

CITY OF ALLENTOWN
Pennsylvania

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**



ED PAWLOWSKI
MAYOR

BRENT HARTZELL
DIRECTOR OF FINANCE

DEBI BOWMAN
DEPUTY DIRECTOR OF FINANCE & TREASURY

For the year ended
December 31, 2015

**CITY OF ALLENTOWN, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015**



MAYOR

Ed Pawlowski

CITY COUNCIL

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Julio A. Guridy, Vice President
Joseph Davis
Jeanette Eichenwald
Jeff Glazier
Daryl Hendricks
Cynthia Y. Mota

CITY CONTROLLER

Mary Ellen Koval

CITY SOLICITOR

Susan Wild, Esq.

Brent Hartzell, 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. Other major industries include apparel, electrical and electronic equipment and fabricated metal products. Investments have remained strong in Allentown and the Lehigh Valley area relative to the state and northeast as a whole.

TRANSPORTATION

Interstate 78, U.S. Routes 22, 222 and 309 and several state highways radiate from the City and the Lehigh Valley and provide access to the major markets and ports of the East. The Northeast Extension of the Pennsylvania Turnpike is located approximately three miles west of the City. Railroads serving the Lehigh Valley area include the Consolidated Rail Corporation and the Canadian Pacific Railroad. Conrail has a large classification yard in the Allentown area.

AMENITIES

The City of Allentown is home to a variety of cultural, recreational and educational facilities including two colleges, a AAA minor league baseball stadium, multiple museums, theater companies, orchestras, and bands. The 10,000 seat PPL Arena serves as home to the Lehigh Valley Phantoms of the American Hockey League and the Lehigh Valley Steelhawks of American Indoor Football. It is also a popular concert venue. The City maintains 2,000 acres of park land, well above the national average.

CITY OF ALLENTOWN, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2015

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Brent Hartzell

Director of Finance

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June 28, 2016

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, 2015 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 2015.

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 practical 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 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: 2015 was a year of extraordinary economic growth and building in the heart of Downtown Allentown. The 8,500 seat PPL Center is now open and is home to the Lehigh Valley Phantoms, the American Hockey League affiliate of the Philadelphia Flyers. Also opening in 2015 were an 11-floor office building, housing the headquarters of National Penn Bancshares; the 180-room Marriott Renaissance Hotel attached to the PPL Center; a nearby 167,000 square-foot, \$50 million seven-story office and retail building; and more than 168 luxury apartments in the Center City.

This economic development success comes as a direct result of state legislation. Passed in 2009 and 2011 and unique to the City of Allentown, the Neighborhood Improvement Zone law (NIZ) 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.

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

In 2015, Standard and Poor's maintained the City's bond rating at a A+(SPUR) with a stable outlook and Moody's affirmed the City's A3 rating with a stable outlook.

City administration continued to work diligently with City Council and the Controller to achieve significant cost containment.

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

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

Sincerely,



Brent Hartzell
Director of Finance



Debi Bowman
Deputy Director of Finance and Treasury



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Allentown
Pennsylvania**

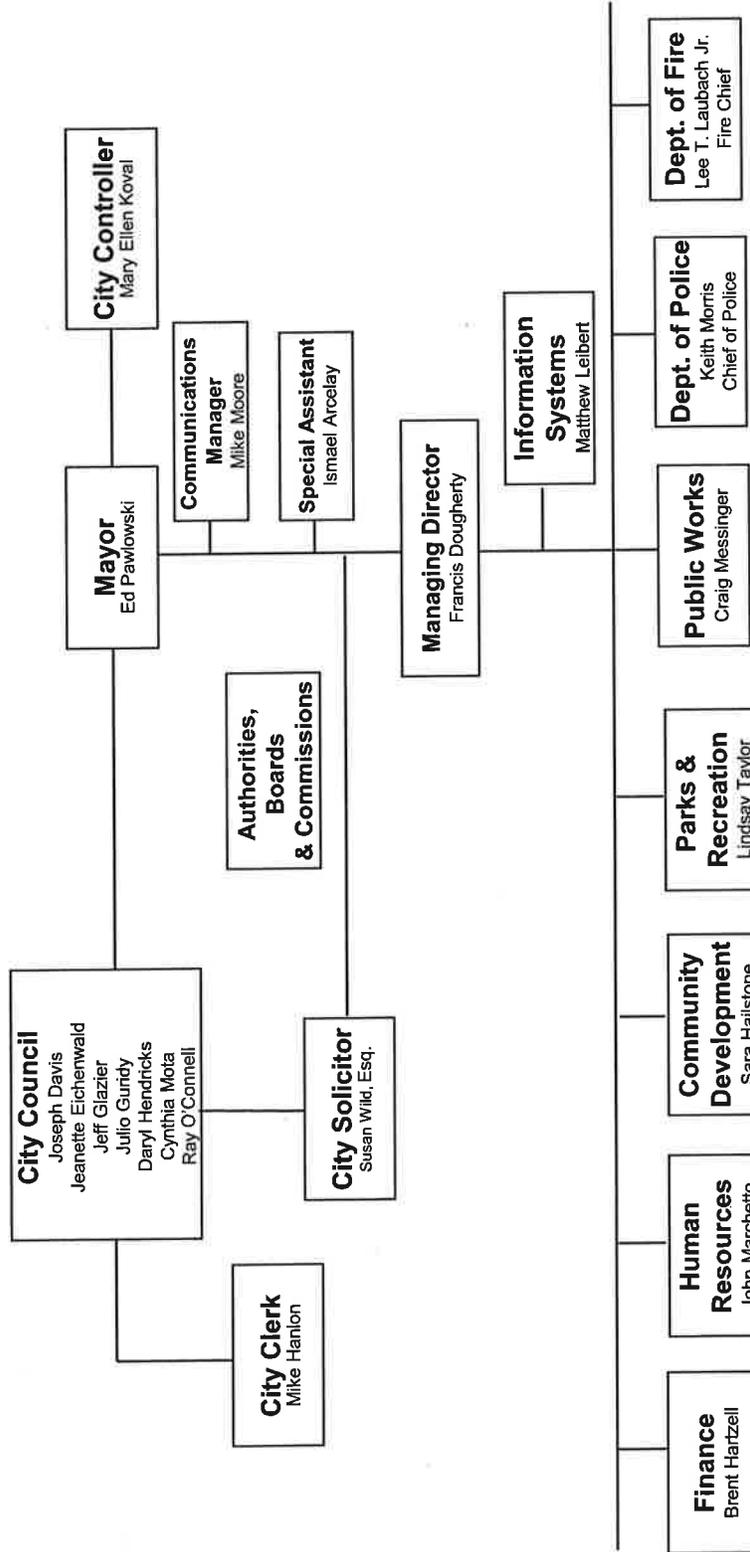
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

City of Allentown

2015 Organizational Chart



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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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," which requires the City to record its net pension liability and related items on the government-wide and proprietary fund financial statements. Our opinion is not modified with respect to that matter.

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, 107 through 113, and 114 through 126, 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 28, 2016, 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.

Mahe Duessel

Harrisburg, Pennsylvania
June 28, 2016

**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, 2015. 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, 2015. 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 2015, the City's total net position increased by \$1,463,040. The net position of governmental activities increased by \$2,030,203 and the net position of business-type activities decreased by \$567,163.

The City restated its 2014 net position significantly downward due to mandated accounting procedures now in effect. The 2015 City financial statements incorporate for the first time the requirements of Statements No. 68 and 71 from the Governmental Accounting Standards Board (GASB) that require the long-term costs of employee pensions to be included in determining the net position of the City. The new GASB standards require not only a current estimate of outstanding pension liability, but also a downward asset adjustment equal to the one-time cash infusion to City pension funds following the 2013 lease of the City's water and sewer systems to the Lehigh County Authority. This latter adjustment enables the net cost of pension obligations to be accurate hereafter, but the one-time impact of this adjustment lowers the City's government-wide net position by approximately \$150 million. However, this adjustment would appear in the recurring cost estimate absent the lease proceeds and, thus, the resulting long-term effect of the GASB statements is vastly less dire.

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

Property tax rates as a composite of land and improvement assessments remained at 5.81 mills for 2015.

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.

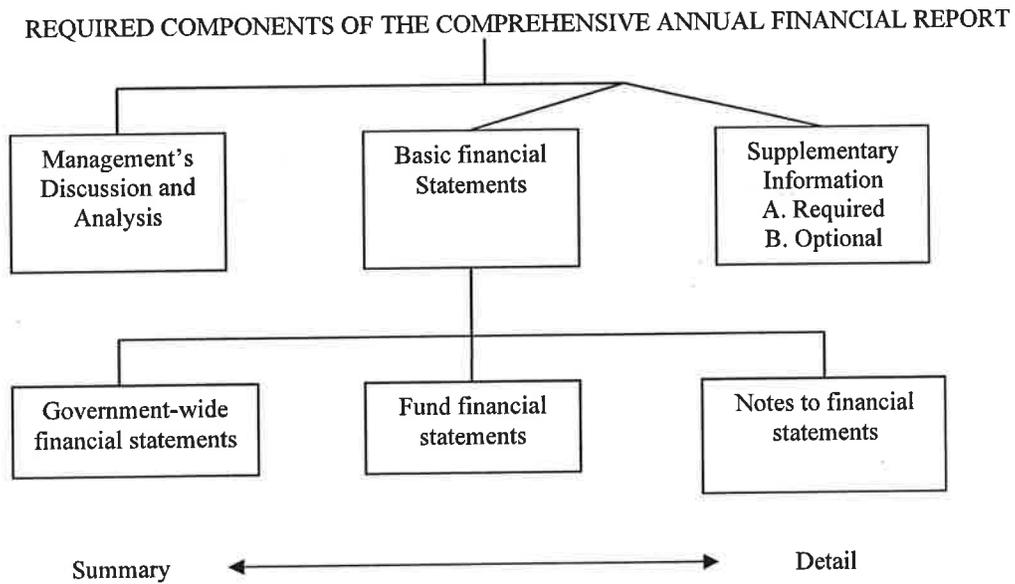
The basic financial statements present two different views of the City.

