \$1,355,613 to the Firemen Pension Plan, of which \$1,127,282 were Act 205 funds, and \$103,519 to the Officers and Employees Plan, of which \$88,781 were Act 205 funds. During the year ended December 31, 2014, active members contributed \$825,381 to the Police

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Pension Plan, \$450,825 to the Firemen Pension Plan, and \$3,573 to the Officers and Employees Pension 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.

Net Pension Liability

The components of the net pension liability of the Plans at December 31, 2014 were as follows:

	<u>Police</u>	<u>Firemen</u>	<u>Officers and Employees</u>
Total pension liability	\$ 165,542,653	\$ 115,474,443	\$ 17,290,169
Plan fiduciary net position	<u>(148,356,300)</u>	<u>(102,586,743)</u>	<u>(16,911,093)</u>
Net pension liability	<u>\$ 17,186,353</u>	<u>\$ 12,887,700</u>	<u>\$ 379,076</u>
Plan fiduciary net position as a percentage of the total pension liability	89.62%	88.84%	97.81%

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Actuarial Assumptions – The net pension liability was determined as part of the January 1, 2014 actuarial valuation and rolled forward to the reporting date of December 31, 2014. This report was based on the following significant actuarial assumptions:

	Police	Firemen	Officers and Employees
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Actuarial assumptions:			
Investment rate of return	7.75%, net of investment expenses	7.75%, net of investment expenses	6.75%, 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

Investment Policy - The Plans' policies in regard to the allocation of invested assets are established and may be amended by the respective Boards. The Boards seek to optimize the total return of the 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 Plans during the year ended December 31, 2014.

Long-Term Expected Rate of Return - The long-term expected rate of return on the Plans' 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.

In order to meet its needs, the investment strategy of the 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

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return for each major asset class for the Plans as of December 31, 2014 are summarized from the following table:

Asset Class	Target Allocation			Long-Term Expected Rate of Return
	Police	Firemen	Officers and Employees	
Domestic equity	52.0%	52.0%	51.0%	6.8%
International equity	18.0%	18.0%	17.0%	8.3%
Fixed income	28.0%	28.0%	30.0%	0.7%
Cash	2.0%	2.0%	2.0%	0.0%
	100.0%	100.0%	100.0%	

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, 2014, the annual money-weighted rate of return on Plan investments, net of investment expense, was 4.51% for the Police Plan, 4.23% for the Firemen Plan, and 5.99% for the Officers and Employees Plan.

Concentrations - At December 31, 2014, none of the Plans had investments in any one organization which represented five percent or more of each pension plan's respective fiduciary net position.

Discount Rate - The discount rate used to measure the total pension liabilities as of December 31, 2014 was 7.75% for both the Police and Firemen Pension Plans and 6.75% for the Officers and Employees Pension Plan. The discount rate for both the Police and Firemen Pension Plans decreased from 8.00% at December 31, 2013 to 7.75% at December 31, 2014 in order to reduce the Plans' exposure to investment risk. The discount rate for the Officers and Employees Pension Plan decreased from 8.00% at December 31, 2013 to 6.75% at December 31, 2014 in order to reduce the Plan's exposure to investment risk, and to reflect the demographics of the Plan. The Plans' fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability Changes in the Discount Rate - The following presents the net pension liability the Plans, calculated using the discount rates described above, as well as what the Plan's net pension liabilities would be if they were calculated

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using a discount rate that is one-percentage-point lower or higher than the current rates:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Police	\$ 38,921,016	\$ 17,186,353	\$ (698,851)
Firemen	\$ 26,362,427	\$ 12,887,700	\$ 1,648,769

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Officers and Employees	\$ 1,432,549	\$ 379,076	\$ (561,615)

Additional Employer Disclosures Required by GASB Statements No. 27 and 50

The information below is with regard to employer pension activity for the year ended December 31, 2014. Costs and contributions were based upon actuarial valuation performed January 1, 2014, as required by Act 205.

The plan assumptions under Act 205 are as follows:

	Police	Firemen	Officers and Employees
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed period	Level dollar, closed period	Level dollar, closed period
Amortization period	14.1 years	14.2 years	10 years
Asset valuation method	*	*	*
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	6.75%
Projected salary increases	3.50%-4.50%	3.50%-4.50%	4.50%

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

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The City's net pension asset for the Plans as of December 31, 2014 is calculated as follows:

	Police	Firemen	Officers and Employees
Annual required contribution (MMO)	\$ 2,507,471	\$ 1,345,613	\$ 103,519
Interest on net pension asset	(6,674,558)	(4,814,625)	(297,649)
Adjustment to annual required contribution	7,990,066	5,763,553	382,374
Annual pension cost	3,822,979	2,294,541	188,244
Contributions made	2,507,471	1,355,613	103,519
Increase in net pension asset	1,315,508	938,928	84,725
Net pension asset, beginning of year	(86,123,334)	(62,124,192)	(4,409,622)
Net pension asset, end of year	\$ (84,807,826)	\$ (61,185,264)	\$ (4,324,897)

The City's annual pension cost, percentage of the annual pension costs contributed, and net pension asset for the past three years is as follows:

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
Police	12/31/12	\$ 7,334,618	112.5%	\$ 1,646,897
	12/31/13	2,300,337	3,772.4%	86,123,334
	12/31/14	3,822,979	65.6%	84,807,826
Firemen	12/31/12	4,075,923	112.5%	937,519
	12/31/13	1,521,736	4,120.8%	62,124,192
	12/31/14	2,294,541	59.1%	61,185,264
Officers and Employees	12/31/12	513,343	112.5%	111,213
	12/31/13	82,688	5,298.4%	4,409,622
	12/31/14	188,244	55.0%	4,324,897
Pennsylvania Municipal Retirement Plan	12/31/12	1,299,757	100.0%	-
	12/31/13	1,612,483	100.0%	-
	12/31/14	1,557,908	100.0%	-

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NOTES TO FINANCIAL STATEMENTS

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The funded status of the City's pension funds as of January 1, 2014, the most recent actuarial valuation date for the Officers and Employees, Police, and Firemen Plans and January 1, 2013, the most recent actuarial valuation date for the PMRS Plan, is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/(AAL) as a Percentage of Covered Payroll ((b-a)/c)
Police Pension Fund Plan	\$ 143,686,645	\$ 160,795,072	\$ 17,108,427	89.36%	\$ 15,293,935	111.86%
Firemen Pension Fund Plan	101,163,582	113,526,423	12,362,841	89.11%	8,117,293	152.30%
Officers and Employees Plan	16,988,923	18,484,397	1,495,474	91.91%	62,491	2393.10%
Pennsylvania Municipal Retirement System Plan	139,465,022	149,064,886	9,599,864	93.56%	27,286,203	35.18%

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

Discretely Presented Component Units' Pension Plan

Authority

The Authority has a defined contribution pension plan as established under Code Section 403(b) for all employees. The Authority matches 100% of employee contributions up to the first 7% of employee deferral contributions. The Authority's pension expense for the year ended December 31, 2014 was zero. During the year ended December 31, 2014, the Authority terminated the defined contribution pension plan.

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Parking Authority

Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan

The Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan is designed to provide retirement benefit to the Parking Authority's eligible union employees. The plan covers all eligible employees over the age of 19 with one year of service with the Parking Authority. Employer contributions to the plan are established by the Union's collective bargaining agreement. Employer contributions were fixed at 5% by the collective bargaining agreement for the year ended December 31, 2014. Participant contributions are on a voluntary basis up to 10% of compensation. The plan's provisions may be amended by resolution of the Parking Authority's Board of Directors, subject to 90 days' written notice to the plan's Trustee. No modification that affects the rights, duties, and responsibilities of the Trustee may be made without the Trustee's consent.

Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan

The Parking Authority's Salaried Employees' Defined Contribution Retirement Plan provides retirement benefits to the Authority's eligible salaried employees. This plan covers all salaried employees effective from their date of hire or plan effective date. The Authority contributes on behalf of each salaried employee an amount of 2.0% match for every 1.0% employee contribution. The employer's matching contribution is limited to 10% of earnings and may change from year-to-year. Salaried employees are 100% vested in the plan at time of enrollment. All salaried employee participants contribute a minimum of 5.0% of salary and received the maximum employer match of 10.0%.

Allentown Parking Authority Salaried Employees Defined Benefit Pension Plan

The Parking Authority has established the Salaried Employees Defined Benefit Pension Plan (DB Plan), a single employer plan, to provide normal retirement, postponed, disability, vested, and death benefits to plan members and beneficiaries of the Parking Authority's eligible salaried employees. The DB Plan and benefit accruals have been frozen as of December 31, 2010.

Funding Policy

The contribution requirements of the plan members and the Parking Authority and the DB Plan's benefit provisions are established by Pennsylvania Act 205 and the plan document and may be amended only by the Parking Authority Board. Plan members were required to contribute 5% of their compensation as a condition of membership; however, this condition

CITY OF ALLENTOWN, PENNSYLVANIA

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has been waived as of December 31, 2010. The Parking Authority is required to contribute annually the minimum municipal obligation under PA Act 205.

Annual Pension Cost and Net Pension Asset

The annual required contribution was determined as part of an actuarial valuation dated January 1, 2013 using the entry age normal cost valuation method. The Parking Authority's annual pension cost and net pension asset to the plan for the plan year ended December 31, 2014 were as follows:

Annual required contribution	\$ -
Interest on net pension asset	(10,554)
Adjustment to annual required contribution	<u>17,894</u>
Annual pension cost	7,340
Contributions made	<u>-</u>
Decrease in net pension asset	7,340
Net pension asset, beginning of year	<u>(140,718)</u>
Net pension asset, end of year	<u><u>\$ (133,378)</u></u>

The net pension asset is included in the Parking Authority's prepaid expenses on the statement of net position.

The actuarial assumptions of the Plan include the following:

- (a) Investment return - 7.5%
- (b) Post-retirement costs were estimated using the RP-2000 Mortality Table. (Changed from the 1983 Group Mortality Table during 2012)
- (c) No salary increase is assumed.
- (d) No post-retirement benefit increases are assumed.
- (e) Retirement is assumed at normal retirement age of 55 or age on valuation date if greater.
- (f) Post-retirement benefits assume an annuity 10 year certain and life
- (g) An adjustment for inflation is included in the investment return.

Asset Valuation

Plan assets are valued using a five-year smoothing method described in the Internal Revenue Procedure 2000-40, Approval 16.

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Trend Information

Trend information for the DB Plan is as follows:

Three-Year Trend Information			
	Annual Pension	Percentage	Net
Fiscal Year	Cost (APC)	of APC Contributed	Pension Asset
12/31/2012	\$ 8,170	0%	\$ 148,461
12/31/2013	7,743	0%	140,718
12/31/2014	7,340	0%	133,378

The funded status of the Parking Authority's pension plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ 2,936,804	\$ 2,924,774	\$ (12,030)	100.41%	N/A	N/A

The Parking Authority's pension expense amounted to \$119,025 for the year ended December 31, 2014.