- *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.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

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



City of Allentown, Pennsylvania
 Management's Discussion and Analysis

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

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

	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.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

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 nine governmental funds that the City maintains (General, Liquid Fuels, Community Development Block Grant, Revolving Loan, Debt Service, Capital Projects, Trexler, E-911, and Grants) are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The City adopts an annual budget for the general, liquid fuels, debt service, community development block grant, trexler, E-911, capital projects, and grants funds, as required by state law. Budgetary comparisons for the general fund are presented as required supplementary information. Budgetary comparisons for the capital projects fund, liquid fuels fund, community development block grant, trexler, E-911, debt service, and grants 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.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The City's total assets were \$333,045,909 at December 31, 2015. Of this amount, \$230,015,998 was capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
Current and other assets	\$ 64,435,228	\$ 62,959,667	\$ 8,968,934	\$ 9,139,272	\$ 73,404,162	\$ 72,098,939
Capital assets, net	224,560,098	210,102,073	5,455,900	5,959,179	230,015,998	216,061,252
Other non-current assets	29,625,749	29,828,571	-	-	29,625,749	29,828,571
Total Assets	318,621,075	302,890,311	14,424,834	15,098,451	333,045,909	317,988,762
Deferred Outflows of Resources:						
Deferred outflows of resources for pensions	19,929,272	1,407,523	239,231	151,365	20,168,503	1,558,888
Deferred charge on refunding	128,599	-	-	-	128,599	-
Total Deferred Outflows of Resources	20,057,871	1,407,523	239,231	151,365	20,297,102	1,558,888
Current and other liabilities	22,603,689	22,721,023	2,323,501	2,404,959	24,927,190	25,125,982
Long-term liabilities	179,369,484	144,664,043	2,080,512	2,020,069	181,449,996	146,684,112
Total Liabilities	201,973,173	167,385,066	4,404,013	4,425,028	206,377,186	171,810,094
Deferred Inflows of Resources:						
Utility system concession lease	211,963,260	213,911,105	-	-	211,963,260	213,911,105
Deferred inflows of resources for pensions	22,571	311,924	2,427	-	24,998	311,924
Total Deferred inflows of Resources	211,985,831	214,223,029	2,427	-	211,988,258	214,223,029
Net position:						
Net investment in capital assets	149,413,132	143,512,599	4,965,265	5,267,292	154,378,397	148,779,891
Restricted	9,560,549	9,519,034	-	-	9,560,549	9,519,034
Unrestricted	(234,253,739)	(230,341,894)	5,292,360	5,557,496	(228,961,379)	(224,784,398)
Total Net Position	\$ (75,280,058)	\$ (77,310,261)	\$ 10,257,625	\$ 10,824,788	\$ (65,022,433)	\$ (66,485,473)

During 2015, the City's net position increased by \$1,463,040 to (\$65,022,433).

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, 2015. 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	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 16,948,210	\$ 19,318,324	\$ 16,183,363	\$ 15,912,862	\$ 33,131,573	\$ 35,231,186
Operating grants and contributions	13,172,892	16,149,411	411,842	621,636	13,584,734	16,771,047
Capital grants	12,033,696	14,981,948	-	-	12,033,696	14,981,948
General revenues:						
Taxes	59,959,705	58,012,491	-	-	59,959,705	58,012,491
Investment earnings	19,919	28,820	-	-	19,919	28,820
Unrestricted grants/contributions	12,631,023	11,484,314	-	-	12,631,023	11,484,314
Total revenues	114,765,445	119,975,308	16,595,205	16,534,498	131,360,650	136,509,806
Expenses:						
General government	18,476,854	19,866,840	-	-	18,476,854	19,866,840
Public safety	57,643,493	53,806,692	-	-	57,643,493	53,806,692
Community development	6,521,109	7,443,093	-	-	6,521,109	7,443,093
Public works	16,755,390	19,032,550	-	-	16,755,390	19,032,550
Health and sanitation	3,201,951	2,944,949	-	-	3,201,951	2,944,949
Parks and recreation	6,267,874	5,687,877	-	-	6,267,874	5,687,877
Water and sewer	-	1,033,067	-	-	-	1,033,067
Interest long-term debt	4,822,575	4,419,672	-	-	4,822,575	4,419,672
Municipal golf course	-	-	1,180,801	1,220,773	1,180,801	1,220,773
Solid waste fund	-	-	15,027,563	14,599,155	15,027,563	14,599,155
Total expenses	113,689,246	114,234,740	16,208,364	15,819,928	129,897,610	130,054,668
Change in net position before special items and transfers	1,076,199	5,740,568	386,841	714,570	1,463,040	6,455,138
Transfers	954,004	1,029,924	(954,004)	(1,029,924)	-	-
Special items	-	(372,895)	-	-	-	(372,895)
Change in net position	2,030,203	6,397,597	(567,163)	(315,354)	1,463,040	6,082,243
Net position beginning	(77,310,261)	107,337,847	10,824,788	12,245,073	(66,485,473)	119,582,920
Adjustment to net position due to implementation of GASB statement No. 68 and 71	-	(191,045,705)	-	(1,104,931)	-	(192,150,636)
Net position ending	\$ (75,280,058)	\$ (77,310,261)	\$ 10,257,625	\$ 10,824,788	\$ (65,022,433)	\$ (66,485,473)

Total government-wide revenues of \$131.3 million came primarily from taxes of \$59.9 million, representing 45.7 percent of the total. Charges for services at \$33.1 million made up the second largest source at 25.2 percent, followed by operating and capital grants, and contributions of \$25.6 million, or 19.5 percent, and other revenue sources made up the remaining 9.6 percent.

Total expenses for all programs in 2015 were \$129.8 million. The expenses cover a range of services, with the largest being public safety at \$57.6 million or 44.4 percent. The second largest program area was general government at \$18.4 million or 14.2 percent, followed by public works

City of Allentown, Pennsylvania
 Management's Discussion and Analysis

at \$16.7 million or 12.9 percent, then the solid waste fund at \$15 million or 11.6 percent, followed by community development at \$6.5 million or 5.0 percent, then by parks and recreation at \$6.2 million or 4.8 percent, followed by interest on outstanding debt at \$4.8 million or 3.7 percent, then health and sanitation at \$3.2 million or 2.5 percent, then golf course at \$1.1 million or 0.9 percent.

Capital and operating grants and contributions decreased by \$6.1 million from 2014 to 2015 primarily due to grants for bridge infrastructure.

Public Safety expenses increased \$3.8 million, which was due to increase in personnel costs and professional services.

Government-wide charges for services decreased \$2 million, which is due to the decline in prior water and sewer receipts as the City phases out the outstanding balances due the City.

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 2015, real estate and Act 511 taxes brought in \$59.9 million. There were \$12.6 million in grants and contributions not restricted to specific purposes. Table A-5 depicts the net program expenses for the years ended December 31, 2015 and 2014.

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

	Total cost of services		Net cost of services	
	2015	2014	2015	2014
Program:				
General government	\$ 18,476,854	\$ 19,866,840	\$ 10,925,871	\$ 10,459,469
Public safety	57,643,493	53,806,692	52,322,923	47,267,713
Community development	6,521,109	7,443,093	782,583	296,362
Public works	16,755,390	19,032,550	2,281,416	2,242,123
Health and sanitation	3,201,951	2,944,949	1,022,228	885,651
Parks and recreation	6,267,874	5,687,877	4,247,592	3,408,905
Water and sewer	-	1,033,067	(4,870,740)	(5,194,838)
Interest on long-term debt	4,822,575	4,419,672	4,822,575	4,419,672
Municipal golf course	1,180,801	1,220,773	(115,463)	(30,151)
Solid waste fund	15,027,563	14,599,155	(271,378)	(684,419)
Total expenses	\$ 129,897,610	\$ 130,054,668	\$ 71,147,607	\$ 63,070,487

City of Allentown, Pennsylvania
 Management's Discussion and Analysis

The City relied on real estate tax, Act 511 taxes and other general revenues to fund 54.8 percent of its governmental and business-type activities in 2015.

Property taxes and other general revenues covered 59.1 percent of general government spending with the remainder coming from grants and fees for specific services. Nearly 90.8 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 12.0 percent by fees, charges for service, and the balance from Community Development Block Grant (CDBG) funding.

Public works spending were covered 86.4 percent by program revenues, 68.6 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 31.9 percent of its revenue from program revenues, 57.3 percent of which was in the form of grants. Parks and recreation expenses were covered 32.2 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, 2015, net of accumulated depreciation, was \$230 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Table A-6 is a summary of capital assets at December 31, 2015 and 2014.

Table A-6: Capital assets at December 31, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Construction in progress						
Land	\$ 9,809,945	\$ 9,809,945	\$ 1,134,759	\$ 1,134,759	\$ 10,944,704	\$ 10,944,704
Art	95,166	95,166	-	-	95,166	95,166
Assets under concession lease	67,831,222	67,831,222	-	-	67,831,222	67,831,222
Construction in progress	21,233,972	61,238,724	-	-	21,233,972	61,238,724
Buildings	4,775,427	5,157,277	691,830	723,352	5,467,257	5,880,629
Land and building improvements	18,591,445	18,181,760	1,422,616	1,594,201	20,014,061	19,775,961
Machinery and equipment	11,275,073	11,803,949	1,306,330	1,623,966	12,581,403	13,427,915
Vehicles	5,436,182	4,160,020	871,415	853,573	6,307,597	5,013,593
Infrastructure	85,511,666	31,824,010	-	-	85,511,666	31,824,010
Distribution and collection systems	-	-	28,950	29,328	28,950	29,328
Total	\$ 224,560,098	\$ 210,102,073	\$ 5,455,900	\$ 5,959,179	\$ 230,015,998	\$ 216,061,252

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

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Debt Administration

Long-term debt:

At December 31, 2015, the City had \$105 million of debt outstanding, including bonds, notes, and capital leases. This was a net increase of \$9.6 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	
	2015	2014	2015	2014	2015	2014
Capital lease	\$ 1,427,208	\$ 1,855,031	\$ 490,635	\$ 691,887	\$ 1,917,843	\$ 2,546,918
Bonds and notes	84,851,746	68,793,268	-	-	84,851,746	68,793,268
Pension obligation bonds	18,290,000	24,130,000	-	-	18,290,000	24,130,000
Total	\$ 104,568,954	\$ 94,778,299	\$ 490,635	\$ 691,887	\$ 105,059,589	\$ 95,470,186

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, 2015 was approximately \$228.9 million, and the total debt outstanding was \$104.6 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2015 was approximately \$320.4 million and the total debt outstanding was \$86.3 million. For computation purposes, the \$104.6 million has been reduced by \$18.3 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, 2015 and 2014 were as follows. Table A-8 also presents changes from 2014 to 2015.

Table A-8: Revenues by source, governmental funds

	<u>2015</u>	<u>2014</u>	<u>Changes from 2014 to 2015</u>	<u>Percent change</u>
Revenues:				
Taxes	\$ 59,786,702	\$ 57,874,403	\$ 1,912,299	3.3
Licenses and permits	5,845,880	6,309,428	(463,548)	(7.3)
Charges for services	6,312,663	8,271,223	(1,958,560)	(23.7)
Fines and forfeits	690,926	748,687	(57,761)	(7.7)
Investment earnings	19,919	28,820	(8,901)	(30.9)
Intergovernmental revenues	36,574,646	39,416,740	(2,842,094)	(7.2)
Other	1,610,936	3,766,919	(2,155,983)	(57.2)
Total revenues	<u>\$ 110,841,672</u>	<u>\$ 116,416,220</u>	<u>\$ (5,574,548)</u>	<u>(4.8)</u>

Governmental fund revenues totaled \$110.8 million for the year ended December 31, 2015. This is a decrease of \$5.6 million from 2014, primarily due to a decrease in the amount of capital grants for bridge infrastructure and water and sewer collections in charges for service.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2015 and 2014 were as follows. Table A-9 also presents changes from 2014 to 2015.