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

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YEAR ENDED DECEMBER 31, 2014

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, 2014 was as follows:

	Notes and Bonds	Balance Outstanding January 1, 2014	Additions	Reductions	Balance Outstanding December 31, 2014	Current Portion
2003	General Obligation Bond, original amount of \$17,495,000, 4.00% to 5.50% interest, partially refunded in 2012 with Series 2012 General Obligation Bonds, remaining balance serial portion payable in increasing annual installments of \$190,000 in 2015 to \$240,000 in 2019	\$ 1,070,000	\$ -	\$ -	\$ 1,070,000	\$ 190,000
2004	Federally Taxable General Obligation Refunding Pension Bond, original amount of \$36,865,000, 3.18% to 5.31% interest, serial portion payable in increasing annual installments of \$730,000 in 2015 to \$1,870,000 in 2034	29,445,000	-	5,315,000	24,130,000	730,000
2004	Federally Taxable General Obligation Refunding Bond, original amount of \$21,935,000 3.18% to 4.44% interest, final principal payment made in 2014	695,000	-	695,000	-	-
2004	Tax-Exempt General Obligation Bond, original amount of \$6,900,000, 3.00% to 5.00% interest, serial portion payable in increasing annual installments of \$335,000 in 2015 to \$490,000 in 2024	4,415,000	-	320,000	4,095,000	335,000
2006	Note, original amount of \$2,053,400, 3.85% interest, final principal payment made in 2014	286,400	-	286,400	-	-

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Notes and Bonds				Balance Outstanding January 1, 2014	Additions	Reductions	Balance Outstanding December 31, 2014	Current Portion
2006	Guaranteed	Lease	Revenue					
	Note,	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 \$484,040					
	in 2015	to \$917,578	in 2031	9,064,618	-	164,300	8,900,318	484,040
2007	Taxable	General	Obligation					
	Note,	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		22,071,954	1,593,650	-	23,665,604	-
2007	Taxable	General	Obligation					
	Note,	original	amount of					
	\$7,990,000,	5.62% to	5.87%					
	interest,	payable in	varying annual					
	installments	of \$630,000	in 2015 to					
	\$45,000	in 2021		7,815,000	-	40,000	7,775,000	630,000
2008	Taxable	General	Obligation					
	Bond,	original	amount of					
	\$6,665,000,	3.00% to	3.70%					
	interest,	payable in	varying annual					
	installments	of \$560,000	in 2015					
	to \$315,000	in 2018		2,290,000	-	540,000	1,750,000	560,000
2009	Tax-Exempt	General						
	Obligation	Bond,	original amount of					
	\$5,310,000,	4.13% interest,	serial					
	portion	payable in	increasing					
	annual	installments	of \$321,000					
	in 2015	to \$465,000	in 2024	4,199,000	-	308,000	3,891,000	321,000
2011	Tax-Exempt	General						
	Obligation	Bond,	original amount					
	of \$6,350,000,	2.00% to	5.50%					
	interest,	payable in	varying annual					
	installments	of \$95,000	in 2015					
	to \$540,000	in 2036		6,170,000	-	95,000	6,075,000	95,000

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YEAR ENDED DECEMBER 31, 2014

Notes and Bonds	Balance Outstanding January 1, 2014	Additions	Reductions	Balance Outstanding December 31, 2014	Current Portion
2011 Series A Tax-Exempt General Obligation Bond, original amount of \$7,340,000, 2.00% to 4.75% interest, payable in varying annual installments of \$575,000 in 2015 to \$255,000 in 2036	6,230,000	-	575,000	5,655,000	575,000
2012 General Obligation Bond, original amount of \$5,910,000, 0.50% to 3.00% payable in varying annual installment of \$635,000 in 2015 to \$740,000 in 2022	5,585,000	-	130,000	5,455,000	635,000
2006 Water Note, 3.85% interest, final payment in 2014	429,600	-	429,600	-	-
Total Governmental Activities Notes and Bonds	99,766,572	1,593,650	8,898,300	92,461,922	4,555,040
Premium on bond issuance	495,996	-	34,650	461,346	-
Total	<u>\$ 100,262,568</u>	<u>\$ 1,593,650</u>	<u>\$ 8,932,950</u>	<u>\$ 92,923,268</u>	<u>\$ 4,555,040</u>

Debt service requirements to maturity, including interest of \$76,064,443 are as follows:

Year Ending	Governmental Activities
2015	\$ 7,861,686
2016	7,844,853
2017	7,821,912
2018	7,813,379
2019	7,807,298
2020-2024	38,955,179
2025-2029	37,325,652
2030-2034	37,337,818
2035-2036	15,758,588
Total	<u>\$ 168,526,365</u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Defeasance of Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

At December 31, 2014, \$14,280,000 of general obligation bonds, \$2,265,000 of water revenue bonds, and \$3,795,000 of sewer revenue bonds outstanding are considered defeased.

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

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Current Portion
Compensated absences:					
Governmental activities	\$ 3,543,965	\$ 3,629,225	\$ 3,313,725	\$ 3,859,465	\$ 3,523,970
Business-type activities	159,013	125,520	136,076	148,457	146,641
Total accrued compensated absences	<u>\$ 3,702,978</u>	<u>\$ 3,754,745</u>	<u>\$ 3,449,801</u>	<u>\$ 4,007,922</u>	<u>\$ 3,670,611</u>
Capital leases:					
Governmental activities	\$ 853,070	\$ 1,773,621	\$ 771,660	\$ 1,855,031	\$ 427,823
Business-type activities	411,604	403,489	123,206	691,887	201,251
Total capital leases	<u>\$ 1,264,674</u>	<u>\$ 2,177,110</u>	<u>\$ 894,866</u>	<u>\$ 2,546,918</u>	<u>\$ 629,074</u>

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

The capital assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Machinery, equipment, and vehicles	\$ 3,524,034	\$ 1,209,419
Less accumulated depreciation	<u>1,090,918</u>	<u>484,926</u>
	<u>\$ 2,433,116</u>	<u>\$ 724,493</u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Debt service requirements for capital lease obligations are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2015	\$ 461,632	\$ 219,925	\$ 681,557
2016	461,632	219,925	681,557
2017	461,632	123,227	584,859
2018	291,760	88,683	380,443
2019	291,760	88,683	380,443
	<u>1,968,416</u>	<u>740,443</u>	<u>2,708,859</u>
Less interest	<u>113,385</u>	<u>48,556</u>	<u>161,941</u>
Total	<u>\$ 1,855,031</u>	<u>\$ 691,887</u>	<u>\$ 2,546,918</u>

Discretely Presented Component Units' Long-Term Debt

Authority

At December 31, 2014, notes payable consist of the following:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>	<u>Current Portion</u>
A non-interest bearing deferred payment loan with the City of Allentown for the rehabilitation of a property, due upon the sale or transfer of an interest in or the entire property.	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>

The note was forgiven by the City in January 2015.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Parking Authority

Long-term debt activity of the Parking Authority for the year ended December 31, 2014 consisted of the following:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Current Portion
2003 Guaranteed Parking Revenue Bonds, advance refunded in 2014 with the Taxable Parking Revenue Bonds, Series B of 2014	\$ 1,030,000	\$ -	\$ 1,030,000	\$ -	\$ -
2005 Guaranteed Parking Revenue Bonds, advance refunded in 2014 with the Taxable Parking Revenue Bonds, Series A of 2014	10,300,000	-	10,300,000	-	-
2007 Parking Revenue Bond, advance refunded in 2014 with the Taxable Parking Revenue Bonds, Series A of 2014	3,175,000	-	3,175,000	-	-
2011 Parking Revenue Bond, refunded in 2014 with the Taxable Parking Revenue Bonds, Series A of 2014	727,500	-	727,500	-	-
2014 Parking Revenue Bond, refinanced with 2014 Parking Revenue Bond, Series A of 2014	-	3,500,000	3,500,000	-	-
2014 Parking Revenue Note, interest is payable monthly at the 30 day London Interbank Offering Rate (LIBOR) plus 1.70%, (1.86% at December 31, 2014), \$1,500,000 due in 2017	-	1,500,000	-	1,500,000	-
2014 Parking Revenue Bond, Series A, 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 B, 4.35% interest, \$400,000 payable in 2015 and \$345,000 payable in 2016	-	1,300,000	555,000	745,000	400,000
	15,232,500	23,185,000	19,287,500	19,130,000	\$ 400,000
Capital lease	540,982	-	134,087	406,895	
	15,773,482	23,185,000	19,421,587	19,536,895	
Unearned revenue	9,266,642	-	229,008	9,037,634	
OPEB liability	86,163	-	414	85,749	
	\$ 25,126,287	\$ 23,185,000	\$ 19,651,009	\$ 28,660,278	

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

The Parking Authority has established a line of credit with a local bank in the amount of \$600,000. The purpose of the line of credit is to provide temporary funding for improvements to the Parking Authority's parking facilities. The interest rate on the line of credit is equal to the bank's floating taxable prime rate with a floor of 3.5%. As of December 31, 2014, the rate of this line is 3.5%.

Short-term debt activity for the year ended December 31, 2014 is as follows:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
Line of credit	\$ 340,853	\$ 276,000	\$ 340,853	\$ 276,000

Debt service requirements to maturity, including interest of \$10,582,855, are as follows for the Parking Authority:

<u>Year Ending</u>	<u>Total</u>
2015	\$ 1,263,186
2016	1,190,786
2017	2,295,790
2018	664,313
2019	658,515
2020-2024	3,801,345
2025-2029	10,933,585
2030-2034	9,312,230
Total	<u>\$ 30,119,750</u>

The advance refunding of the Guaranteed Parking Revenue Bonds, Series 2003, Guaranteed Parking Revenue Bonds, Series 2005, the Parking Revenue Bonds, Series B of 2007, the Parking Revenue Bond, Series of 2011, and the Parking Revenue Bond, Series of 2014 was done in order to reduce debt payments in the short-term. The refunding increased the Authority's total debt service payments by approximately \$3.851 million over the next 24 years. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of approximately \$350,000. The remaining defeased bonds outstanding as of December 31, 2014 considered extinguished are the Guaranteed Parking Revenue Bonds, Series of 2005 in the amount of \$10,010,000.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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	\$ -	\$ 776,285	\$ -	\$ 776,285
Public works	-	-	1,273,125	1,273,125
Community development	133,200	-	6,271,394	6,404,594
Public safety	-	-	429,133	429,133
Pension benefits	635,897	-	-	635,897
	<u>769,097</u>	<u>776,285</u>	<u>7,973,652</u>	<u>9,519,034</u>
Assigned for:				
General government	1,306,380	-	-	1,306,380
Public works	63,611	-	-	63,611
Community development	81,685	-	-	81,685
Public safety	161,978	-	-	161,978
Parks and recreation	18,749	-	-	18,749
Pension benefits	13,901,624	-	-	13,901,624
	<u>15,534,027</u>	<u>-</u>	<u>-</u>	<u>15,534,027</u>
Unassigned	<u>17,715,206</u>	<u>-</u>	<u>(44,940)</u>	<u>17,670,266</u>
Total fund balance	<u>\$ 34,018,330</u>	<u>\$ 776,285</u>	<u>\$ 7,928,712</u>	<u>\$ 42,723,327</u>

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

	2014	2013
Accrued claims liability, January 1	\$ 785,314	\$ 812,104
Incurred claims, including estimated claims incurred by not reported as of December 31):		
Provision for current year events	2,919,643	1,451,900
Payments	(1,676,866)	(1,478,690)
Accrued claims liability, December 31	2,028,091	785,314
Current portion	1,100,792	785,314
Long-term portion	\$ 927,299	\$ -

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy and Annual OPEB Cost

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

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

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

Annual required contribution (ARC)	\$ 5,941,529
Interest on net OPEB obligation	388,525
Adjustment to ARC	<u>(427,538)</u>
Annual OPEB cost	5,902,516
Contributions made	<u>3,873,739</u>
Increase in net OPEB obligation	2,028,777
Net OPEB obligation, beginning of year	<u>9,713,116</u>
Net OPEB obligation, end of year	<u><u>\$ 11,741,893</u></u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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>
12/31/2012	\$ 4,511,041	64%	\$ 8,412,986
12/31/2013	5,248,883	75%	9,713,116
12/31/2014	5,902,516	66%	11,741,893

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, 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>
\$ -	\$ 78,153,672	0%	\$ 44,723,414	175%

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed period
Remaining amortization period	24 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.0% per annum
Projected salary increases	4.5% per year (with merit)
Healthcare inflation rate	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 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

YEAR ENDED DECEMBER 31, 2014

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, 2014, the date of the OPEB valuation, is 9 active employees and 3 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, 2014, 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)
1/1/2014	\$ 124,901	\$ 704,645	\$ 579,744	17.73%	\$ 485,094	119.51%

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

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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)	\$ 74,867
Interest on net OPEB obligation	4,739
Adjustment to ARC	<u>(6,551)</u>
Annual OPEB cost	73,055
Contributions made	<u>73,469</u>
Increase in net OPEB obligation	(414)
Net OPEB obligation, beginning of year	<u>86,163</u>
Net OPEB obligation, end of year	<u><u>\$ 85,749</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the year ending December 31, 2014 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 51,360	62%	\$ 50,495
12/31/2013	50,573	29%	86,163
12/31/2014	73,055	101%	85,749

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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 the calculations.

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

In the January 1, 2014 actuarial valuation, the liabilities were computed using the entry age normal cost method and level dollar amortization. The actuarial assumptions utilized a 5.5% discount rate and were based on partial funding of the liability. The valuation assumes a 9.5% healthcare cost trend increase for fiscal year 2014, decreasing by 0.5% per year to an ultimate level of 5%.