Table A-9: Expenditures by function, governmental funds

	2015	2014	Changes from 2014 to 2015	Percent change
Expenditures:				
General government	\$ 14,227,338	\$ 16,352,843	\$ (2,125,505)	(13.0)
Public safety	49,929,150	47,934,281	1,994,869	4.2
Community development	6,199,566	7,047,296	(847,730)	(12.0)
Public works	13,658,527	12,413,386	1,245,141	10.0
Health and sanitation	3,095,730	2,877,343	218,387	7.6
Parks and recreation	5,427,035	5,008,229	418,806	8.4
Water and sewer	-	1,033,067	(1,033,067)	(100.0)
Debt service:				
Principal	14,310,040	8,898,300	5,411,740	60.8
Interest	3,841,537	3,733,786	107,751	2.9
Capital outlay	18,815,450	24,851,039	(6,035,589)	(24.3)
Total expenditures	\$ 129,504,373	\$ 130,149,570	\$ (645,197)	(0.5)

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects, and debt service fund which are considered major funds. Non-major funds which include the liquid fuels fund, the CDBG (community development block grant) fund, revolving loan fund, the trexler fund, grants 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 \$129.5 million for the year ended December 31, 2015, a decrease of 0.5 percent from 2014. In 2015, from the proceeds of the utility system concession lease, an additional \$5.5 million debt payment was made on the City's pension obligation bond.

Governmental fund balances and net position of enterprise funds

Table A-10 reflects ending fund balances for governmental funds and the net position for enterprise funds at December 31, 2015 and 2014.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

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

	2015		2014	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	\$ 27,891,893	\$ -	\$ 34,018,330	\$ -
Liquid Fuels Fund	1,602,811	-	1,273,125	-
Community Development				
Block Grant	4,942,519	-	4,943,790	-
Trexler	4,289	-	(44,940)	-
Capital Projects	11,131,988	-	776,285	-
E-911	689,638	-	429,133	-
Revolving Loan	1,327,657	-	1,327,604	-
Grants Fund	12,500	-	-	-
Municipal Golf Course	-	2,081,547	-	2,309,713
Solid Waste Fund	-	8,176,078	-	9,620,006
Total	\$ 47,603,295	\$ 10,257,625	\$ 42,723,327	\$ 11,929,719

The City's governmental funds reported a combined fund balance of \$47.6 million at December 31, 2015. Of the total, \$4.9 million is restricted for CDBG projects, \$11.1 million is restricted for capital acquisitions, \$1.6 million is restricted for liquid fuels, \$1.3 million is restricted for the revolving loan fund, and \$0.6 million is restricted for the E-911 fund.

The General Fund balance decreased \$6.1 million of which \$5.5 million reflects 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's fiscal year differs from those of the Commonwealth and the federal government, it is difficult to know what grants will be forthcoming in the City's fiscal year. Some revenue variances are due to budgeting for grants not received. Other revenue variances are based on grants received but not anticipated.

The 2015 City general fund budget anticipated an effective operating deficit of \$5.2 million in addition to pension obligation bond remittances. However, stable tax revenue and sharply

constrained spending enabled the effective 2015 operating deficit to be only \$0.7 million, and the 2016 City budget anticipates a small general fund surplus.

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 41,000 rounds of golf in 2015.

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 and contains, the Allentown School District and the government of Lehigh County within its boundaries. Allentown is also home to Muhlenberg College, Cedar Crest College and a branch campus of Lehigh Carbon Community College.

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

2015 was a year of extraordinary economic growth and building in the heart of Downtown Allentown. The 8,500 seat PPL Center is now open and is home to the Lehigh Valley Phantoms, the American Hockey League (AHL) affiliate of the Philadelphia Flyers. An 11-floor office building, housing the headquarters of National Penn Bancshares opened for business in 2015. The 180-room Marriott Renaissance Hotel attached to the arena also opened in 2015, as did a nearby 167,000 square-foot, \$50 million seven story office and retail building and more than 168 luxury apartments in the Center City.

This economic development success comes as a direct result of state legislation. Passed in 2009 and 2011 and unique to the City of Allentown, the Neighborhood Improvement Zone law (NIZ) 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.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

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 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 2015, 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. PPL, Air Products, Talen Energy, Lehigh Portland Cement, Nestle, Olympus and LSI have selected the area as their headquarters or as the location of principal facilities.

SUMMARY

The City of Allentown saw significant economic development in 2015, and City government demonstrated further accomplishment toward achieving long-term financial and community stability. Much work remains for the City to continue being effective stewards of the City's resources. While most City expenses throughout 2015 remained relatively stable due to stringent monitoring and management practices, certain costs continue to increase at rates above the Consumer Price Index, particularly in risk management. Revenue initiatives and cost control measures will continue apace to mitigate financial risk. City Administration, working with Council and the City Controller, will lead the way to ensure that the successes of 2015 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.

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CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2015

Assets	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current assets:				
Cash and cash equivalents	\$ 25,733,089	\$ 7,995,995	\$ 33,729,084	\$ 3,852,921
Cash and cash equivalents - restricted	-	-	-	70,468
Investments - restricted	15,173,504	-	15,173,504	980,000
Receivables (net of allowance for uncollectible):				
Taxes	12,418,101	-	12,418,101	-
Accounts	2,624,321	736,906	3,361,227	298,052
Grants	5,531,509	296,347	5,827,856	-
Other current assets	6,726	-	6,726	28,862
Inventory	-	16,134	16,134	34,197
Prepaid expenses	-	-	-	124,371
Prepaid debt insurance	739,579	-	739,579	-
Due from pension trust funds	67,811	-	67,811	-
Due from component unit	1,136,841	-	1,136,841	-
Due from other governments	927,299	-	927,299	20,227
Internal balances	76,448	(76,448)	-	-
Total current assets	64,435,228	8,968,934	73,404,162	5,409,098
Noncurrent assets:				
Capital assets, net:				
Land	9,809,945	1,134,759	10,944,704	8,664,159
Assets under concession lease	67,831,222	-	67,831,222	-
Buildings	4,775,427	691,830	5,467,257	-
Land and building improvements	18,591,445	1,422,616	20,014,061	50,562,255
Machinery and equipment	11,370,239	1,306,330	12,676,569	472,758
Vehicles	5,436,182	871,415	6,307,597	427,516
Distribution and collection systems	-	28,950	28,950	-
Construction in progress	21,233,972	-	21,233,972	55,408
Infrastructure	85,511,666	-	85,511,666	-
Total capital assets, net	224,560,098	5,455,900	230,015,998	60,182,096
Loans and notes receivable	5,636,049	-	5,636,049	2,732,837
Utility system concession lease receivable	23,300,000	-	23,300,000	-
Property held for development	689,700	-	689,700	263,622
Total noncurrent assets	254,185,847	5,455,900	259,641,747	63,178,555
Total Assets	318,621,075	14,424,834	333,045,909	68,587,653
Deferred Outflows of Resources				
Deferred outflows of resources for pensions	19,929,272	239,231	20,168,503	215,422
Deferred charge on refunding	128,599	-	128,599	679,394
Total Deferred Outflows of Resources	20,057,871	239,231	20,297,102	894,816

(Continued)

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	6,420,299	1,817,820	8,238,119	2,563,674
Wages payable	1,389,622	51,928	1,441,550	-
Accrued interest payable	514,258	-	514,258	-
Claims liability	2,007,695	-	2,007,695	-
Other liabilities	1,123,518	101,763	1,225,281	446,152
Due to pension trust funds	49,950	-	49,950	-
Due to primary government	-	-	-	1,136,841
Due to other governments	76	-	76	-
Compensated absences	3,849,934	145,556	3,995,490	-
Unearned revenue	866,030	-	866,030	258,184
Developer escrow deposits	-	-	-	65,241
Facility contractual obligation	154,119	-	154,119	-
Capital leases payable	424,868	206,434	631,302	139,918
Notes and bonds payable, current maturities	5,803,320	-	5,803,320	935,000
Total current liabilities	22,603,689	2,323,501	24,927,190	5,545,010
Noncurrent liabilities:				
Capital leases payable	1,002,340	284,201	1,286,541	130,005
Compensated absences	37,781	17,859	55,640	-
Unearned revenue	-	-	-	8,808,626
Net pension liability	67,058,524	1,443,926	68,502,450	46,094
Other post-employment benefit liability	13,932,413	334,526	14,266,939	103,473
Notes and bonds payable	97,338,426	-	97,338,426	34,258,361
Total noncurrent liabilities	179,369,484	2,080,512	181,449,996	43,346,559
Total Liabilities	201,973,173	4,404,013	206,377,186	48,891,569
Deferred Inflows of Resources				
Utility system concession lease	211,963,260	-	211,963,260	-
Deferred inflows of resources for pensions	22,571	2,427	24,998	-
Total Deferred Inflows of Resources	211,985,831	2,427	211,988,258	-
Net Position				
Net investment in capital assets	149,413,132	4,965,265	154,378,397	25,398,206
Restricted for:				
Public works	1,602,811	-	1,602,811	-
Community development	6,420,165	-	6,420,165	953,241
Public safety	689,638	-	689,638	-
Pension benefits	847,935	-	847,935	-
Unrestricted	(234,253,739)	5,292,360	(228,961,379)	(5,760,547)
Total Net Position	\$ (75,280,058)	\$ 10,257,625	\$ (65,022,433)	\$ 20,590,900