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, 2014 is as follows:

<u>Year Ending</u>	<u>Total</u>
2015	\$ 219,920
2016	219,920
2017	219,920
2018	219,920
2019	219,920
Thereafter	8,969,444
Total	<u><u>\$ 10,069,044</u></u>

14. SPECIAL ITEM

In May of 2014, the City paid \$561,289 to the Berkheimer Tax Administrator for the administration, collection, and distribution of earned income taxes for the years 2006 through 2008. This amount represents taxes collected by the City that were claimed to be due and owing to other municipalities. The amount of \$188,394 was paid from an agency fund, and the remaining amount of \$372,895 was paid from the General Fund.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

15. COMMITMENTS AND CONTINGENCIES

Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2014 of approximately \$13.8 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, 2014, 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 probably 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.

16. SUBSEQUENT EVENTS

In March 2015, the City issued General Obligation Bonds, Series A of 2015 in the amount of \$15,360,000 and Series B of 2015 in the amount of \$11,425,000. The proceeds of the bonds were used to refund the City's outstanding General Obligation Bonds Series of 2003, 2004, and 2011 and to finance various long-term capital projects, including energy service

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

company (ESCO), city-wide paving, large equipment, city-wide pools, and other projects. In addition, the City authorized a \$6,000,000 line of credit to finance various short-term capital projects, including information technology, police, and public works related items.

In April 2015, the City entered into a final settlement agreement with the Lehigh County Authority, Co-play Whitehall Sewer Authority, Salisbury Township, South Whitehall Township, South Whitehall Township Authority, and Lower Macungie Township (signatories) related to disputed sewer deposits. The terms of the agreement provide that the City will pay the signatories approximately \$1.03 million. At December 31, 2014, this amount has been accrued in the General Fund.

Parking Authority

Property Sales - On January 13, 2015, the Parking Authority sold a property located at 18-32 North 8th Street ("the Farr Lot") to a local developer. The Authority sold the property for \$1,400,000, of which \$900,000 was received in the form of a note from the buyer. The note has an interest rate of 3%. A principal payment of \$500,000 is due to be received on the note no later than July 31, 2018. The remaining principal due on the note is to be received no later than January 31, 2020. The Authority retains a security interest in all of the property of the borrower as security for the note.

On February 13, 2015, the Parking Authority sold the property located at 90 S. 9th Street to a local developer for \$100,000.

Debt Issuance - On February 19, 2015, the Parking Authority issued Tax Exempt Parking Revenue Bond, Series C of 2014 in the amount of \$12,410,000 and Taxable Parking Revenue Bond, Series D of 2014 in the amount of \$9,490,000. The bonds are issued to finance the construction of a new parking facility.

The Bond, Series C matures on November 15, 2039 with interest payable on May 15 and November 15 of each year at a rate of 3.9% until May 15, 2024 and thereafter at 90% of the Wall Street Journal Prime Rate (capped at 5.4%) until maturity. No principal payments are due on the Bond until November 15, 2024. Principal payments of \$50,000 are due semi-annually from November 15, 2024 through November 15, 2033. Principal payments ranging from \$620,000 to \$1,110,000 are due semi-annually from November 15, 2034 to the bond's maturity on November 15, 2039.

The Bond, Series D matures on November 15, 2024 with interest payable on May 15 and November 15 of each year at a rate of 4.35%. No principal payments are due on Bond until November 15, 2016 and annual principal payments range from \$590,000 to \$1,300,000 during the term of the loan until maturity.

Required Supplementary Information

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes:				
Real estate:				
Current	\$29,550,000	\$29,550,000	\$28,617,350	\$ (932,650)
Prior year	1,250,000	1,250,000	1,265,193	15,193
Lehigh County Tax Claims	500	500	441	(59)
Total real estate taxes	<u>30,800,500</u>	<u>30,800,500</u>	<u>29,882,984</u>	<u>(917,516)</u>
Act 511 taxes:				
Earned income	17,264,000	17,264,000	18,067,755	803,755
Residence per capita	197,000	197,000	145,202	(51,798)
Amusement devices	16,500	16,500	13,550	(2,950)
Deed transfer	900,000	900,000	1,062,140	162,140
Local services tax	1,905,000	1,905,000	1,876,242	(28,758)
Business privilege	7,000,000	7,000,000	6,739,109	(260,891)
Total Act 511 taxes	<u>27,282,500</u>	<u>27,282,500</u>	<u>27,903,998</u>	<u>621,498</u>
Total taxes	<u>58,083,000</u>	<u>58,083,000</u>	<u>57,786,982</u>	<u>(296,018)</u>
Licenses and permits:				
Business licenses	415,000	415,000	470,573	55,573
Billboard and sign permits/licenses	8,000	8,000	12,551	4,551
Building permits and licenses	665,000	665,000	1,089,984	424,984
Plumbing permits and licenses	166,000	166,000	141,596	(24,404)
Electrical permits and licenses	257,500	257,500	277,089	19,589
Sheet metal technician license	15,000	15,000	55,800	40,800
Liquor licenses	60,000	60,000	49,500	(10,500)
Health bureau permits and licenses	180,000	180,000	188,655	8,655
Rental inspection program	1,879,000	1,879,000	1,952,298	73,298
Presales inspection program	130,000	130,000	150,400	20,400
Zoning permits and fees	90,000	90,000	73,085	(16,915)
Fire department inspection fees	50,000	50,000	104,149	54,149
CATV franchise fees	1,200,000	1,200,000	1,386,620	186,620
Shade tree permits/fees	3,000	3,000	2,240	(760)
Other permits and licenses	200,000	200,000	354,889	154,889
Total licenses and permits	<u>5,318,500</u>	<u>5,318,500</u>	<u>6,309,429</u>	<u>990,929</u>
Fines and forfeits:				
District court	310,000	310,000	329,191	19,191
Parking Authority reimbursement	525,000	525,000	273,749	(251,251)
Fines and restitution	145,000	145,000	145,747	747
Total fines and forfeits	<u>980,000</u>	<u>980,000</u>	<u>748,687</u>	<u>(231,313)</u>

(Continued)

See accompanying notes to required supplementary information.

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2014
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues (Continued):				
Intergovernmental revenue:				
Health grants Acts 315 and 12	780,547	780,547	788,212	7,665
Health categorical grants	1,025,171	1,025,171	978,541	(46,630)
Police/fire training	270,000	309,000	277,969	(31,031)
State aid for pension	4,167,235	4,167,235	4,179,048	11,813
Police grants/reimbursements	1,841,596	1,926,745	2,147,160	220,415
CDBG receipts	-	-	21,342	21,342
Casino fee	3,902,000	3,902,000	3,672,957	(229,043)
Other grants/miscellaneous	4,475,330	8,672,852	6,320,538	(2,352,314)
Total intergovernmental revenue	16,461,879	20,783,550	18,385,767	(2,397,783)
Charges for services:				
Departmental earnings:				
Tax/municipal certifications	111,000	111,000	130,605	19,605
Police extra duty jobs	475,000	475,000	604,977	129,977
Health bureau services	127,100	127,100	140,678	13,578
Street excavation/restoration	25,000	25,000	107,233	82,233
Printing and copier fees	75,000	75,000	76,476	1,476
Other charges for service	52,000	52,000	68,066	16,066
Vehicle towing agreement	210,000	210,000	264,422	54,422
EMS transit fees	3,200,000	3,200,000	3,096,396	(103,604)
Warrants of survey	12,000	12,000	6,526	(5,474)
Special events	-	3,720	3,805	85
ADIDA	-	-	1,165	1,165
Total departmental earnings	4,287,100	4,290,820	4,500,349	209,529
Municipal recreation:				
Swimming pool fees	165,500	165,500	182,865	17,365
Recreation fees	66,750	66,750	86,957	20,207
Total municipal recreation	232,250	232,250	269,822	37,572
General Fund service charges:				
Other service charges	1,032,632	1,032,632	1,014,117	(18,515)
Total General Fund service charges	1,032,632	1,032,632	1,014,117	(18,515)
Total charges for services	5,551,982	5,555,702	5,784,288	228,586
Investment income	302,000	302,000	27,632	(274,368)

(Continued)

See accompanying notes to required supplementary information.

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2014

(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues (Continued):				
Other income:				
Rental of city property	100,000	100,000	88,506	(11,494)
Contributions	179,000	179,000	4,180	(174,820)
Damage to city property	20,000	20,000	34,107	14,107
Lights in parkway	175,000	175,000	176,750	1,750
Pennsylvania Utility Realty Tax	70,000	70,000	72,379	2,379
Allentown Housing Authority	45,000	45,000	103,405	58,405
Sale of city property	300,000	300,000	2,078	(297,922)
Recreation/special events	10,000	10,000	4,895	(5,105)
Miscellaneous	1,941,000	1,957,190	2,389,946	432,756
Total other income	2,840,000	2,856,190	2,876,246	20,056
Total revenues	89,537,361	93,878,942	91,919,031	(1,959,911)
Expenditures:				
General government:				
Nondepartmental:				
City Council	425,245	529,754	325,490	204,264
Office of the Mayor	3,398,612	3,452,312	3,409,170	43,142
City Controller	180,226	180,226	174,557	5,669
Law	620,726	620,725	605,660	15,065
General and civic	1,184,857	1,255,310	1,040,156	215,154
Total nondepartmental	5,809,666	6,038,327	5,555,033	483,294
Department of Finance	6,222,566	10,000,852	8,052,749	1,948,103
Total Department of Finance	6,222,566	10,000,852	8,052,749	1,948,103
Human Resources	711,574	727,712	722,192	5,520
Total Human Resources	711,574	727,712	722,192	5,520
Management Systems:				
Management Director and Information Services	-	89,944	76,058	13,886
Total Management Systems	-	89,944	76,058	13,886
Total general government	12,743,806	16,856,835	14,406,032	2,450,803

(Continued)

See accompanying notes to required supplementary information.

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2014
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued):				
Public safety:				
Department of Public Safety:				
Police	26,809,503	27,319,981	27,333,470	(13,489)
Fire	16,977,785	17,633,741	17,722,563	(88,822)
Communications	833,407	867,503	802,152	65,351
Total public safety	44,620,695	45,821,225	45,858,185	(36,960)
Public works:				
Department of Public Works:				
Director's office	406,088	426,642	392,523	34,119
Engineering	1,242,855	1,266,920	1,245,514	21,406
Building maintenance	2,114,922	1,935,347	1,895,912	39,435
Fleet maintenance operation	3,339,534	3,239,649	3,232,350	7,299
Streets	3,702,763	3,687,564	3,535,337	152,227
Traffic planning and control	797,005	870,954	845,927	25,027
Street lighting	653,663	660,077	649,607	10,470
Concession lease	-	426,046	-	426,046
Total public works	12,256,830	12,513,199	11,797,170	716,029
Health and sanitation:				
Department of Community Development:				
Health	3,067,936	3,087,820	2,917,437	170,383
Total health and sanitation	3,067,936	3,087,820	2,917,437	170,383
Parks and recreation:				
Department of Parks and Recreation:				
Park maintenance	2,963,124	3,070,327	2,933,216	137,111
Recreation	571,762	540,833	558,282	(17,449)
Swimming pool operation	368,670	385,648	366,173	19,475
Total parks and recreation	3,903,556	3,996,808	3,857,671	139,137
Community development and planning:				
Department of Community Development:				
Director's office	811,669	836,670	796,078	40,592
Planning and zoning	1,432,771	1,925,452	1,303,815	621,637
Building standards and safety	2,842,499	2,853,232	2,804,401	48,831
Total community development and planning	5,086,939	5,615,354	4,904,294	711,060
Capital outlays	1,266,577	1,266,577	1,266,577	-
Total capital outlays	1,266,577	1,266,577	1,266,577	-
Total expenditures	82,946,339	89,157,818	85,007,366	4,150,452

See accompanying notes to required supplementary information.

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2014

(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,591,022</u>	<u>4,721,124</u>	<u>6,911,665</u>	<u>2,190,541</u>
Other Financing Sources (Uses):				
Transfers in:				
Equipment Fund	1,266,577	1,266,577	1,266,577	-
Water and Sewer Funds:				
Homeland security	200,000	200,000	-	(200,000)
Transfers out:				
General Fund	(1,266,577)	(1,266,577)	(1,266,577)	-
Debt Service Fund	(25,256,991)	(25,256,991)	(11,781,414)	13,475,577
Capital Projects Fund	(5,000,000)	(5,000,000)	(5,000,000)	-
E-911 Fund	(625,000)	(625,000)	(855,064)	(230,064)
Total other financing sources (uses)	<u>(30,681,991)</u>	<u>(30,681,991)</u>	<u>(17,636,478)</u>	<u>13,045,513</u>
Net Change in Fund Balance	<u><u>\$(24,090,969)</u></u>	<u><u>\$ (25,960,867)</u></u>	<u>(10,724,813)</u>	<u><u>\$ 15,236,054</u></u>
Net effect of agency fund, other income, and expenditure accruals			<u>(1,661,507)</u>	
Net Change in Fund Balance			<u>(12,386,320)</u>	
Fund Balance:				
Beginning of year			<u>46,404,650</u>	
End of year			<u><u>\$ 34,018,330</u></u>	

(Concluded)

See accompanying notes to budgetary comparison schedule.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2014

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, Liquid Fuels Fund, Community Development Block Grant Fund, Trexler Fund, E-911 Fund, and Debt Service Fund.