(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs:	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 18,476,854	\$ 3,761,333	\$ 3,789,650
Public safety	57,643,493	3,889,699	1,430,871
Community development	6,521,109	3,409,113	1,945,246
Public works	16,755,390	358,278	2,616,790
Health and sanitation	3,201,951	344,749	1,834,974
Parks and recreation	6,267,874	314,298	1,555,361
Water and sewer	-	4,870,740	-
Interest on long-term debt	4,822,575	-	-
Total governmental activities	113,689,246	16,948,210	13,172,892
Business-type activities:			
Solid Waste Fund	15,027,563	14,901,702	397,239
Municipal Golf Course	1,180,801	1,281,661	14,603
Total business-type activities	16,208,364	16,183,363	411,842
Total primary government	\$ 129,897,610	\$ 33,131,573	\$ 13,584,734
Component units:			
Redevelopment Authority of the City of Allentown	\$ 191,509	\$ 106	\$ 396,686
Allentown Parking Authority	7,991,984	7,401,415	451,130
Total component units	\$ 8,183,493	\$ 7,401,521	\$ 847,816
General revenues:			
Property taxes			
Act 511			
Utility realty			
Deed transfer tax			
Grants and contributions not restricted to specific purposes			
Gain on sale of capital assets			
Investment earnings			
Transfers			
Total general revenues and transfers			
Change in Net Position			
Net Position:			
Beginning of year - restated			
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
\$ -	\$ (10,925,871)	\$ -	\$ (10,925,871)	\$ -
-	(52,322,923)	-	(52,322,923)	-
384,167	(782,583)	-	(782,583)	-
11,498,906	(2,281,416)	-	(2,281,416)	-
-	(1,022,228)	-	(1,022,228)	-
150,623	(4,247,592)	-	(4,247,592)	-
-	4,870,740	-	4,870,740	-
-	(4,822,575)	-	(4,822,575)	-
<u>12,033,696</u>	<u>(71,534,448)</u>	<u>-</u>	<u>(71,534,448)</u>	<u>-</u>
-	-	271,378	271,378	-
-	-	115,463	115,463	-
-	-	386,841	386,841	-
<u>\$ 12,033,696</u>	<u>(71,534,448)</u>	<u>386,841</u>	<u>(71,147,607)</u>	<u>-</u>
\$ -	-	-	-	205,283
-	-	-	-	(139,439)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,844</u>
	30,121,707	-	30,121,707	-
	28,353,270	-	28,353,270	-
	67,229	-	67,229	-
	1,417,499	-	1,417,499	-
	12,631,023	-	12,631,023	-
	-	-	-	804,762
	19,919	-	19,919	33,377
	954,004	(954,004)	-	-
	<u>73,564,651</u>	<u>(954,004)</u>	<u>72,610,647</u>	<u>838,139</u>
	2,030,203	(567,163)	1,463,040	903,983
	(77,310,261)	10,824,788	(66,485,473)	19,686,917
	<u>\$ (75,280,058)</u>	<u>\$ 10,257,625</u>	<u>\$ (65,022,433)</u>	<u>\$ 20,590,900</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 20,358,726	\$ -	\$ 750	\$ 2,658,084	\$ 23,017,560
Investments - restricted	56,123	15,117,381	-	-	15,173,504
Receivables:					
Taxes	12,418,101	-	-	-	12,418,101
Loans	133,200	-	-	5,502,849	5,636,049
Accounts	1,976,778	105,643	-	216	2,082,637
Grants	1,056,812	2,414,726	-	2,059,971	5,531,509
Utility system concession lease	23,300,000	-	-	-	23,300,000
Interest	-	-	-	6,726	6,726
Due from pension trust funds	67,811	-	-	-	67,811
Due from other funds	7,290,657	2,367,546	-	460,034	10,118,237
Due from component unit	1,136,841	-	-	-	1,136,841
Total Assets	\$ 67,795,049	\$ 20,005,296	\$ 750	\$ 10,687,880	\$ 98,488,975
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 2,646,745	\$ 2,655,220	\$ 750	\$ 116,836	\$ 5,419,551
Wages payable	1,342,432	-	-	43,681	1,386,113
Due to other funds	2,827,580	6,080,699	-	1,133,510	10,041,789
Due to pension trust funds	49,950	-	-	-	49,950
Due to other governments	76	-	-	-	76
Unearned revenue	-	85,000	-	781,030	866,030
Other liabilities	1,037,720	52,389	-	33,409	1,123,518
Total Liabilities	7,904,503	8,873,308	750	2,108,466	18,887,027
Deferred Inflows of Resources:					
Unavailable revenue - taxes	8,275,290	-	-	-	8,275,290
Unavailable revenue - utilities	423,363	-	-	-	423,363
Unavailable revenue - utility system concession lease	23,300,000	-	-	-	23,300,000
Total Deferred Inflows of Resources	31,998,653	-	-	-	31,998,653
Fund Balance:					
Restricted	981,135	11,131,988	-	8,579,414	20,692,537
Assigned	8,872,191	-	-	-	8,872,191
Unassigned	18,038,567	-	-	-	18,038,567
Total Fund Balance	27,891,893	11,131,988	-	8,579,414	47,603,295
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 67,795,049	\$ 20,005,296	\$ 750	\$ 10,687,880	\$ 98,488,975

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, 2015

Total Fund Balance - Governmental Funds		\$ 47,603,295
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.		224,560,098
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
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds.		31,998,653
Prepaid debt insurance is reported as an asset and amortized on the statement of net position.		739,579
Utility system concession lease is required to be amortized over the life of the lease for governmental activities.		(211,963,260)
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	\$ (514,258)	
Facility contractual obligation	(154,119)	
Notes and bonds payable	(103,141,746)	
Less: deferred charge on refunding	128,599	
Capital leases payable	(1,427,208)	
Compensated absences	(3,877,022)	
Other post-employment benefits liability	(13,932,413)	
Net pension liability, net of related deferred inflows and outflows of resources	<u>(47,151,823)</u>	(170,069,990)
Assets and liabilities of the internal service fund reported in the statement of net position are used to charge the costs of insurance to individual funds and are not reported in the governmental funds.		<u>1,161,867</u>
Total Net Position - Governmental Activities		<u><u>\$ (75,280,058)</u></u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 59,786,702	\$ -	\$ -	\$ -	\$ 59,786,702
Licenses and permits	5,845,880	-	-	-	5,845,880
Charges for services	6,125,432	187,231	-	-	6,312,663
Fines and forfeits	690,926	-	-	-	690,926
Investment earnings	11,359	8,198	-	362	19,919
Intergovernmental revenues	12,676,912	12,033,696	-	11,864,038	36,574,646
Other	1,364,806	91,229	-	154,901	1,610,936
Total revenues	86,502,017	12,320,354	-	12,019,301	110,841,672
Expenditures:					
Current:					
General government	9,882,862	614,052	7,080	3,723,344	14,227,338
Public safety	47,083,845	-	-	2,845,305	49,929,150
Community development	4,297,958	-	-	1,901,608	6,199,566
Public works	11,420,344	-	-	2,238,183	13,658,527
Health and sanitation	3,095,730	-	-	-	3,095,730
Parks and recreation	4,207,875	-	-	1,219,160	5,427,035
Debt service:					
Principal	-	-	14,310,040	-	14,310,040
Interest	43,954	-	3,797,583	-	3,841,537
Capital outlay	1,977,808	16,697,822	-	139,820	18,815,450
Total expenditures	82,010,376	17,311,874	18,114,703	12,067,420	129,504,373
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,491,641	(4,991,520)	(18,114,703)	(48,119)	(18,662,701)
Other Financing Sources (Uses):					
Issuance of long-term debt	1,643,395	15,360,000	-	-	17,003,395
Refunding bonds issued	-	11,425,000	-	-	11,425,000
Premium on refunded bonds	-	745,551	-	-	745,551
Payments to refunded bond escrow agent	-	(6,634,456)	-	-	(6,634,456)
Transfers in	1,031,333	339,040	18,114,703	1,066,015	20,551,091
Transfers out	(13,292,806)	(5,887,912)	-	(367,194)	(19,547,912)
Total other financing sources (uses)	(10,618,078)	15,347,223	18,114,703	698,821	23,542,669
Net Change in Fund Balance	(6,126,437)	10,355,703	-	650,702	4,879,968
Fund Balance:					
Beginning of year	34,018,330	776,285	-	7,928,712	42,723,327
End of year	\$ 27,891,893	\$ 11,131,988	\$ -	\$ 8,579,414	\$ 47,603,295

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, 2015

Net Change in Fund Balance - Governmental Funds	\$ 4,879,968
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.	18,815,450
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.	(6,315,586)
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported in the governmental activities.	(12,764)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	15,553
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.	(624,506)
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.	(24,323)
Activities of the internal service fund are reported as net expense in the statement of activities.	(523,033)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds.	(28,428,395)
Principal payments on capital leases consumes the current financial resources of governmental funds.	427,823
The repayment of principal of long-term debt consumes the current financial resources of governmental funds.	20,944,496
The accretion of capital appreciation bonds does not consume current financial resources of governmental funds.	(1,644,600)
Governmental funds report the effect of debt issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	(734,534)
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.	216,825
The net pension liability is recorded as a liability in the government-wide financial statements, but not in the fund financial statements. This amount represents the change in the net pension liability, net of related deferred inflows and outflows of resources.	(6,424,103)
Other post-employment benefits are reported in the statement of activities but do not require the use of current financial resources.	(2,461,841)
The deferred inflow of resources from the utility system concession lease is amortized over the life of the lease in the statement of activities.	3,923,773
Change in Net Position - Governmental Activities	\$ <u>2,030,203</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2015

<u>Assets</u>	Business-type Activities - Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Total	
Current assets:				
Cash and cash equivalents	\$ 7,994,595	\$ 1,400	\$ 7,995,995	\$ 2,715,529
Accounts receivable:				
Refuse collection	1,768,249	-	1,768,249	-
Grants	296,347	-	296,347	-
Other	-	-	-	541,684
Total accounts receivable	2,064,596	-	2,064,596	541,684
Allowance for doubtful accounts	1,031,343	-	1,031,343	-
Net accounts receivable	1,033,253	-	1,033,253	541,684
Due from other governments	-	-	-	927,299
Inventories	-	16,134	16,134	-
Total current assets	9,027,848	17,534	9,045,382	4,184,512
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	3,263,390	1,057,775	4,321,165	-
Vehicles	3,950,800	239,225	4,190,025	-
Distribution and collection systems	-	37,465	37,465	-
Total capital assets	9,708,384	5,969,881	15,678,265	-
Accumulated depreciation	(6,685,533)	(3,536,832)	(10,222,365)	-
Net capital assets	3,022,851	2,433,049	5,455,900	-
Total noncurrent assets	3,022,851	2,433,049	5,455,900	-
Total Assets	12,050,699	2,450,583	14,501,282	4,184,512
Deferred Outflows of Resources				
Deferred outflows of resources for pensions	208,984	30,247	239,231	-

(Continued)

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Solid Waste Fund</u>	<u>Non-Major Fund Municipal Golf Course</u>	<u>Total</u>	<u>Internal Service Fund</u>
Liabilities				
Current liabilities:				
Accounts payable	1,807,196	10,624	1,817,820	1,000,748
Wages payable	42,347	9,581	51,928	3,509
Claims liability	-	-	-	2,007,695
Other liabilities	100,759	1,004	101,763	-
Due to other funds	-	76,448	76,448	-
Compensated absences	135,835	9,721	145,556	10,590
Capital leases payable	172,095	34,339	206,434	-
Total current liabilities	<u>2,258,232</u>	<u>141,717</u>	<u>2,399,949</u>	<u>3,022,542</u>
Noncurrent liabilities:				
Capital leases payable	249,745	34,456	284,201	-
Compensated absences	16,667	1,192	17,859	103
Net pension liability	1,261,362	182,564	1,443,926	-
Other post-employment benefit liability	295,479	39,047	334,526	-
Total noncurrent liabilities	<u>1,823,253</u>	<u>257,259</u>	<u>2,080,512</u>	<u>103</u>
Total Liabilities	<u>4,081,485</u>	<u>398,976</u>	<u>4,480,461</u>	<u>3,022,645</u>
Deferred Inflows of Resources				
Deferred inflows of resources for pensions	2,120	307	2,427	-
Net Position				
Net investment in capital assets	2,601,011	2,364,254	4,965,265	-
Unrestricted	5,575,067	(282,707)	5,292,360	1,161,867
Total Net Position	<u>\$ 8,176,078</u>	<u>\$ 2,081,547</u>	<u>\$ 10,257,625</u>	<u>\$ 1,161,867</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, 2015

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Totals	
Operating Revenues:				
Charges for services:				
Refuse collections	\$ 14,053,352	\$ -	\$ 14,053,352	\$ -
Recycling	359,885	-	359,885	-
Other charges	-	1,219,462	1,219,462	17,637,878
Miscellaneous	488,465	62,199	550,664	1,147
Total operating revenues	<u>14,901,702</u>	<u>1,281,661</u>	<u>16,183,363</u>	<u>17,639,025</u>
Operating Expenses:				
Personnel services	3,027,912	710,455	3,738,367	-
Utility services	23,341	17,519	40,860	-
Contracted services	10,931,580	70,106	11,001,686	-
Materials and supplies	384,528	145,285	529,813	-
Claims and benefits	-	-	-	18,103,437
Depreciation expense	555,826	194,551	750,377	-
Miscellaneous	104,376	42,885	147,261	-
Total operating expenses	<u>15,027,563</u>	<u>1,180,801</u>	<u>16,208,364</u>	<u>18,103,437</u>
Operating Income (Loss)	<u>(125,861)</u>	<u>100,860</u>	<u>(25,001)</u>	<u>(464,412)</u>
Non-Operating Revenues				
(Expenses):				
Grants	397,239	14,603	411,842	6,107
Total non-operating revenues (expenses)	<u>397,239</u>	<u>14,603</u>	<u>411,842</u>	<u>6,107</u>
Change in net position before transfers	271,378	115,463	386,841	(458,305)
Transfers out	<u>(750,078)</u>	<u>(203,926)</u>	<u>(954,004)</u>	<u>(64,728)</u>
Change in Net Position	<u>(478,700)</u>	<u>(88,463)</u>	<u>(567,163)</u>	<u>(523,033)</u>
Net Position:				
Beginning of year - restated	8,654,778	2,170,010	10,824,788	1,684,900
End of year	<u>\$ 8,176,078</u>	<u>\$ 2,081,547</u>	<u>\$ 10,257,625</u>	<u>\$ 1,161,867</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, 2015

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Totals	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 14,560,670	\$ 1,281,661	\$ 15,842,331	\$ 16,378,136
Payments to suppliers for services	(11,531,383)	(256,276)	(11,787,659)	(17,501,319)
Payments to employees	(2,858,753)	(693,094)	(3,551,847)	(202,287)
Net cash provided by (used in) operating activities	<u>170,534</u>	<u>332,291</u>	<u>502,825</u>	<u>(1,325,470)</u>
Cash Flows From Non-Capital Financing Activities:				
Operating grants received	397,239	14,603	411,842	6,107
Transfers out	(750,078)	(292,555)	(1,042,633)	(64,728)
Net cash used in non-capital financing activities	<u>(352,839)</u>	<u>(277,952)</u>	<u>(630,791)</u>	<u>(58,621)</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(226,983)	(20,115)	(247,098)	-
Advance from/to other fund	3,251,576	-	3,251,576	-
Payments of obligations under capital leases	(167,028)	(34,224)	(201,252)	-
Net cash provided by (used in) capital and related financing activities	<u>2,857,565</u>	<u>(54,339)</u>	<u>2,803,226</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,675,260</u>	<u>-</u>	<u>2,675,260</u>	<u>(1,384,091)</u>
Cash and Cash Equivalents:				
Beginning of year	5,319,335	1,400	5,320,735	4,099,620
End of year	<u>\$ 7,994,595</u>	<u>\$ 1,400</u>	<u>\$ 7,995,995</u>	<u>\$ 2,715,529</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (125,861)	\$ 100,860	\$ (25,001)	\$ (464,412)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	555,826	194,551	750,377	-
Amortization	17,789	2,574	20,363	-
Changes in:				
Accounts receivable	(341,032)	-	(341,032)	(513,590)
Due from other governments	-	-	-	(747,299)
Inventories	-	23,683	23,683	-
Deferred outflows of resources for pensions	(96,666)	(13,990)	(110,656)	-
Accounts payable	(102,878)	(4,457)	(107,335)	415,991
Wages payable	6,425	(259)	6,166	309
Claims liability	-	-	-	(20,396)
Other liabilities	15,320	293	15,613	-
Compensated absences	18,878	(3,920)	14,958	3,927
Net pension liability	163,907	23,723	187,630	-
Other post-employment benefit liability	54,586	8,619	63,205	-
Deferred inflows of resources for pensions	4,240	614	4,854	-
Total adjustments	<u>296,395</u>	<u>231,431</u>	<u>527,826</u>	<u>(861,058)</u>
Net cash provided by (used in) operating activities	<u>\$ 170,534</u>	<u>\$ 332,291</u>	<u>\$ 502,825</u>	<u>\$ (1,325,470)</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2015

	Pension Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 1,279,723
Interest receivable	135,127	-
Due from City's General Fund	49,950	-
Investments, at fair value:		
Money market funds	4,441,448	-
Equity mutual funds	164,369,648	-
Bond mutual funds	21,849,656	-
Corporate bonds	9,530,258	-
U.S. government obligations	34,793,069	-
U.S. government agency obligations	16,632,630	-
Total Assets	251,801,786	1,279,723
Liabilities		
Accounts payable	28,717	-
Payroll tax liability	-	1,268,719
Due to City's General Fund	67,811	-
Due to other governments	-	11,004
Total Liabilities	96,528	\$ 1,279,723
Net Position		
Restricted for pension benefits	\$ 251,705,258	

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, 2015

	<u>Pension Trust Fund</u>
Additions:	
<hr/>	
Contributions:	
Employer	\$ 4,036,160
Plan members	1,400,712
Total contributions	<u>5,436,872</u>
Investment income (loss):	
Net depreciation in fair value of investments	(6,385,251)
Interest and dividends	5,614,827
Less investment expenses	<u>(255,771)</u>
Net investment income (loss)	<u>(1,026,195)</u>
Total additions	<u>4,410,677</u>
Deductions:	
<hr/>	
Benefits paid to recipients	20,530,536
Administrative and other fees	29,019
Total deductions	<u>20,559,555</u>
Change in Net Position	(16,148,878)
Net Position:	
<hr/>	
Beginning of year	<u>267,854,136</u>
End of year	<u><u>\$251,705,258</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, 2015

Assets	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
Current assets:			
Cash and cash equivalents	\$ 628,394	\$ 3,224,527	\$ 3,852,921
Cash and cash equivalents - restricted	70,468	-	70,468
Certificates of deposit	-	980,000	980,000
Accounts receivable	-	298,052	298,052
Other current assets	-	28,862	28,862
Inventory	-	34,197	34,197
Prepaid expenses	905	123,466	124,371
Due from other governments	20,227	-	20,227
Total current assets	719,994	4,689,104	5,409,098
Noncurrent assets:			
Land	-	8,664,159	8,664,159
Land and building improvements	-	50,562,255	50,562,255
Machinery and equipment	-	472,758	472,758
Vehicles	-	427,516	427,516
Construction in progress	-	55,408	55,408
Total capital assets, net	-	60,182,096	60,182,096
Loans receivable	1,832,837	900,000	2,732,837
Property held for development	263,622	-	263,622
Total noncurrent assets	2,096,459	61,082,096	63,178,555
Total Assets	2,816,453	65,771,200	68,587,653
Deferred Outflows of Resources			
Deferred outflows of resources for pensions	-	215,422	215,422
Deferred charge on refunding	-	679,394	679,394
Total Deferred Outflows of Resources	-	894,816	894,816

(Continued)

Liabilities	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
Current liabilities:			
Accounts payable and other current liabilities	11,617	2,552,057	2,563,674
Other liabilities	-	446,152	446,152
Due to primary government	-	1,136,841	1,136,841
Unearned revenue	-	258,184	258,184
Developer escrow deposits	65,241	-	65,241
Capital lease payable	-	139,918	139,918
Notes and bonds payable, current maturities	-	935,000	935,000
Total current liabilities	<u>76,858</u>	<u>5,468,152</u>	<u>5,545,010</u>
Noncurrent liabilities:			
Capital lease payable	-	130,005	130,005
Unearned revenue	-	8,808,626	8,808,626
Net pension liability	-	46,094	46,094
Other post-employment benefit liability	-	103,473	103,473
Bonds payable	-	34,258,361	34,258,361
Total noncurrent liabilities	<u>-</u>	<u>43,346,559</u>	<u>43,346,559</u>
Total Liabilities	<u>76,858</u>	<u>48,814,711</u>	<u>48,891,569</u>
Net Position			
Net investment in capital assets	-	25,398,206	25,398,206
Restricted	953,241	-	953,241
Unrestricted	1,786,354	(7,546,901)	(5,760,547)
Total Net Position	<u>\$ 2,739,595</u>	<u>\$ 17,851,305</u>	<u>\$ 20,590,900</u>

(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, 2015

<u>Component Units:</u>	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	\$ 191,509	\$ 106	\$ 396,686	\$ 205,283	\$ -	\$ 205,283
Allentown Parking Authority	7,991,984	7,401,415	451,130	-	(139,439)	(139,439)
Total component units	\$ 8,183,493	\$ 7,401,521	\$ 847,816	205,283	(139,439)	65,844
General revenues:						
Gain on sale of capital assets				-	804,762	804,762
Investment earnings				-	33,377	33,377
Total general revenues				-	838,139	838,139
Change in Net Position				205,283	698,700	903,983
Net Position:						
Beginning of year - restated				2,534,312	17,152,605	19,686,917
End of year				\$ 2,739,595	\$ 17,851,305	\$ 20,590,900

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 of the City. The Authority, in collaboration with the City's Department of Community and Economic Development, addresses urban revitalization. The Authority is financially dependent on the City. The City is the pass-through entity for 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, 2015

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, 2015 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 segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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.