The City Administration, 60 days prior to the beginning of the new fiscal year, presents the proposed budgets to City Council. A series of public hearings and discussions occur related to the budgets and on or before December 15, City Council approves the budgets. At the time of the budget adoptions, City Council adopts various ordinance related to tax rates and other rates and fees.

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

YEAR ENDED DECEMBER 31, 2014

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>Percentage Over Appropriation</u>
General Fund:			
Public Safety:			
Department of Public Safety:			
Police - permanent wages	\$ 13,936,230	\$ 14,233,398	2.13%
Fire - permanent wages	\$ 7,088,997	\$ 7,225,056	1.92%
Parks and Recreation:			
Department of Parks and Recreation:			
Recreation - permanent wages	\$ 74,358	\$ 105,887	42.40%
Capital Projects Fund:			
Capital outlay			
19th Street Streetscape - construction contracts	\$ 1,348,414	\$ 1,476,684	9.5%
Debt Service Fund:			
Debt service - principal	\$ 3,578,794	\$ 8,898,300	148.64%

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

YEAR ENDED DECEMBER 31, 2014

Total Pension Liability:	
Service cost	\$ 2,661,908
Interest	12,280,247
Benefit payments, including refunds of member contributions	<u>(10,194,574)</u>
Net Changes in Total Pension Liability	4,747,581
Total Pension Liability - Beginning	<u>160,795,072</u>
Total Pension Liability - Ending (a)	<u><u>\$ 165,542,653</u></u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 2,507,471
Contributions - plan members	825,381
Net investment income	6,419,152
Benefit payments, including refunds of member contributions	(10,194,574)
Administrative expense	<u>(10,682)</u>
Net Change in Plan Fiduciary Net Position	(453,252)
Plan Fiduciary Net Position - Beginning	<u>148,809,552</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 148,356,300</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ 17,186,353</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>89.62%</u></u>
Covered Employee Payroll	<u><u>\$ 17,031,352</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	100.91%

See accompanying notes to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - FIREMEN PENSION PLAN

YEAR ENDED DECEMBER 31, 2014

Total Pension Liability:	
Service cost	\$ 1,422,468
Interest	8,601,438
Benefit payments, including refunds of member contributions	<u>(8,075,886)</u>
Net Changes in Total Pension Liability	1,948,020
Total Pension Liability - Beginning	<u>113,526,423</u>
Total Pension Liability - Ending (a)	<u><u>\$ 115,474,443</u></u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 1,355,613
Contributions - plan members	450,825
Net investment income	4,173,658
Benefit payments, including refunds of member contributions	(8,075,886)
Administrative expense	<u>(10,682)</u>
Net Change in Plan Fiduciary Net Position	(2,106,472)
Plan Fiduciary Net Position - Beginning	<u>104,693,215</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 102,586,743</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ 12,887,700</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>88.84%</u></u>
Covered Employee Payroll	<u><u>\$ 8,968,810</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	143.69%

See accompanying notes to required supplementary information - pension information.

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

YEAR ENDED DECEMBER 31, 2014

Total Pension Liability:	
Service cost	\$ 7,950
Interest	1,169,496
Benefit payments, including refunds of member contributions	<u>(2,371,674)</u>
Net Changes in Total Pension Liability	(1,194,228)
Total Pension Liability - Beginning	<u>18,484,397</u>
Total Pension Liability - Ending (a)	<u>\$ 17,290,169</u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 103,519
Contributions - plan members	3,573
Net investment income	940,162
Benefit payments, including refunds of member contributions	(2,371,674)
Administrative expense	<u>(10,682)</u>
Net Change in Plan Fiduciary Net Position	(1,335,102)
Plan Fiduciary Net Position - Beginning	<u>18,246,195</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 16,911,093</u>
Net Pension Liability - Ending (a-b)	<u>\$ 379,076</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>97.81%</u>
Covered Employee Payroll	<u>\$ 64,960</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	583.55%

See accompanying notes to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULES OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
POLICE PENSION PLAN										
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 2,507,471	\$ 2,276,774	\$ 7,324,133	\$ 7,338,716	\$ 5,726,720	\$ 7,115,495	\$ 6,022,935	\$ 5,841,327	\$ 3,010,528	\$ 2,453,196
Contributions in relation to the actuarially determined contribution	2,507,471	86,776,774	8,248,725	7,597,844	5,726,720	7,115,495	6,022,935	5,841,328	3,010,528	2,812,373
Contribution deficiency (excess)	\$ -	\$ (84,500,000)	\$ (924,592)	\$ (259,128)	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ (359,177)
Covered employee payroll	\$ 17,031,352	\$ 15,293,935	\$ 14,487,385	\$ 13,788,954	\$ 13,821,650	\$ 13,001,025	\$ 11,384,012	\$ 10,126,336	\$ 9,429,081	\$ 11,245,540
Contributions as a percentage of covered employee payroll	14.72%	567.39%	56.94%	55.10%	41.43%	54.73%	52.91%	57.68%	31.93%	25.01%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	4.51%									
FIREMEN PENSION PLAN										
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 1,345,613	\$ 1,508,323	\$ 4,069,771	\$ 4,146,949	\$ 3,133,439	\$ 3,565,384	\$ 3,106,329	\$ 3,049,326	\$ 1,241,367	\$ 815,563
Contributions in relation to the actuarially determined contribution	1,355,613	62,708,409	4,583,476	4,293,176	3,133,439	3,565,384	3,106,329	3,049,327	1,241,367	1,018,632
Contribution deficiency (excess)	\$ (10,000)	\$ (61,200,086)	\$ (513,705)	\$ (146,227)	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ (203,069)
Covered employee payroll	\$ 8,968,810	\$ 8,117,293	\$ 9,755,213	\$ 7,558,653	\$ 10,475,590	\$ 10,179,600	\$ 9,386,995	\$ 7,350,267	\$ 7,310,105	\$ 7,227,193
Contributions as a percentage of covered employee payroll	15.11%	772.53%	46.98%	56.80%	29.91%	35.02%	33.09%	41.49%	16.98%	14.09%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	4.23%									
OFFICERS AND EMPLOYEES PENSION PLAN:										
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 103,519	\$ 81,097	\$ 512,669	\$ 514,014	\$ 343,531	\$ 451,053	\$ 355,279	\$ 528,875	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	103,519	4,381,097	577,431	532,150	343,531	451,053	355,279	528,875	-	-
Contribution deficiency (excess)	\$ -	\$ (4,300,000)	\$ (64,762)	\$ (18,136)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 64,960	\$ 62,491	\$ 250,856	\$ 250,324	\$ 314,909	\$ 386,999	\$ 370,644	\$ 370,644	\$ 327,197	\$ 431,051
Contributions as a percentage of covered employee payroll	159.36%	7010.76%	230.18%	212.58%	109.09%	116.55%	95.85%	142.69%	0.00%	0.00%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	5.99%									

See accompanying notes to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS

Pennsylvania Municipal Retirement System Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	\$ 101,184,335	\$ 87,426,679	\$(13,757,656)	115.74%	\$ 24,003,648	-57.31%
1/1/2009	115,563,078	100,741,210	(14,821,868)	114.71%	27,337,110	-54.22%
1/1/2011	126,518,465	132,493,119	5,974,654	95.49%	28,305,537	21.11%
1/1/2013	139,465,022	149,064,886	9,599,864	93.56%	27,286,203	35.18%

City Plans:

Police Pension Fund Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ 62,199,346	\$ 132,505,514	\$ 70,306,168	46.94%	\$ 11,384,012	617.59%
1/1/2010	63,645,665	138,286,771	74,641,106	46.02%	13,001,025	574.12%
1/1/2011	62,355,723	142,839,885	80,484,162	43.65%	13,821,650	582.31%
1/1/2012	62,180,973	149,835,573	87,654,600	41.50%	13,788,954	635.69%
1/1/2013	62,906,225	153,683,203	90,776,978	40.93%	14,487,385	626.59%
1/1/2014	143,686,645 *	160,795,072	17,108,427	89.36%	15,293,935	111.86%

Firemen Pension Fund Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ 42,706,507	\$ 77,233,681	\$ 34,527,174	55.30%	\$ 9,386,995	367.82%
1/1/2010	43,397,737	83,711,449	40,313,712	51.84%	10,179,600	396.02%
1/1/2011	43,052,580	90,866,138	47,813,558	47.38%	10,475,590	456.43%
1/1/2012	43,074,495	105,216,504	62,142,009	40.94%	7,558,653	822.13%
1/1/2013	41,080,022	106,673,257	65,593,235	38.51%	9,755,213	672.39%
1/1/2014	101,163,582 *	113,526,423	12,362,841	89.11%	8,117,293	152.30%

* - During the year ended December 31, 2013, City Council approved the issuance of a note and subsequent forgiveness of the note to the pension plans. The note proceeds of \$84.5 million and \$61.2 million were deposited into the Police and Firemen Plans, respectively.

See accompanying notes to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS

City Plans:

Officers and Employees Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ 17,238,602	\$ 23,095,953	\$ 5,857,351	74.64%	\$ 370,644	1580.32%
1/1/2010	18,745,413	22,356,710	3,611,297	83.85%	386,999	933.15%
1/1/2011	16,902,051	20,896,120	3,994,069	80.89%	314,909	1268.32%
1/1/2012	15,066,664	19,480,687	4,414,023	77.34%	250,324	1763.32%
1/1/2013	13,356,905	18,422,512	5,065,607	72.50%	250,856	2019.33%
1/1/2014	16,988,923	18,484,397	1,495,474	91.91%	62,491	2393.10%

Other Post-Employment Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 61,446,071	\$ 61,446,071	0.00%	\$ 45,638,245	134.64%
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%

Parking Authority:

Defined Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	\$ 1,976,195	\$ 2,192,368	\$ 216,173	90.14%	\$ 589,249	36.69%
1/1/2009	2,140,629	2,687,113	546,484	79.66%	619,827	88.17%
1/1/2011	2,793,687	2,732,901	(60,786)	102.22%	N/A	N/A
1/1/2013	2,936,804	2,924,774	(12,030)	100.41%	N/A	N/A

Other Post-Employment Benefit Plan:

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

* - During the year ended December 31, 2013, City Council approved the issuance of a note and subsequent forgiveness of the note to the pension plans. The note proceeds of \$4.3 million were deposited into the Officers and Employees Plan.

See accompanying notes to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER'S CONTRIBUTIONS

Year	Police		Firemen		Officers and Employees	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2005	\$ 2,453,196	115%	\$ 815,563	125%	\$ -	N/A
2006	3,010,528	100%	1,241,367	100%	-	N/A
2007	5,841,327	100%	3,049,326	100%	528,875	100%
2008	6,022,935	100%	3,106,329	100%	355,279	100%
2009	7,115,495	100%	3,565,384	101%	451,053	100%
2010	5,726,720	100%	3,133,439	100%	343,531	100%
2011	7,338,716	104%	4,146,949	104%	514,014	104%
2012	7,324,133	113%	4,069,771	113%	512,669	113%
2013	2,276,774	3,811%	1,508,323	4,157%	81,097	5,402%
2014	2,507,471	100%	1,345,613	101%	103,519	100%

Year	Pennsylvania Municipal Retirement System		Other Post-Employment Benefits	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2005	\$ 358,968	100%	\$ -	N/A
2006	446,843	100%	-	N/A
2007	1,263,532	100%	-	N/A
2008	1,374,389	100%	3,856,279	47%
2009	1,217,945	100%	3,734,207	49%
2010	1,186,454	100%	3,760,413	56%
2011	1,367,093	100%	3,892,027	64%
2012	1,299,757	100%	4,663,870	62%
2013	1,612,483	100%	5,438,743	73%
2014	1,557,908	100%	5,941,529	65%

See accompanying notes to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION ACTUARIAL INFORMATION

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Other Post-Employment Benefits
Valuation date	January 1, 2014	January 1, 2014	January 1, 2014	January 1, 2014
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed period	Level dollar, closed period	Level dollar, closed period	Level percentage of payroll, closed period
Amortization period	14.1 years	14.2 years	10 years	24 years
Asset valuation method	*	*	*	N/A
Actuarial assumptions:				
Investment rate of return	7.75%	7.75%	6.75%	4.00%
Projected salary increases	3.50%-4.50%	3.50%-4.50%	4.50%	4.5% per year (with merit)

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

See accompanying notes to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED DECEMBER 31, 2014

The information presented on the required supplementary information was determined as part of the actuarial valuation at dates indicated. Methods and assumptions used to determine contribution rates under Act 205 are as follows:

	Police	Firemen	Officers and Employees
Valuation date	1/1/2014	1/1/2014	1/1/2014
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed period	Level dollar, closed period	Level dollar, closed period
Amortization period	14.1 years	14.2 years	10 years
Asset valuation method	*	*	*
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	6.75%
Projected salary increases	3.50%-4.50%	3.50%-4.50%	4.50%

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

Changes in Actuarial Assumptions

Police Pension Plan – The investment rate of return assumption decreased from 8.00% to 7.75% in order to reduce the Plan's exposure to investment risk. As a result of the change, the unfunded actuarially accrued liability increased by \$4,650,196.