Debt Service Fund - is used to account for the accumulation of resources for, and the payment of, general long-term bonds and other debt principal, interest, and related costs.

The City reports the following nonmajor governmental funds:

Liquid Fuels Fund - is used to account for the financial activity of the City's liquid fuels tax allocation from the Commonwealth of Pennsylvania.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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. 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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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.

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

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

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

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

Cash and Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash of all funds, except pension trust funds and certain special revenue funds, is maintained in a cash and investment pool. Interest earnings, as well as gains and losses, are allocated to funds based on the average daily balances of funds invested in the pool. The balance recorded as cash and cash equivalents in each fund type is principally the allocation of the pooled cash balance. Substantially, all investments are held in the capital projects fund and the pension trust fund. Investments are carried at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

For purposes of the statement of cash flows, the City considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid investment purchases with an original maturity of three months or less to be cash equivalents.

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

- a. United States Treasury Bills.
- 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.

For purposes of the statement of cash flows, the Authority considers all cash accounts which are not subject to withdrawal restrictions or penalties as cash.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

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

The Parking Authority had no deposit or investment transactions during the year ended December 31, 2015 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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

capita tax, presented in the General Fund, was approximately \$2.3 million at December 31, 2015. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$367,000 at December 31, 2015. The allowance for accounts receivable (water and sewer charges), presented in General Fund, was approximately \$1.3 million at December 31, 2015. The allowance for accounts receivable, presented in the Solid Waste Fund, was approximately \$1 million at December 31, 2015.

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

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. The City has determined that any unused materials and supplies on hand at December 31, 2015 are immaterial.

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

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

Capital Assets

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

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 \$470,143 relating to contract services,

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 \$125,178 related to operating supplies and equipment.

Fund Balance

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

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

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Net Position

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

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on their length of employment. Vacation leave carried by employees varies depending upon collective bargaining agreements and City policy. Accumulated sick leave may be compensated to employees at the rate of \$10 to \$20 per day, depending upon employees' classification, up to 125 days upon retirement.

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 Inflows and Outflows of Resources for Pensions

In conjunction with pension accounting requirements, the effects of the differences in the City's expected and actual experience, the City contributions subsequent to the measurement date, and the difference between projected and actual earnings on pension plans investments

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

are recorded as deferred inflows or outflows of resources related to pensions on the government-wide and proprietary fund financial statements. These amounts are determined based on the actuarial valuations performed for the pension plans. Note 8 present additional information about the pension plans.

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

Deferred Charge on Refunding

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

Conduit Debt and Related Receivable

In July 2006, the 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, 2015 is \$2.53 million.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 Northeast Revenue Services, LLC for further collection and possible tax sales over an additional 30-month period.

The 2015 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, 2015, appropriate interfund receivables or payables have been established.

Self-Insurance

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2015, 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 \$2,007,695 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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Budgets

Annual budgets as required by the City Charter are adopted by City Council on a cash basis for revenues and modified accrual basis for expenditures, including appropriations to cover prior and anticipated current encumbrances. Appropriations not reserved for encumbrances lapse at year-end. Budgets are legally adopted for the General Fund, Capital Projects Fund, Debt Service Fund, and the following non-major funds: Liquid Fuels Fund, Community Development Block Grant Fund, Trexler Fund, E-911 Fund, and Grants Fund.

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

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

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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Adoption of Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 68, "Accounting and Financial Reporting for Pension Plans," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," were adopted for the year ended December 31, 2015 by the City and its component units. As a result of this implementation, net position was restated as follows:

	Governmental Activities	Business-Type Activities
Net position at January 1, 2015 - as originally stated	\$ 113,735,444	\$ 11,929,719
Remove net pension asset at January 1, 2015	(150,317,987)	-
Net pension liability at January 1, 2015	(42,135,241)	(1,256,296)
Contribution subsequent to the measurement date	1,407,523	151,365
Net position at January 1, 2015 - restated	\$ (77,310,261)	\$ 10,824,788
	Solid Waste Fund	Municipal Golf Course
Net position at January 1, 2015 - as originally stated	\$ 9,620,006	\$ 2,309,713
Net pension liability at January 1, 2015	(1,097,455)	(158,841)
Contribution subsequent to the measurement date	132,227	19,138
Net position at January 1, 2015 - restated	\$ 8,654,778	\$ 2,170,010

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

As a result of this implementation, the Parking Authority's net position was restated as follows:

	Component Units
Net position at January 1, 2015 - as originally stated	\$ 17,078,370
Net pension asset at January 1, 2015	74,235
Net position at January 1, 2015 - restated	<u>\$ 17,152,605</u>

The net pension liability and related components are described more fully in Note 8.

Pending Changes in Accounting Principles

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

In June of 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*." This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68). The provisions of GASB Statement No. 73 are effective for the City's December 31, 2016 financial statements – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the City's December 31, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." This Statement addresses reporting by other post-employment benefit (OPEB) plans that administer benefits on behalf of governments. The provisions of GASB Statement No. 74 are effective for the City's December 31, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

for employees of other governments. The provisions of GASB Statement No. 75 are effective for the City's December 31, 2018 financial statements.

In June of 2015, the GASB issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" This Statement identifies the hierarchy of generally accepted accounting principles in the context of the current governmental financial reporting environment. The provisions of GASB Statement No. 76 are effective for the City's December 31, 2016 financial statements.

In August of 2015, the GASB issued Statement No. 77, "*Tax Abatement Disclosures.*" This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. The provisions of GASB Statement No. 77 are effective for the City's December 31, 2016 financial statements.

In December of 2015, the GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*" This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of GASB Statement No. 78 are effective for the City's December 31, 2016 financial statements.

In December of 2015, the GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants.*" This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of GASB Statement No. 79 are effective for the City's December 31, 2016 financial statements.

In March of 2016, the GASB issued Statement No. 82, "*Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.*" This Statement addresses certain issues that have been raised with respect to previous pension standards. The provisions of GASB Statement No. 82 are effective for the City's December 31, 2017 and 2018 financial statements.

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 \$210,007,88, is being amortized over the lease term. The deferred inflow of resources resulting from capital construction completed on the utility system, in the amount of \$1,955,372, is being amortized over the estimated useful life of the constructed asset. The total deferred inflow of resources on the governmental activities statement of net position is being amortized as follows:

<u>Year Ending</u>	<u>Total</u>
2016	\$ 3,988,951
2017	4,488,951
2018	4,488,951
2019	4,488,951
2020	4,488,951
Thereafter	<u>190,018,505</u>
Total	<u>\$ 211,963,260</u>

For the year ended December 31, 2015, the City recognized \$3,923,773 in charges for services – water and sewer related to the lease.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

3. DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2015 consist of the following:

Petty cash	\$	6,600
Deposits		35,002,207
Investments		266,790,213
		<u>266,790,213</u>
	\$	<u>301,799,020</u>

Reconciliation to Statement of Net Position

Cash and cash equivalents:		
Governmental activities	\$	25,733,089
Business-type activities		7,995,995
Fiduciary funds		1,279,723
		<u>35,008,807</u>
Investments:		
Governmental activities		15,173,504
Fiduciary funds		251,616,709
		<u>266,790,213</u>
	\$	<u>301,799,020</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, 2015, the City's book balance was \$35,008,807 and the bank balance was \$36,414,790. Of the bank balance, \$500,000 was covered by federal depository insurance, \$190,313 was covered by National Credit Union Administration deposit insurance, and \$35,724,477 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, 2015

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, 2015, the City's investments were comprised of the following:

Money market funds	\$ 19,614,952
Equity mutual funds	164,369,648
Bond mutual funds	21,849,656
Corporate bonds	9,530,258
U.S. government obligations	34,793,069
U.S. government agency obligations	16,632,630
Total	\$ 266,790,213

As of December 31, 2015, the City had the following investments in fixed income securities and money market funds:

Investment Type	Fair Value	Investment Maturities			Rating
		2016	2017-2021	2022-2026	
Bond mutual funds	\$ 21,849,656	\$ -	\$ -	\$ 21,849,656	Aaa
Corporate bonds	642,093	-	642,093	-	AA+
Corporate bonds	4,419,673	-	4,419,673	-	AA
Corporate bonds	1,260,668	-	1,260,668	-	AA-
Corporate bonds	1,267,736	-	1,267,736	-	A+
Corporate bonds	675,817	-	675,817	-	A
Corporate bonds	1,264,271	-	1,264,271	-	A-
U.S. government obligations	34,793,069	6,410,915	28,382,154	-	AA+
U.S. government agency obligations	16,632,630	5,991,669	10,640,961	-	AA+
Money market funds	4,441,448	4,441,448	-	-	AAAm
Money market funds	15,173,504	15,173,504	-	-	A-1+
Total fixed income securities	\$ 102,420,565	\$ 32,017,536	\$ 48,553,373	\$ 21,849,656	

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Interest Rate Risk

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

Credit Risk

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

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, 2015, the carrying amount of the Authority's bank deposits was \$698,862. The corresponding bank balance at December 31, 2015 was \$698,928, of which \$315,241 is covered by federal deposit insurance. The remaining \$383,687 of deposits is exposed to custodial risk because it is uninsured and collateralized with securities held by the pledging

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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financial institution's trust department or agent, but not in the Authority's name. The Authority is covered by a collateral pool consisting of acceptable securities as outlined under Act No. 72, 1971 Session of Pennsylvania Legislature.

Parking Authority

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

Custodial credit risk is the risk that in the event of a bank failure, the Parking Authority's deposits may not be returned to it. The Parking Authority does not have a deposit policy for custodial credit risk. As of December 31, 2015, \$2,928,018 of the Parking Authority's bank balance of \$4,213,442 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), who oversees, reviews, and supervises the activities of all consultants and professional advisers to PSDLAF. The Trustees also retain an Executive Director of the fund who acts as a consultant to PSDLAF and performs such consulting and advisory services with respect to matters concerning the

CITY OF ALLENTOWN, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2015

operations and activities of PSDLAF as may from time to time be reasonably requested by the Trustees. An independent investment company has been appointed by the Trustees to act as PSDLAF's investment adviser. The fair value of the Parking Authority's position in PSDLAF is the same as the value of the pool shares and matures in less than one year. The Parking Authority's investment in PSDLAF has been rated AAAM, the highest rating available, by Standard & Poor's, an independent investment rating company. The average maturity of PSDLAF is 82 days.

As of December 31, 2015, the carrying amounts of external investment pool assets were \$20,933. The fair value of external investment pool assets approximate their carrying values as of December 31, 2015. As required by the GASB, investments in external investment pools are uncategorized with regard to risk and are not included in the custodial credit risk presented above.

4. LOANS AND NOTES RECEIVABLE

Authority

Loans receivable as of December 31, 2015 consist of the following:

The Authority has a loan receivable of \$500,000 at 2% with a private developer for the Farr Loft Project. Repayment of the loan was to commence in May 2009 with monthly principal and interest payments through April 2022. In July 2009, the loan agreement was amended, whereby payments of interest only at a rate of 2% would be made for a period of two years. Payments of interest only under the terms of the July 2009 agreement continued through December 31, 2014. The Authority holds a third lien mortgage position on the property, furnishings, fixtures, and equipment related to the property. Effective January 1, 2015, the Authority amended the loan terms and reduced the principal amount to \$350,000. Under the new terms, the loan is payable in monthly principal and interest payments of \$1,771 through January 1, 2035. Interest on the loan remains at 2%. As of December 31, 2015, the remaining balance of the loan was \$336,831.

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

CITY OF ALLENTOWN, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2015

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, 2015, the remaining balance is \$45,302.

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.

In October 2014, the Authority conveyed seven properties to the Housing Association and Development Corporation (HADC). In consideration of the transfer, the HADC entered into a noninterest-bearing promissory note for \$250,000, which was funded by the Authority in 2015. Principal payments are due when the properties are sold to a third party. If the properties are not sold by October 31, 2015, the HADC shall apply for additional grant funds to support the repayment of the loan for the remaining properties. If no additional grants are secured, HADC shall sign a mortgage with the Authority for each of the properties and the Authority will recover the remaining amount of loan dollars when the properties are sold. As of December 31, 2015, the remaining balance of the loan is \$247,705.

Parking Authority

The Parking Authority received a note receivable from the sale of a parking facility during the year ended December 31, 2015. The note receivable has an outstanding balance of \$900,000 as of December 31, 2015. The note bears interest at a rate of 3% per annum, with the first payment of principal of \$500,000 and all accrued interest due eighteen months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property, but in no case later than July 31, 2018. The final payment of principal of \$400,000 and all accrued interest is due thirty-six months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property, but in no case later than January 31, 2020. The note provides the option for the buyer to transfer or assign its Neighborhood Improvement Zone credits to the Parking Authority in the amount of \$550,000 for the first payment and \$440,000 for the final payment. The note is secured by a mortgage against the property.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

5. CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2015 is as follows:

	January 1, 2015	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2015
Government activities:				
Capital assets not being depreciated:				
Land	\$ 9,809,945	\$ -	\$ -	\$ 9,809,945
Art	95,166	-	-	95,166
Assets under concession lease	67,831,222	-	-	67,831,222
Construction in progress	61,238,724	17,406,496	(57,411,248)	21,233,972
Total capital assets not being depreciated	<u>138,975,057</u>	<u>17,406,496</u>	<u>(57,411,248)</u>	<u>98,970,305</u>
Capital assets being depreciated:				
Buildings	24,063,227	-	-	24,063,227
Land and building improvements	33,581,182	1,823,967	-	35,405,149
Machinery and equipment	30,816,972	1,077,196	-	31,894,168
Vehicles	18,687,279	2,557,110	(92,921)	21,151,468
Infrastructure	66,389,886	55,332,854	-	121,722,740
Total capital assets being depreciated	<u>173,538,546</u>	<u>60,791,127</u>	<u>(92,921)</u>	<u>234,236,752</u>
Less accumulated depreciation for:				
Buildings	18,905,950	381,850	-	19,287,800
Land and building improvements	15,399,422	1,414,282	-	16,813,704
Machinery and equipment	19,013,023	1,606,072	-	20,619,095
Vehicles	14,527,259	1,268,184	(80,157)	15,715,286
Infrastructure	34,565,876	1,645,198	-	36,211,074
Total accumulated depreciation	<u>102,411,530</u>	<u>6,315,586</u>	<u>(80,157)</u>	<u>108,646,959</u>
Total capital assets being depreciated, net	<u>71,127,016</u>	<u>54,475,541</u>	<u>(12,764)</u>	<u>125,589,793</u>
Governmental activities capital assets, net	<u>\$ 210,102,073</u>	<u>\$ 71,882,037</u>	<u>\$ (57,424,012)</u>	<u>\$ 224,560,098</u>

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, 2015

	January 1, 2015	Additions	Disposals	December 31, 2015
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	4,299,965	36,753	(15,553)	4,321,165
Vehicles	4,009,131	225,898	(45,004)	4,190,025
Distribution and collection systems	37,465	-	-	37,465
Total capital assets being depreciated	14,341,412	262,651	(60,557)	14,543,506
Less accumulated depreciation for:				
Buildings	521,189	31,522	-	552,711
Land and building improvements	3,156,109	171,585	-	3,327,694
Machinery and equipment	2,675,999	338,836	-	3,014,835
Vehicles	3,155,558	208,056	(45,004)	3,318,610
Distribution and collection systems	8,137	378	-	8,515
Total accumulated depreciation	9,516,992	750,377	(45,004)	10,222,365
Total capital assets being depreciated, net	4,824,420	(487,726)	(15,553)	4,321,141
Business-type activities capital assets, net	\$ 5,959,179	\$ (487,726)	\$ (15,553)	\$ 5,455,900

Depreciation expense was charged to governmental activities as follows:

General government	\$ 916,556
Public safety	1,289,287
Community development	213,657
Public works	3,248,808
Parks and recreation	647,278
Total	\$ 6,315,586

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

Solid Waste Fund	\$ 555,826
Municipal Golf Course Fund	194,551
Total	\$ 750,377

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Component Units' Capital Assets

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2015 is as follows:

	January 1, 2015	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2015
Parking Authority:				
Capital assets not being depreciated:				
Land	\$ 8,495,258	\$ 1,547,838	\$ (1,378,937)	\$ 8,664,159
Construction in progress	5,645,701	13,464,172	(19,054,465)	55,408
Total capital assets not being depreciated	<u>14,140,959</u>	<u>15,012,010</u>	<u>(20,433,402)</u>	<u>8,719,567</u>
Capital assets being depreciated:				
Land and building improvements	44,728,454	22,300,065	(176,629)	66,851,890
Vehicles	1,850,545	198,937	(6,451)	2,043,031
Equipment under capital lease	683,792	-	-	683,792
Total capital assets being depreciated	<u>47,262,791</u>	<u>22,499,002</u>	<u>(183,080)</u>	<u>69,578,713</u>
Less accumulated depreciation for:				
Land and building improvements	14,818,435	1,542,589	(71,389)	16,289,635
Vehicles	1,536,421	79,094	-	1,615,515
Equipment under capital lease	121,836	89,198	-	211,034
Total accumulated depreciation	<u>16,476,692</u>	<u>1,710,881</u>	<u>(71,389)</u>	<u>18,116,184</u>
Total capital assets being depreciated, net	<u>30,786,099</u>	<u>20,788,121</u>	<u>(111,691)</u>	<u>51,462,529</u>
Parking Authority capital assets, net	<u>\$ 44,927,058</u>	<u>\$ 35,800,131</u>	<u>\$ (20,545,093)</u>	<u>\$ 60,182,096</u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

6. INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	Trexler	Short-term loan/negative cash	\$ 288,317
	Revolving	Payback funds to Commonwealth	1,320
	Municipal Golf Course	Short-term loan/negative cash	76,448
	Capital Projects	Bond proceeds - Sewer	3,600,791
	Capital Projects	Short-term loan/negative cash	2,479,908
	Pension - Police	Short-term loan	39,532
	Pension - Fire	Short-term loan	16,103
	Pension - O&E	Short-term loan	12,176
	CDBG	Cash advance for payroll and A/P	843,873
			<u>7,358,468</u>
Capital Projects	General	Bond proceeds - Water	<u>2,367,546</u>
E-911	General	Short-term loan	<u>460,034</u>
Pension - Police	General	Payroll withholdings	<u>31,557</u>
Pension - Fire	General	Payroll withholdings	<u>18,245</u>
Pension - O&E	General	Payroll withholdings	<u>148</u>
			<u>\$ 10,235,998</u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

7. INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2015 consisted of the following:

	Transfers in:				Total
	General Fund	Capital Projects	Debt Service Fund	E-911 Fund	
Transfers out:					
General	\$ -	\$ -	\$ 12,226,791	\$ 1,066,015	\$ 13,292,806
Capital Projects	-	-	5,887,912	-	5,887,912
Trexler	24,122	339,040	-	-	363,162
E-911	4,032	-	-	-	4,032
Solid Waste	734,525	-	-	-	734,525
Golf	203,926	-	-	-	203,926
Risk	64,728	-	-	-	64,728
	<u>\$ 1,031,333</u>	<u>\$ 339,040</u>	<u>\$ 18,114,703</u>	<u>\$ 1,066,015</u>	<u>\$ 20,551,091</u>

Transfers totaling \$1,031,333 were made to the General Fund to fulfill budgetary transfer requirements.

A transfer totaling \$339,040 was made to the Capital Projects fund for the enhancement of the park system.

Transfers from the General Fund and the Capital Projects Fund were made to the Debt Service Fund to cover the debt requirement.

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.

Total transfers do not balance due to a transfer of equipment from the Solid Waste Fund to governmental activities in the amount of \$15,553.

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

CITY OF ALLENTOWN, PENNSYLVANIA

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of living adjustments are provided at the discretion of the Police, Firemen, and Officers and Employees Retirement Boards. All full-time City employees hired prior to June 9, 1976 are eligible to participate in these Plans. The City's three single-employer pension plans do not issue separate financial statements.

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

The Police Plan is governed by the Mayor, Finance Director, Controller, four City residents, and four active members of the plan.

The 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

CITY OF ALLENTOWN, PENNSYLVANIA

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years to a maximum of 70% of pension wages for 25 or more years of service. For officers hired after January 1, 2009, 50% of pension wages or if higher, 50% of average wages of any five years of service; plus a service increment of \$100 per month for each year of service of 20 years of service to a maximum of \$500 per month. The minimum benefit is \$10,400 per year. Benefits vest at 100% after 12 years of service. If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive an annual benefit of 50.5% of officer's wages if prior to retirement eligibility, or the normal retirement benefit if the participant is retirement eligible. If death occurs before retirement age, the amount paid to the surviving spouse is equal to 62.5% of the officer's wages or 50.5% plus service increments which the officer would be entitled to receive at the time of death, whichever is higher.

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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year. If the member has less than 20 years of service, then the basic benefit is prorated based upon credited service at retirement to twenty years. Payments are made bi-weekly. The Officers and Employees Pension Plan also offers a service increment benefit of $1/40^{\text{th}}$ 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, the employee must make additional contributions of half of one-percent of the salary. Benefits vest at 100% after 12 years of service. If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive 50% of the salary at the date of disablement, prorated based upon the service at date of termination to 20 years or the normal retirement benefit if the participant is retirement eligible. If death occurs before retirement age and the participant was vested, the amount paid to the surviving spouse is equal to 50% of the amount that the participant was receiving or was eligible to receive for life, not less than \$5,200 per year. If the participant was not vested, the surviving spouse is refunded all contributions without interest.