Firemen Pension Plan – The investment rate of return decreased from 8.00% to 7.75% in order to reduce the Plan's exposure to investment risk. As a result of the change, the unfunded actuarially accrued liability increased by \$2,723,008. The projected salary increases also changed from 4.50% to 3.50%-4.50% due to the reinstatement of the cost-of-living adjustment.

Officers and Employees Pension Plan – The investment rate of return assumption decreased from 8.00% to 6.75% in order to reduce the Plan's exposure to investment risk, and to reflect the demographics of the Plan. As a result of the change, the unfunded actuarially accrued liability increased by \$1,190,213.

Supplementary Information

CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING BALANCE SHEET OTHER NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	Special Revenue Funds					Debt Service	Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911		
Assets							
Cash and cash equivalents	\$ 1,404,289	\$ 460,122	\$ 78,988	\$ -	\$ 1,693,840	\$ -	\$ 3,637,239
Receivables:							
Loans	-	4,455,735	1,249,936	-	-	-	5,705,671
Grants	-	569,724	-	485,200	-	-	1,054,924
Accounts	-	-	-	-	88,231	-	88,231
Interest	-	-	-	6,377	-	-	6,377
Total Assets	<u>\$ 1,404,289</u>	<u>\$ 5,485,581</u>	<u>\$ 1,328,924</u>	<u>\$ 491,577</u>	<u>\$ 1,782,071</u>	<u>\$ -</u>	<u>\$ 10,492,442</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 107,297	\$ 55,865	\$ -	\$ 3,307	\$ 201,791	\$ -	\$ 368,260
Wages payable	23,867	-	-	17,352	-	-	41,219
Due to other funds	-	446,057	1,320	81,916	1,151,147	-	1,680,440
Unearned revenue	-	-	-	433,942	-	-	433,942
Other liabilities	-	39,869	-	-	-	-	39,869
Total Liabilities	<u>131,164</u>	<u>541,791</u>	<u>1,320</u>	<u>536,517</u>	<u>1,352,938</u>	<u>-</u>	<u>2,563,730</u>
Fund Balance:							
Restricted	1,273,125	4,943,790	1,327,604	-	429,133	-	7,973,652
Unassigned	-	-	-	(44,940)	-	-	(44,940)
Total Fund Balance	<u>1,273,125</u>	<u>4,943,790</u>	<u>1,327,604</u>	<u>(44,940)</u>	<u>429,133</u>	<u>-</u>	<u>7,928,712</u>
Total Liabilities and Fund Balance	<u>\$ 1,404,289</u>	<u>\$ 5,485,581</u>	<u>\$ 1,328,924</u>	<u>\$ 491,577</u>	<u>\$ 1,782,071</u>	<u>\$ -</u>	<u>\$ 10,492,442</u>

CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - OTHER NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Debt Service
Revenues:						
Investment earnings	\$ -	\$ 26	\$ 29	\$ -	\$ 340	\$ -
Intergovernmental revenues	2,321,597	1,947,821	-	1,527,806	-	-
Other	120,218	27,863	-	22,670	2,150,518	-
Total revenues	2,441,815	1,975,710	29	1,550,476	2,150,858	-
Expenditures:						
Current:						
General government	-	-	-	-	-	9,330
Public safety	-	-	-	-	3,055,981	-
Community development	-	2,197,293	-	-	-	-
Public works	2,332,320	-	-	-	-	-
Parks and recreation	-	-	-	1,250,634	-	-
Debt service:						
Principal	-	-	-	-	-	8,898,300
Interest	-	-	-	-	-	3,733,786
Capital outlay	200,273	-	-	-	245,086	-
Total expenditures	2,532,593	2,197,293	-	1,250,634	3,301,067	12,641,416
Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,778)	(221,583)	29	299,842	(1,150,209)	(12,641,416)

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - OTHER NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2014

(Continued)

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Debt Service
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	855,064	12,641,416
Transfers out	-	-	-	(193,173)	(6,054)	-
Total other financing sources (uses)	-	-	-	(193,173)	849,010	12,641,416
Net Change in Fund Balance	(90,778)	(221,583)	29	106,669	(301,199)	-
Fund Balance (Deficit):						
Beginning of year	1,363,903	5,165,373	1,327,575	(151,609)	730,332	-
End of year	<u>\$ 1,273,125</u>	<u>\$ 4,943,790</u>	<u>\$ 1,327,604</u>	<u>\$ (44,940)</u>	<u>\$ 429,133</u>	<u>\$ -</u>

(Concluded)

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Charges for services	\$ -	\$ -	\$ 84,632	\$ 84,632
Intergovernmental revenues	-	858,000	15,053,475	14,195,475
Other	-	-	9,734	9,734
Total revenues	-	858,000	15,147,841	14,289,841
Expenditures:				
Current:				
Capital outlay	83,236,498	89,264,698	22,042,833	67,221,865
Total expenditures	83,236,498	89,264,698	22,042,833	67,221,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,236,498)	(88,406,698)	(6,894,992)	81,511,706
Other Financing Sources (Uses):				
Transfers in	-	170,200	5,282,785	5,112,585
Total other financing sources (uses)	-	170,200	5,282,785	5,112,585
Net Change in Fund Balance	\$ (83,236,498)	\$ (88,236,498)	(1,612,207)	\$ 86,624,291
Net effect of other income and expenditure accruals			1,490,714	
Net Change in Fund Balance			(121,493)	
Fund Balance:				
Beginning of year			897,778	
End of year			\$ 776,285	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental revenues:				
PA Liquid Fuels Tax	\$2,078,880	\$2,078,880	\$2,281,653	\$ 202,773
State aid for pension	39,886	39,886	39,944	58
Total intergovernmental revenues	<u>2,118,766</u>	<u>2,118,766</u>	<u>2,321,597</u>	<u>202,831</u>
Other income:				
Miscellaneous	67,192	67,192	120,218	53,026
Total other income	<u>67,192</u>	<u>67,192</u>	<u>120,218</u>	<u>53,026</u>
Total revenues	<u>2,185,958</u>	<u>2,185,958</u>	<u>2,441,815</u>	<u>255,857</u>
Expenditures:				
Public works:				
Department of Public Works:				
Streets	2,505,150	2,961,397	2,532,593	428,804
Total public works	<u>2,505,150</u>	<u>2,961,397</u>	<u>2,532,593</u>	<u>428,804</u>
Total expenditures	<u>2,505,150</u>	<u>2,961,397</u>	<u>2,532,593</u>	<u>428,804</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(319,192)</u>	<u>(775,439)</u>	<u>(90,778)</u>	<u>684,661</u>
Net Change in Fund Balance	<u>\$ (319,192)</u>	<u>\$ (775,439)</u>	<u>(90,778)</u>	<u>\$ 684,661</u>
Fund Balance:				
Beginning of year			1,363,903	
End of year			<u>\$1,273,125</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Investment earnings	\$ -	\$ -	\$ 26	\$ 26
Intergovernmental revenues:	-	-	2,132,098	2,132,098
Total revenues	-	-	2,132,124	2,132,124
Expenditures:				
Community development:				
Department of Community Development	7,665,298	10,745,471	2,196,402	8,549,069
Total community development	7,665,298	10,745,471	2,196,402	8,549,069
Total expenditures	7,665,298	10,745,471	2,196,402	8,549,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,665,298)</u>	<u>(10,745,471)</u>	<u>(64,278)</u>	<u>10,681,193</u>
Net Change in Fund Balance	<u>\$(7,665,298)</u>	<u>\$(10,745,471)</u>	<u>(64,278)</u>	<u>\$10,681,193</u>
Net effect of other income and expenditure accruals			<u>(157,305)</u>	
Net Change in Fund Balance			<u>(221,583)</u>	
Fund Balance:				
Beginning of year			<u>5,165,373</u>	
End of year			<u>\$ 4,943,790</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

BUDGETARY BASIS - TREXLER FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental revenues:				
Trexler grants	\$1,270,000	\$1,270,000	\$1,832,174	\$ 562,174
State aid for pension	31,022	31,022	31,068	46
Total intergovernmental revenues	1,301,022	1,301,022	1,863,242	562,220
Total revenues	1,301,022	1,301,022	1,863,242	562,220
Expenditures:				
Parks and recreation:				
Department of Parks and Recreation:				
Grounds maintenance	1,280,168	1,460,364	1,250,633	209,731
Total parks and recreation	1,280,168	1,460,364	1,250,633	209,731
Total expenditures	1,280,168	1,460,364	1,250,633	209,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,854	(159,342)	612,609	771,951
Other Financing Sources (Uses):				
Transfers out	-	-	(193,173)	(193,173)
Total other financing sources (uses)	-	-	(193,173)	(193,173)
Net Change in Fund Balance	<u>\$ 20,854</u>	<u>\$ (159,342)</u>	419,436	<u>\$ 578,778</u>
Net effect of other income and expenditure accruals			(312,767)	
Net Change in Fund Balance			106,669	
Fund Balance (Deficit):				
Beginning of year			(151,609)	
End of year			<u>\$ (44,940)</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

BUDGETARY BASIS - E-911 FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Investment earnings	\$ 300	\$ 300	\$ 339	\$ 39
Other	2,064,000	2,064,000	2,167,834	103,834
Total revenues	2,064,300	2,064,300	2,168,173	103,873
Expenditures:				
Current:				
Public safety:				
Department of Police:				
Emergency communications	3,369,688	3,369,688	3,023,132	346,556
Total public safety	3,369,688	3,369,688	3,023,132	346,556
Capital outlay	-	-	245,086	(245,086)
Total expenditures	3,369,688	3,369,688	3,268,218	101,470
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,305,388)	(1,305,388)	(1,100,045)	205,343
Other Financing Sources (Uses):				
Transfers in	625,000	625,000	855,064	230,064
Transfers out	-	-	(6,054)	(6,054)
Total other financing sources (uses)	625,000	625,000	849,010	224,010
Net Change in Fund Balance	\$ (680,388)	\$ (680,388)	(251,035)	\$ 429,353
Net effect of other income and expenditure accruals			(50,164)	
Net Change in Fund Balance			(301,199)	
Fund Balance:				
Beginning of year			730,332	
End of year			<u>\$ 429,133</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - DEBT SERVICE FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures:				
Current:				
General government	\$ 35,000	\$ 35,000	\$ 9,330	\$ 25,670
Debt service - principal	3,578,794	3,578,794	8,898,300	(5,319,506)
Debt service - interest	4,562,171	4,562,171	3,733,786	828,385
Total expenditures	8,175,965	8,175,965	12,641,416	(4,465,451)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(8,175,965)	(8,175,965)	(12,641,416)	(4,465,451)
Other Financing Sources (Uses):				
Transfers in	8,175,965	8,175,965	12,641,416	4,465,451
Total other financing sources (uses)	8,175,965	8,175,965	12,641,416	4,465,451
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -

CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Earned Income Tax Escrow				
Assets:				
Cash and cash equivalents	\$ 188,394	\$ 9,395	\$ 197,789	\$ -
Total assets	<u>\$ 188,394</u>	<u>\$ 9,395</u>	<u>\$ 197,789</u>	<u>\$ -</u>
Liabilities:				
Due to other governments	\$ 188,394	\$ 9,395	\$ 197,789	\$ -
Total liabilities	<u>\$ 188,394</u>	<u>\$ 9,395</u>	<u>\$ 197,789</u>	<u>\$ -</u>
Payroll Withholding Funds				
Assets:				
Cash and cash equivalents	\$ 687,617	\$ 15,726,817	\$ 15,208,281	\$ 1,206,153
Total assets	<u>\$ 687,617</u>	<u>\$ 15,726,817</u>	<u>\$ 15,208,281</u>	<u>\$ 1,206,153</u>
Liabilities:				
Payroll tax liability	\$ 677,068	\$ 15,706,755	\$ 15,201,182	\$ 1,182,641
Due to other governments	10,549	20,062	7,099	23,512
Total liabilities	<u>\$ 687,617</u>	<u>\$ 15,726,817</u>	<u>\$ 15,208,281</u>	<u>\$ 1,206,153</u>
Tax Collection Fund				
Assets:				
Cash and cash equivalents	\$ 2,596	\$ 1,753	\$ 1,785	\$ 2,564
Total assets	<u>\$ 2,596</u>	<u>\$ 1,753</u>	<u>\$ 1,785</u>	<u>\$ 2,564</u>
Liabilities:				
Due to other governments	\$ 2,596	\$ 1,753	\$ 1,785	\$ 2,564
Total liabilities	<u>\$ 2,596</u>	<u>\$ 1,753</u>	<u>\$ 1,785</u>	<u>\$ 2,564</u>
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 878,607	\$ 15,737,965	\$ 15,407,855	\$ 1,208,717
Total assets	<u>\$ 878,607</u>	<u>\$ 15,737,965</u>	<u>\$ 15,407,855</u>	<u>\$ 1,208,717</u>
Liabilities:				
Payroll tax liability	\$ 677,068	\$ 15,706,755	\$ 15,201,182	\$ 1,182,641
Due to other governments	201,539	31,210	206,673	26,076
Total liabilities	<u>\$ 878,607</u>	<u>\$ 15,737,965</u>	<u>\$ 15,407,855</u>	<u>\$ 1,208,717</u>

City of Allentown

Statistical Section

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

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)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net Investment in Capital Assets	\$ 26,835,473	\$ 20,563,347	\$ 17,098,445	\$ 20,127,498	\$ 19,175,187	\$ 25,370,253	\$ 30,108,596	\$ 32,494,392	\$ 126,410,580	\$ 143,512,599
Restricted	8,910,203	9,594,133	7,971,503	9,304,474	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021
Unrestricted	(37,369,388)	(21,666,333)	(7,510,520)	(20,610,569)	(23,777,059)	(22,257,663)	(26,754,250)	(33,811,444)	(182,008,900)	(189,614,176)
Total governmental activities net position	<u>(1,623,712)</u>	<u>8,491,147</u>	<u>17,559,428</u>	<u>8,821,403</u>	<u>1,570,245</u>	<u>9,219,992</u>	<u>10,003,324</u>	<u>10,957,947</u>	<u>107,337,847</u>	<u>113,735,444</u>
Business - type activities										
Net Investment in Capital Assets	53,403,909	57,148,473	58,612,743	60,620,384	62,390,291	63,445,317	64,695,490	68,128,410	5,551,723	5,267,292
Unrestricted	16,656,539	16,984,799	14,828,068	16,822,538	15,462,445	17,482,965	18,313,389	17,236,205	6,693,350	6,662,427
Total business - type activities net position	<u>70,060,448</u>	<u>74,133,272</u>	<u>73,440,811</u>	<u>77,442,922</u>	<u>77,852,736</u>	<u>80,928,282</u>	<u>83,008,879</u>	<u>85,364,615</u>	<u>12,245,073</u>	<u>11,929,719</u>
Primary government										
Net Investment in Capital Assets	80,239,382	77,711,820	75,711,188	80,747,882	81,565,478	88,815,570	94,804,086	100,622,802	131,962,303	148,779,891
Restricted	8,910,203	9,594,133	7,971,503	9,304,474	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021
Unrestricted	(20,712,849)	(4,681,534)	7,317,548	(3,788,031)	(8,314,614)	(4,774,698)	(8,440,861)	(16,575,239)	(175,315,550)	(182,951,749)
Total primary government activities net position	<u>\$ 68,436,736</u>	<u>\$ 82,624,419</u>	<u>\$ 91,000,239</u>	<u>\$ 86,264,325</u>	<u>\$ 79,422,981</u>	<u>\$ 90,148,274</u>	<u>\$ 93,012,203</u>	<u>\$ 96,322,562</u>	<u>\$ 119,582,920</u>	<u>\$ 125,665,163</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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Governmental Activities:										
General government	\$ 8,363,679	\$ 11,591,907	\$ 8,496,511	\$ 14,193,579	\$ 14,514,780	\$ 7,932,586	\$ 13,916,289	\$ 16,164,160	\$ 16,865,074	\$ 19,866,840
Public safety	37,329,606	35,746,269	44,659,264	50,050,802	51,117,977	54,309,067	52,607,308	54,635,907	48,764,915	53,806,692
Community development	8,240,887	8,687,031	9,508,856	12,548,838	12,544,800	13,845,854	9,773,209	8,126,929	7,909,900	7,443,093
Public works	11,113,362	11,363,182	11,262,288	11,874,900	9,353,946	12,617,569	11,920,300	12,066,315	13,962,846	19,032,550
Health and sanitation	3,375,154	4,450,785	3,283,888	3,045,226	2,285,122	2,547,999	3,373,570	2,763,477	3,116,962	2,944,949
Parks and recreation	3,071,350	3,392,513	3,527,522	3,603,363	2,583,320	2,014,847	3,038,880	2,910,615	3,938,834	5,687,877
Other	339,076	1,141,913	-	-	-	-	-	-	-	1,033,067
Interest on long-term debt	3,940,612	3,996,208	4,373,290	3,577,271	3,952,622	5,071,431	5,481,742	5,331,070	4,997,583	4,419,672
Total governmental activities expenses	<u>75,773,726</u>	<u>80,369,808</u>	<u>85,111,619</u>	<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>
Business - type activities:										
Water fund	10,726,077	10,268,694	10,846,997	10,663,179	10,932,251	11,410,407	11,308,214	10,999,925	8,718,973	-
Sewer fund	11,898,997	12,376,807	13,047,950	12,607,533	13,639,529	13,034,825	13,533,543	14,242,086	9,673,907	-
Solid waste fund	9,417,855	9,530,362	11,565,750	12,528,680	12,578,028	12,584,872	13,170,266	14,549,004	14,529,054	14,599,155
Municipal golf course	851,582	735,697	1,057,970	1,078,094	1,076,235	1,027,292	1,152,872	1,167,107	1,204,675	1,220,773
Total business - type activities expenses	<u>32,894,511</u>	<u>32,911,560</u>	<u>36,518,667</u>	<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>
Total primary government expenses	<u>\$ 108,668,237</u>	<u>\$ 113,281,368</u>	<u>\$ 121,630,286</u>	<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>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,097,664	\$ 1,169,888	\$ 3,100,711	\$ 5,664,480	\$ 5,849,055	\$ 2,209,673	\$ 4,680,342	\$ 4,131,189	\$ 4,080,763	\$ 4,087,754
Public safety	4,710,383	5,792,822	6,678,609	6,602,040	7,043,765	7,202,889	3,792,692	3,627,974	3,820,867	3,935,055
Community development	1,575,685	1,560,786	1,607,840	1,949,934	1,782,643	3,174,152	3,249,126	3,325,198	3,839,739	3,996,649
Public works	454,628	941,958	2,668,591	1,418,930	2,463,882	183,134	192,673	189,821	277,561	236,424
Health and sanitation	151,448	181,677	224,221	177,924	170,013	180,922	192,961	436,682	309,931	329,332
Parks and recreation	335,559	327,358	366,715	332,878	358,414	411,409	424,910	418,634	461,267	505,205
Other	2,866,112	5,187,455	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-	-	3,430,049	6,227,905
Operating grants and contributions	11,592,544	12,512,597	10,645,301	17,197,783	11,452,802	14,153,060	13,696,509	13,496,058	17,010,242	16,149,411
Capital grants and contributions	2,845,673	2,232,405	1,400,090	3,180,479	2,129,468	4,350,695	5,335,856	5,654,879	24,157,607	14,981,948
Total governmental activities program revenues	<u>25,629,696</u>	<u>29,906,946</u>	<u>26,692,078</u>	<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>
Business - type activities:										
Changes for services:										
Water fund	14,380,000	14,639,594	14,167,850	14,122,453	13,194,621	15,220,117	14,878,781	15,525,790	8,782,028	-
Sewer fund	17,052,181	16,104,610	14,752,734	15,035,859	15,089,091	14,480,766	15,595,169	14,331,640	8,798,348	-
Solid waste fund	8,884,440	8,830,880	11,538,022	13,589,330	13,292,638	13,467,648	13,692,905	14,837,965	14,935,518	14,675,253
Municipal golf course	950,416	1,067,497	1,249,958	1,278,723	1,296,971	1,316,067	1,321,422	1,383,066	1,279,247	1,237,609
Operating grants and contributions	1,025,750	808,377	948,666	823,762	397,701	1,280,326	828,291	1,630,127	887,428	621,636
Capital grants and contributions	152,000	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>42,444,787</u>	<u>41,450,958</u>	<u>42,657,230</u>	<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>
Total primary government program revenues	<u>\$ 68,074,483</u>	<u>\$ 71,357,904</u>	<u>\$ 69,349,308</u>	<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>
Net (expense)/revenue:										
Governmental activities	\$ (50,144,030)	\$ (50,462,862)	\$ (58,419,541)	\$ (62,369,531)	\$ (65,102,525)	\$ (66,473,419)	\$ (68,546,229)	\$ (70,718,038)	\$ (42,168,088)	\$ (63,785,057)
Business - type activities	9,550,276	8,539,398	6,138,563	7,972,641	5,044,979	7,707,528	7,151,673	6,750,466	555,960	714,570
Total primary government net expense	<u>\$ (40,593,754)</u>	<u>\$ (41,923,464)</u>	<u>\$ (52,280,978)</u>	<u>\$ (54,396,890)</u>	<u>\$ (60,057,546)</u>	<u>\$ (58,765,891)</u>	<u>\$ (61,394,556)</u>	<u>\$ (63,967,572)</u>	<u>\$ (41,612,128)</u>	<u>\$ (63,070,487)</u>

CITY OF ALLENTOWN, PENNSYLVANIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes and other taxes	\$ 46,918,139	\$ 48,512,216	\$ 52,579,329	\$ 47,186,003	\$ 47,948,307	\$ 45,476,784	\$ 51,955,525	\$ 57,041,497	\$ 58,031,788	\$ 58,012,491
Grants and charges not restricted to specific purposes	6,065,052	6,146,246	6,028,421	1,313,230	5,048,294	14,121,087	12,298,352	10,216,783	10,290,239	11,484,314
Investment earnings	596,402	973,003	1,490,757	762,789	223,172	212,979	4,608	19,651	69,236	28,820
Transfers	4,671,851	4,946,256	7,389,315	4,369,484	4,631,594	4,813,116	5,071,076	4,394,730	71,674,238	1,029,924
Total governmental activities	<u>\$ 58,251,444</u>	<u>\$ 60,577,721</u>	<u>\$ 67,487,822</u>	<u>\$ 53,631,506</u>	<u>\$ 57,851,367</u>	<u>\$ 64,623,966</u>	<u>\$ 69,329,561</u>	<u>\$ 71,672,661</u>	<u>\$ 140,065,501</u>	<u>\$ 70,555,549</u>
Business - type activities:										
Investment earnings	111,315	479,682	558,291	398,954	(3,571)	128,545	-	-	132,218	-
Transfers	(4,671,851)	(4,946,256)	(7,389,315)	(4,369,484)	(4,631,594)	(4,813,116)	(5,071,076)	(4,394,730)	(71,674,238)	(1,029,924)
Total business - type activities	<u>(4,560,536)</u>	<u>(4,466,574)</u>	<u>(6,831,024)</u>	<u>(3,970,530)</u>	<u>(4,635,165)</u>	<u>(4,684,571)</u>	<u>(5,071,076)</u>	<u>(4,394,730)</u>	<u>(71,542,020)</u>	<u>(1,029,924)</u>
Total primary government	<u>\$ 53,690,908</u>	<u>\$ 56,111,147</u>	<u>\$ 60,656,798</u>	<u>\$ 49,660,976</u>	<u>\$ 53,216,202</u>	<u>\$ 59,939,395</u>	<u>\$ 64,258,485</u>	<u>\$ 67,277,931</u>	<u>\$ 68,523,481</u>	<u>\$ 69,525,625</u>
Special items:										
Gain on cancellation of post-employment benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 660,819	\$ -
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	(1,959,898)	-
Tax settlement	-	-	-	-	-	-	-	-	-	(372,895)
Total special items	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,299,079)</u>	<u>\$ (372,895)</u>
Change in Net Position										
Governmental activities	\$ 8,107,414	\$ 10,114,859	\$ 9,068,281	\$ (8,738,025)	\$ (7,251,158)	\$ (1,849,453)	\$ 783,332	\$ 954,623	\$ 97,897,413	\$ 6,397,597
Business - type activities	4,989,740	4,072,824	(692,461)	4,002,111	409,814	3,022,957	2,080,597	2,355,736	(72,285,139)	(315,354)
Total primary government	<u>\$ 13,097,154</u>	<u>\$ 14,187,683</u>	<u>\$ 8,375,820</u>	<u>\$ (4,735,914)</u>	<u>\$ (6,841,344)</u>	<u>\$ 1,173,504</u>	<u>\$ 2,863,929</u>	<u>\$ 3,310,359</u>	<u>\$ 25,612,274</u>	<u>\$ 6,082,243</u>

Notes:

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 Taxes</u>	<u>General Property Tax</u>	<u>Earned Income Tax</u>	<u>Business Privilege Tax</u>	<u>Other Local Taxes</u>
2005	\$ 46,918,139	\$ 29,437,515	\$ 7,091,890	\$ 5,987,283	\$ 4,401,451
2006	48,512,216	29,777,503	7,173,393	6,376,629	5,184,691
2007	52,579,329	29,401,764	8,244,860	6,487,096	8,445,609
2008	47,186,003	29,593,673	7,554,503	6,311,326	3,726,501
2009	47,948,307	29,761,519	8,555,867	6,512,894	3,118,027
2010	45,476,784	29,591,030	7,506,990	6,063,934	2,314,830
2011	51,955,525	29,310,491	12,744,483	6,795,191	3,105,360
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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 4

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Reserved	-	-	\$ 1,571,640	\$ 840,183	\$ 810,719	\$ 1,428,755	-	-	-	-
Unreserved	\$ (2,711,620)	\$ 9,128,441	12,565,940	7,365,006	3,476,985	1,687,909	-	-	-	-
Restricted	-	-	-	-	-	-	\$ 147,000	\$ 704,228	\$ 794,058	\$ 769,097
Assigned	-	-	-	-	-	-	1,771,079	-	21,588,122	15,534,027
Unassigned	-	-	-	-	-	-	2,467	(1,445,400)	24,022,470	17,715,206
Total general fund	<u>(2,711,620)</u>	<u>9,128,441</u>	<u>14,137,580</u>	<u>8,205,189</u>	<u>4,287,704</u>	<u>3,116,664</u>	<u>1,920,546</u>	<u>(741,172)</u>	<u>46,404,650</u>	<u>34,018,330</u>
All other governmental funds										
Reserved	12,275,288	11,014,501	13,176,308	10,743,716	10,532,748	7,243,969	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	(469,193)	(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
Unassigned	-	-	-	-	-	-	(96,134)	(29,306)	(151,609)	(44,940)
Total all other governmental funds	<u>12,275,288</u>	<u>11,014,501</u>	<u>12,707,115</u>	<u>9,681,839</u>	<u>9,903,072</u>	<u>7,553,846</u>	<u>14,132,403</u>	<u>10,851,516</u>	<u>9,333,352</u>	<u>8,704,997</u>
TOTAL	<u>\$ 9,563,668</u>	<u>\$ 20,142,942</u>	<u>\$ 26,844,695</u>	<u>\$ 17,887,028</u>	<u>\$ 14,190,776</u>	<u>\$ 10,670,510</u>	<u>\$ 16,052,949</u>	<u>\$ 10,110,344</u>	<u>\$ 55,738,002</u>	<u>\$ 42,723,327</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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	\$ 45,635,035	\$ 47,342,430	\$ 51,368,491	\$ 47,039,202	\$ 47,630,562	\$ 45,438,333	\$ 52,770,021	\$ 55,787,638	\$ 57,865,676	\$ 57,874,403
Licenses and permits	3,062,847	3,248,191	3,477,297	3,459,268	3,571,616	4,874,549	5,030,946	5,250,576	5,781,973	6,309,428
Charges for services	4,897,309	4,612,567	6,613,544	5,864,796	7,155,768	4,853,162	4,824,140	4,898,943	6,615,357	8,271,223
Fines and forfeits	555,898	578,363	580,737	592,504	461,834	500,334	518,350	634,724	672,105	748,687
Investment earnings	497,787	961,195	1,471,916	758,833	223,172	212,979	4,608	19,686	69,236	28,820
Intergovernmental revenues	18,944,800	19,846,232	17,152,512	24,407,606	20,897,082	30,437,462	28,695,423	26,927,447	49,185,888	39,416,740
Other	2,091,724	4,131,305	4,177,786	3,664,260	4,374,132	5,437,568	4,906,361	3,945,339	3,961,421	3,766,919
Total revenues	<u>75,685,400</u>	<u>80,720,283</u>	<u>84,842,283</u>	<u>85,786,469</u>	<u>84,314,166</u>	<u>91,754,387</u>	<u>96,749,849</u>	<u>97,464,353</u>	<u>124,151,656</u>	<u>116,416,220</u>
Expenditures										
General government	8,350,112	11,112,672	7,806,908	7,962,093	7,656,616	7,507,262	13,765,436	14,417,230	18,108,503	16,352,843
Public safety	36,144,138	34,632,057	43,639,004	47,424,025	49,916,239	50,100,384	50,839,312	53,491,745	196,455,831	47,934,281
Community development	8,159,802	8,614,385	9,442,326	12,482,112	12,605,261	14,171,165	9,731,882	7,835,133	7,669,312	7,047,296
Public works	8,952,519	9,267,279	9,339,687	9,985,082	9,747,558	9,740,759	9,631,143	9,658,216	12,262,727	12,413,386
Health and sanitation	3,322,865	4,402,484	3,240,066	3,005,201	2,648,017	2,738,801	2,809,068	2,673,529	3,420,443	2,877,343
Parks and recreation	2,323,552	2,734,768	2,925,564	3,107,688	2,851,795	2,503,318	2,467,866	2,467,730	3,963,487	5,008,229
Other	-	-	-	-	-	-	-	-	-	1,033,067
Debt service:										
Principal	4,630,000	5,134,432	3,618,900	2,633,800	2,575,600	3,131,400	6,514,100	3,395,750	3,874,400	8,898,300
Interest	3,971,511	3,894,144	4,395,128	3,790,899	3,960,851	3,942,027	4,423,008	4,180,843	3,827,906	3,733,786
Payment of loan issuance costs	-	251,525	4,595,871	261,309	49,786	-	-	-	-	-
Capital outlay	6,765,457	7,245,177	1,379,020	10,351,660	5,988,589	10,009,124	9,912,486	10,610,482	28,386,348	24,851,039
Total expenditures	<u>82,619,956</u>	<u>87,288,923</u>	<u>90,382,474</u>	<u>101,003,869</u>	<u>98,000,312</u>	<u>103,844,240</u>	<u>110,094,301</u>	<u>108,730,658</u>	<u>277,968,957</u>	<u>130,149,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,934,556)</u>	<u>(6,568,640)</u>	<u>(5,540,191)</u>	<u>(15,217,400)</u>	<u>(13,686,146)</u>	<u>(12,089,853)</u>	<u>(13,344,452)</u>	<u>(11,266,305)</u>	<u>(153,817,301)</u>	<u>(13,733,350)</u>
Other Financing Sources (uses):										
Issuance of long term debt	-	12,053,400	22,763,981	6,665,000	5,310,000	258,976	13,690,000	5,910,000	-	-
Payment to refunded bonds escrow agent	-	-	(17,850,000)	(6,410,000)	-	-	-	(5,828,246)	-	-
Bond premium	-	-	-	6,309	-	-	38,630	-	-	-
Bond discount	-	-	(379,897)	-	-	-	(126,066)	(16,111)	-	-
Capital lease obligations	-	105,077	273,220	1,582,940	-	-	-	-	102,950	-
Transfers in	12,726,232	14,405,814	18,766,342	12,046,134	12,408,683	12,749,243	13,793,454	13,651,068	213,779,083	19,680,797
Transfers out	(8,011,200)	(9,416,378)	(11,331,702)	(7,630,650)	(7,728,789)	(7,885,411)	(8,669,127)	(8,393,011)	(14,437,074)	(18,589,227)
Total other financing sources and uses	<u>4,715,032</u>	<u>17,147,913</u>	<u>12,241,944</u>	<u>6,259,733</u>	<u>9,989,894</u>	<u>5,122,808</u>	<u>18,726,891</u>	<u>5,323,700</u>	<u>199,444,959</u>	<u>1,091,570</u>
Special Item	-	-	-	-	-	-	-	-	-	(372,895)
Net change in fund balances	<u>\$ (2,219,524)</u>	<u>\$ 10,579,273</u>	<u>\$ 6,701,753</u>	<u>\$ (8,957,667)</u>	<u>\$ (3,696,252)</u>	<u>\$ (6,967,045)</u>	<u>\$ 5,382,439</u>	<u>\$ (5,942,605)</u>	<u>\$ 45,627,658</u>	<u>\$ (13,014,675)</u>
Debt service as a percentage of noncapital expenditures	11.3%	11.3%	9.0%	7.1%	7.1%	7.5%	10.9%	7.7%	3.1%	12.0%

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 6

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

Fiscal Year Ended December 31	Real Property					Total Taxable Assessed Value	Tax Exempt Real Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value (1)
	Residential Property	Commercial Property	Multi-Family Property	Combination Property	Vacant Lots					
2005	\$ 1,032,293,650	\$ 370,311,000	\$ 224,461,600	\$ 53,539,900	\$ 14,705,450	\$ 1,695,311,600	\$ 428,009,300	0.018	\$ 3,390,623,200	50%
2006	1,037,145,800	361,532,150	227,440,000	53,261,600	22,297,350	1,701,676,900	426,922,950	0.018	3,403,353,800	50%
2007	1,043,076,850	359,764,550	229,505,550	53,559,500	21,778,950	1,707,685,400	433,570,800	0.018	3,415,370,800	50%
2008	1,042,615,000	356,065,600	229,692,650	53,612,150	21,891,450	1,703,876,850	427,335,700	0.018	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	0.018	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	0.018	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	0.018	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	0.018	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	0.006	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	0.006	5,155,450,700	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).

**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>	
<u>Fiscal Year</u>	<u>Total City Millage(1)</u>	<u>Total School Millage</u>	<u>Total County Millage</u>	<u>Total Direct & Overlapping Rates</u>
2005	17.52	41.734	10.75	70.00
2006	17.53	42.942	10.25	70.72
2007	17.53	42.942	10.25	70.72
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

Notes:

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

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

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

(1) 5.81 is the base on which the land value tax is calculated (18.46231 - land and 3.49267 - improvements).

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

<u>Taxpayer</u>	2014			2005		
	<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	\$ 57,960,000	1	1.14%			
Home Properties Trexler Park LLC	34,614,100	2	0.68%			
Congress Associates	25,200,000	3	0.50%	\$ 9,574,250	2	0.56%
Pennsylvania Power & Light Co.	21,982,200	4	0.43%			
The Lakes	21,834,500	5	0.43%	5,961,050	5	0.35%
Sharma Baldev Raj & Sudesh	20,200,000	6	0.40%			
Westmont LP	18,000,000	7	0.36%	5,141,850	9	0.31%
Morris Allentown Associates LP ET	17,882,600	8	0.35%	5,753,700	6	0.34%
Bulldog Ventures I LP	16,885,100	9	0.33%			
Lehigh Valley Hospital Inc.	16,570,800	10	0.33%	5,372,750	7	0.32%
Allentown Commerce Park Corp.				4,900,000	10	0.29%
The Morning Call				7,247,250	3	0.43%
Agere Systems/Lucent Technologies				10,499,900	1	0.62%
Mack Trucks Inc.				5,962,700	4	0.35%
230 Riverbend Apartments LLC				5,304,000	8	0.31%
<hr/>						
Total	<u><u>\$ 251,129,300</u></u>		<u><u>4.95%</u></u>	<u><u>\$ 65,717,450</u></u>		<u><u>3.88%</u></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	
		<u>Fiscal Year</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$ 29,804,140	\$ 28,226,175	94.7%	\$ 1,184,357	\$ 29,410,532	98.7%
2006	30,984,146	28,464,063	91.9%	1,477,803	29,941,866	96.6%
2007	31,311,392	27,958,172	89.3%	1,237,138	29,195,310	93.2%
2008	29,796,059	28,339,285	95.1%	1,261,191	29,600,476	99.3%
2009	29,383,171	28,143,621	95.8%	1,143,298	29,286,919	99.7%
2010	29,349,230	28,331,648	96.5%	1,042,054	29,373,702	100.1%
2011	29,481,538	28,274,829	95.9%	975,768	29,250,597	99.2%
2012	29,700,657	28,426,793	95.7%	797,082	29,223,875	98.4%
2013	29,788,671	28,335,558	95.1%	480,229	28,815,787	96.7%
2014	29,614,100	28,313,759	95.6%	-	28,313,759	95.6%

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					
2005	\$ 85,100,000	\$ 1,272,836	\$ 27,730,000	-	\$ 1,000,000	\$ 15,555,000	-	\$ 2,689,177	\$ 133,347,013	3.85%	1,251		
2006	92,518,968	1,024,181	23,570,200	-	500,000	14,000,000	-	2,172,144	133,785,493	3.71%	1,255		
2007	94,314,049	838,471	20,707,600	-	-	12,895,000	-	1,725,575	130,480,695	3.46%	1,224		
2008	91,935,249	1,907,720	18,202,400	-	-	12,235,000	-	1,140,421	125,420,790	3.18%	1,176		
2009	94,669,649	1,446,352	15,832,200	-	-	11,055,000	-	775,574	123,778,775	3.04%	1,161		
2010	94,853,046	1,219,995	13,355,600	-	-	9,825,000	-	237,485	119,491,126	2.63%	1,012		
2011	103,285,937	906,186	6,255,200	\$ 6,005,000	-	7,455,000	\$ 5,185,000	465,098	129,557,421	2.83%	1,098		
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		

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.

**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>
2005	\$ 85,100,000	2.51%	798
2006	92,518,968	2.72%	868
2007	94,314,049	2.76%	884
2008	91,935,249	2.70%	862
2009	94,669,649	2.77%	888
2010	94,853,046	2.79%	804
2011	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

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.

**Direct and Overlapping Governmental Activities Debt
As of December 31, 2014**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 192,449,388	100.0%	\$ 192,449,388
Lehigh County General Obligation Bonds	141,736,186	20.0%	<u>28,347,237</u>
Subtotal, overlapping debt			220,796,625
City of Allentown Direct Debt			<u>94,778,299</u>
Total direct and overlapping debt			<u><u>\$ 315,574,924</u></u>

Notes:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 13

Legal Debt Margin Information
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 228,107,156	\$ 237,239,268	\$ 257,334,258	\$ 257,943,550	\$ 258,815,970	\$ 259,225,834	\$ 274,575,453	\$ 290,328,835	\$ 307,220,837	\$ 320,307,425
Total net debt applicable to limit	49,765,000	57,843,968	62,294,049	58,630,812	63,344,649	63,528,046	72,730,937	73,124,883	71,670,638	70,648,299
Legal debt margin	<u>\$ 178,342,156</u>	<u>\$ 179,395,300</u>	<u>\$ 195,040,209</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	21.82%	24.38%	24.21%	22.73%	24.47%	24.51%	26.49%	25.19%	23.33%	22.06%

Legal Debt Margin Calculation for Fiscal year 2014

Borrowing base (1)	\$ 91,516,407
Percentage limitation	350%
Net debt limit	320,307,425
Debt applicable to limit:	
General obligation debt (2)	94,778,299
Less: Amount set aside for pension funding liability	<u>(24,130,000)</u>
	<u>70,648,299</u>
	<u>\$ 249,659,126</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 the City water resource and waste water operations system.

**Demographic and Economic Statistics
Last Ten Years**

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2005	106,632	\$ 3,459,888,504	\$ 32,447	18,118	6.6%
2006	106,632	3,605,014,656	33,808	18,209	6.4%
2007	106,632	3,771,467,208	35,369	18,318	5.9%
2008	106,632	3,949,329,384	37,037	17,914	8.0%
2009	106,632	4,074,195,456	38,208	17,753	12.0%
2010	118,032	4,544,822,160	38,505	17,753	12.7%
2011	118,032	4,582,946,496	38,828	17,748	11.7%
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%

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

TABLE 15

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Allentown School District	2,642	1	3.83%	2,780	1	3.13%
Muhlenberg College	2,127	2	3.08%	2,028	5	2.28%
South East Personnel Leasing	2,085	3	3.02%			
PPL Co.	2,083	4	3.02%	1,762	7	1.98%
Lehigh Valley Hospital	1,849	5	2.68%			
Allied Personnel Services	1,831	6	2.65%	2,189	4	2.46%
Lehigh County & Institutions	1,742	7	2.53%	2,019	6	2.27%
Sacred Heart Hospital	1,416	8	2.05%	1,671	9	1.88%
City of Allentown	1,117	9	1.62%			
Good Shepherd Rehab	963	10	1.40%			
H T S S Inc.				1,588	10	1.79%
Mack Trucks Inc.				2,733	2	3.08%
Performance Personnel				2,612	3	2.94%
A A Temporary Services Inc.				1,719	8	1.93%
	<u>17,855</u>		<u>25.89%</u>	<u>21,101</u>		<u>23.75%</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. The 2012 numbers reported above are what was reported to the Local Tax Collection District.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 16

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

Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government	95	101	94	101	94	93	93	102	96	96
Public Safety										
Police										
Officers	235	237	207	211	203	205	209	219	214	216
Civilians	24	22	24	26	32	28	27	25	21	27
E-911	23	27	28	32	32	32	32	33	33	33
Fire										
Firefighters and officers	139	140	140	140	142	143	143	144	126	125
Civilians	1	1	1	1	1	1	1	1	1	1
EMS	31	32	32	32	29	31	32	41	32	32
Highways and Streets	59	58	58	58	53	48	46	46	86	82
Sanitation/Recycling	31	37	37	38	36	32	33	33	34	36
Building Maintenance	16	15	15	15	20	12	12	13	16	15
Building Standards & Safety	35	36	35	40	41	39	38	48	36	33
Culture and Recreation	41	41	37	39	34	25	22	24	50	56
Golf	4	6	6	6	5	5	6	6	6	6
Health	44	44	43	42	36	35	35	35	35	32
Water	86	87	93	93	89	84	85	84	0	0
Sewer	98	91	97	97	96	97	96	93	0	0
Total	962	975	947	971	942	910	910	946	786	790

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function										
Police										
Law violations	18,336	19,072	17,381	16,794	14,906	14,433	13,794	13,801	13,844	13,022
Traffic violations (1)	11,465	8,744	5,586	5,227	6,788	9,949	10,560	10,182	10,466	11,225
Fire										
Number of calls answered (2)	5,955	6,033	6,346	8,988	12,206	11,383	11,719	9,409	11,685	11,606
Inspections and investigations (4)	2,637	2,284	2,568	1,821	1,823	2,668	2,351	1,149	950	901
Highways and Streets										
Street reconstruction (miles)	0.0	0.1	0.15	0.29	0.13	0.02	0.00	0.10	0.28	1.83
Overlays (miles)	n/a	n/a	4.4	6.2	5.2	5.4	4.9	3.7	2.1	3.2
Potholes repaired	13,909	11,691	10,734	15,552	12,427	10,488	9,673	4,355	6,236	10,923
Sanitation										
Refuse collected (tons/year)	44,476	42,126	38,746	36,907	33,533	35,401	36,174	37,274	33,143	37,355
Recyclables collected (tons/year)	8,355	6,194	8,398	9,954	9,472	9,043	9,267	11,603	10,104	9,735
Sweep tickets issued	786	3,604	4,957	5,203	6,047	6,891	6,854	7,514	6,997	4,809
Animal related complaints (3)	1,391	1,222	1,510	1,476	1,467	1,193	1,268	1,441	1,286	1,378
Health										
Home hazard surveys	360	243	241	319	300	439	311	274	277	443
Food service inspections	1,377	1,405	1,429	1,456	1,708	1,765	1,306	1,613	1,712	1,615
Number of home visits	2,412	2,228	1,658	906	384	303	428	478	593	393
Total lead screenings (5)	857	870	690	773	849	945	916	788	227	0
Persons tested & counseled for HIV infection	2,268	2,160	2,324	2,472	2,544	2,656	2,624	2,517	2,290	2,036
Recreation										
Pavilion permits	178	206	325	508	389	382	294	297	523	648
Swimming pool season passes	148	152	191	195	116	211	159	253	680	263
Swimming pool patrons (non season pass)	17,773	13,395	43,623	56,453	65,428	64,932	47,365	36,584	50,895	31,509
Water (6)										
Water connection permits	51	25	57	20	16	17	47	8	3	0
Water main breaks	25	9	29	22	18	22	23	13	6	0
Average daily consumption (millions of gallons)	15.26	14.48	14.75	14.80	14.50	14.75	14.39	16.00	18.36	0
Wastewater										
Average daily sewage treatment (millions of gallons)	31.72	31.16	30.80	32.27	30.70	31.64	31.64	30.91	31.17	0.00

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Golf										
Number of patrons (7)	39,900	42,000	47,040	50,155	50,548	50,562	45,799	48,500	45,600	64,396
Number of days of service	320	225	273	305	299	293	285	310	285	251
E-911										
Number of calls:										
Police	107,219	105,196	107,135	103,600	112,841	112,639	127,315	119,686	120,355	123,840
EMS	12,932	12,929	13,485	13,985	13,512	13,843	14,628	14,528	13,998	14,583
Fire (3)	5,969	6,048	6,353	8,955	12,210	11,393	11,753	9,409	11,685	11,607
Other	9,156	8,952	9,556	8,760	9,259	8,572	9,653	7,901	7,843	8,630

Source:

Various city departments.

Notes:

- (1) Starting in 2007, the Police Department starting using a new system. When a traffic violation is included on an arrest sheet, it is no longer listed as a traffic violation.
- (2) Starting in August 2008, the Fire Department starting providing EMS assistance.
- (3) Starting in 2009, Animal Related Complaints was moved from the Health Department to the Sanitation Department.
- (4) Prior to 2012, Inspections and Investigations included follow up visits.
- (5) The Lead Screening part of the program ended in June 2013. The focus has shifted to assessing the homes of children with lead poisoning.
- (6) Reflects activity up to August 7, 2013.
- (7) Starting 2014 number includes golf course and driving range patrons

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police:										
Stations	1	1	1	1	1	1	2	2	2	2.0
Police officers	172	190	187	197	203	199	197	209	200	208.0
Patrol units	86	83	87	84	84	87	90	108	114	114.0
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6.0
Fire fighters	135	140	140	140	141	141	102	120	123	120.0
Sanitation										
Collection trucks	3	3	3	3	3	3	3	4	4	4.0
Highways and Streets										
Streets (miles)	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5
Streetlights	7,761	7,766	7,829	7,835	7,990	7,995	8097	8097	8,106	8,106.0
Traffic signals (1)	n/a	1,622	1,622	1,622	1,622	1,622	1622	1622	1,622	195.0
Recreation										
Parks acreage	2,020	2,022	2,022	2,022	2,022	2,022	2022	2022	2,022	2,022.0
Parks	28	29	32	32	32	32	32	32	32	32.0
Swimming pools	5	5	5	5	5	4	4	4	4	4.0
Playgrounds	11	11	16	19	19	19	19	19	19	19.0
Water										
Water mains (miles)	300.0	300.0	310.0	310.0	310.0	310.0	310.0	310.0	310.0	310.0
Fire hydrants	n/a	1,708	1,819	1,819	1,816	1,818	1820	1817	1,817	1,817.0
Maximum daily capacity (millions of gallons)	30.0	30.0	30.0	30.0	30.0	30	30	35	35	35.0
Sewer										
Sanitary sewers (miles)	293.0	293.0	283.0	283.0	283.0	283	283	283	283	283.0
Storm sewers (miles)	185.0	185.0	165.0	165.0	165.0	165.0	165	165	165	165.0
Maximum daily treatment capacity (millions of gallons)	40.0	40.0	40.0	40.0	40.0	40	40	40	40	40.0
Golf										
Number of courses	1	1	1	1	1	1	1	1	1	1.0

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

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
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.