The PMRS Pension Plan provides retirement, survivor, and disability benefits. Benefits vest at 100% after 12 years of service. Employees are eligible for normal retirement benefits at age 55. Employees terminating voluntarily after 20 years of service or involuntarily after eight years of service are eligible for early retirement. Annual retirement benefits are based on an employee's average annual salary during the last five years of employment, multiplied by years of service based on 1.25% times service if employed before January 1, 1990, 1.75% times service if employed between January 1, 1990 and December 31, 1995, and 2.10% times service if employed on or after January 1, 1996. The maximum benefit is 80% of the final average salary. Benefits are payable monthly for life with no Social Security offset. If a member is eligible to retire at time of death, the member's beneficiary receives the present value of accrued benefits. At retirement, a member may elect a survivor benefit. The plan provides disability benefits for a member unable to perform gainful employment. A 50% disability benefit is provided for service-related disabilities, regardless of age or years of service. Disability benefits are offset by available workers' compensation benefits. A 30% disability benefit is provided for nonservice-related disabilities for members with at least 10 years of service.

Summary of Significant Accounting Policies

The financial statements of the Plans are reported using the accrual basis of accounting. Contributions to the Plans are recognized when due as required by Act 205 of the Commonwealth (Act 205). Benefits and refunds are recognized when due and payable in accordance with the terms of the 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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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total Pension Trust Fund
Statement of Plan Net Position				
Assets:				
Interest receivable	\$ 54,529	\$ 60,989	\$ 19,609	\$ 135,127
Due from City's General Fund	31,557	18,245	148	49,950
Investments, at fair value	141,003,953	95,733,251	14,879,505	251,616,709
Total assets	141,090,039	95,812,485	14,899,262	251,801,786
Liabilities:				
Accounts payable	11,883	10,308	6,526	28,717
Due to City's General Fund	39,532	16,103	12,176	67,811
Total liabilities	51,415	26,411	18,702	96,528
Net Position:				
Restricted for pension benefits	\$ 141,038,624	\$ 95,786,074	\$ 14,880,560	\$ 251,705,258
Statement of Changes in Plan Net Position				
Additions:				
Contributions:				
Employer	\$ 2,669,759	\$ 1,205,379	\$ 161,022	\$ 4,036,160
Plan members	914,420	482,441	3,851	1,400,712
Total contributions	3,584,179	1,687,820	164,873	5,436,872
Investment income (loss):				
Net depreciation in fair value of investments	(3,902,818)	(2,349,773)	(132,660)	(6,385,251)
Interest and dividends	3,296,069	2,064,397	254,361	5,614,827
Less investment expenses	(95,140)	(89,163)	(71,468)	(255,771)
Net investment income (loss)	(701,889)	(374,539)	50,233	(1,026,195)
Total additions	2,882,290	1,313,281	215,106	4,410,677
Deductions:				
Benefits paid to recipients	10,190,293	8,104,277	2,235,966	20,530,536
Administrative and other fees	9,673	9,673	9,673	29,019
Total deductions	10,199,966	8,113,950	2,245,639	20,559,555
Change in net position	(7,317,676)	(6,800,669)	(2,030,533)	(16,148,878)
Net position restricted for pension benefits:				
Beginning of year	148,356,300	102,586,743	16,911,093	267,854,136
End of year	\$ 141,038,624	\$ 95,786,074	\$ 14,880,560	\$ 251,705,258

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Plan Membership

At December 31, 2015, Plan memberships consisted of the following:

Covered Employees	Police All full-time members of the Police Force	Firemen All full-time members of the Fire Department	Officers and Employees Closed 6/8/1976	PMRS All full-time employees not previously covered
Active plan members	208	122	1	410
Inactive plan members entitled to but not yet receiving benefits	-	-	-	16
Inactive plan members or beneficiaries currently receiving benefits	278	216	157	385

Contributions

Act 205 requires that annual contributions to the Plans be based upon each plan's Minimum Municipal Obligation (MMO), which is based on the Plans' annual actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization of the unfunded actuarial accrued liability. Act 44 provided for a reduction in the amortization requirement by 25% for the five-year period from 2011 through 2015. This reduction is reflected in the final MMO calculation. The Plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding and is reported as revenue and expenditure in the General Fund. Any funding requirements established by the MMO in excess of member contributions and state aid must be paid by the municipality in accordance with Act 205.

Active members of the Police and Firemen Plans are required to contribute 5% of covered payroll to their respective pension plans. Active members of the Officers and Employees Plan are required to contribute 3.5% of covered payroll and 1% of covered payroll for survivor benefits to the plan. Active members of the PMRS Pension Plan are required to contribute 7.5% to the plan. These contributions are governed by the Plans' governing ordinances and collective bargaining agreements. During the year ended December 31, 2015, the City contributed \$2,669,759 to the Police Pension Plan, of which \$1,906,668 were Act 205 funds; \$1,205,379 to the Firemen Pension Plan, of which \$884,287 were Act 205 funds; \$161,022 to the Officers and Employees Plan, of which \$112,931 were Act 205 funds; and \$2,229,104 to the PMRS Pension Plan, of which \$1,189,466 were Act 205 funds. During the year ended December 31, 2015, active members contributed \$914,420 to the

CITY OF ALLENTOWN, PENNSYLVANIA

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Police Pension Plan, \$482,441 to the Firemen Pension Plan, \$3,851 to the Officers and Employees Pension Plan, and \$1,713,107 to the PMRS 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.

Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2015 were as follows:

Police Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 165,542,653	\$ 148,356,300	\$ 17,186,353
Changes for the year:			
Service cost	2,856,276	-	2,856,276
Interest	12,720,534	-	12,720,534
Differences between expected and actual experience	737,072	-	737,072
Contributions - employer	-	2,669,759	(2,669,759)
Contributions - member	-	914,420	(914,420)
Net investment loss	-	(701,889)	701,889
Benefit payments, including refunds	(10,190,293)	(10,190,293)	-
Administrative expense	-	(9,673)	9,673
Net changes	6,123,589	(7,317,676)	13,441,265
Balances at December 31, 2015	\$ 171,666,242	\$ 141,038,624	\$ 30,627,618
Plan fiduciary net position as a percentage of the total pension liability			82.16%

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Firemen Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 115,474,443	\$ 102,586,743	\$ 12,887,700
Changes for the year:			
Service cost	1,513,683	-	1,513,683
Interest	8,782,604	-	8,782,604
Differences between expected and actual experience	312,322	-	312,322
Contributions - employer	-	1,205,379	(1,205,379)
Contributions - member	-	482,441	(482,441)
Net investment loss	-	(374,539)	374,539
Benefit payments, including refunds	(8,104,277)	(8,104,277)	-
Administrative expense	-	(9,673)	9,673
Net changes	2,504,332	(6,800,669)	9,305,001
Balances at December 31, 2015	\$ 117,978,775	\$ 95,786,074	\$ 22,192,701
Plan fiduciary net position as a percentage of the total pension liability			81.19%

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Officers and Employees Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 17,290,169	\$ 16,911,093	\$ 379,076
Changes for the year:			
Service cost	8,254	-	8,254
Interest	1,064,075	-	1,064,075
Differences between expected and actual experience	(434,623)	-	(434,623)
Contributions - employer	-	161,022	(161,022)
Contributions - member	-	3,851	(3,851)
Net investment income	-	50,233	(50,233)
Benefit payments, including refunds	(2,235,966)	(2,235,966)	-
Administrative expense	-	(9,673)	9,673
Net changes	(1,598,260)	(2,030,533)	432,273
Balances at December 31, 2015	\$ 15,691,909	\$ 14,880,560	\$ 811,349
Plan fiduciary net position as a percentage of the total pension liability			94.83%

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NOTES TO FINANCIAL STATEMENTS

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PMRS Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014 (based on the measurement date of December 31, 2013)	\$ 150,914,149	\$ 137,975,741	\$ 12,938,408
Changes for the year:			
Service cost	3,792,600	-	3,792,600
Interest	8,298,621	-	8,298,621
Differences between expected and actual experience	(31,247)	-	(31,247)
Contributions - employer	-	1,558,888	(1,558,888)
Contributions - member	-	1,672,158	(1,672,158)
PMRS investment income	-	7,494,746	(7,494,746)
Market value investment income (loss)	-	(293,386)	293,386
Transfers	(42,319)	(42,319)	-
Benefit payments, including refunds	(7,706,851)	(7,706,851)	-
PMRS administrative expense	-	(304,806)	304,806
Net changes	4,310,804	2,378,430	1,932,374
Balances at December 31, 2015 (based on the measurement date of December 31, 2014)	\$ 155,224,953	\$ 140,354,171	\$ 14,870,782
Plan fiduciary net position as a percentage of the total pension liability			90.4%

The net pension liability of the PMRS Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$13,426,856 and \$1,443,926, respectively, at December 31, 2015.

CITY OF ALLENTOWN, PENNSYLVANIA

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Actuarial Assumptions – The total pension liability for the Police, Firemen, and Officers and Employees pension plans was determined as part of the January 1, 2015 actuarial valuation, updated to December 31, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

	<u>Police</u>	<u>Firemen</u>	<u>Officers and Employees</u>
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

During the year ended December 31, 2015, the City adopted Ordinance 57 to change the amortization method of the Firemen and Officers and Employees Pension Plans. Beginning January 1, 2015, the amortization payments of the unfunded actuarial liability will be the lesser of (1) the traditional amortization of individual bases or (2) the level dollar rolling amortization of the total unfunded actuarial liability over 10 years, if the funding level of the plan exceeds 70%.

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The total pension liability for PMRS was determined by an actuarial valuation performed on January 1, 2015, with liabilities measured at December 31, 2014, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	3.0% - 8.3%*
* includes inflation rate of 3%	
Cost-of-living adjustments	3.0%

Actuarial assumptions based on PMRS Experience Study for the period
January 1, 2005 to December 31, 2008

Pre-retirement mortality:

Males: RP 2000 with 1 year set back

Females: RP 2000 with 5 year set back

Post-retirement mortality:

Males and females: RP-2000 Sex-Distinct Mortality Table

Investment Policy - The policies in regard to the allocation of invested assets for the Police, Firemen, and Officers and Employees Pension Plans are established and may be amended by the respective Boards. The Boards seek to optimize the total return of these Plans' portfolios through a policy of well diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. There were no amendments to the investment policy of the Police, Firemen, and Officers and Employees Pension Plans during the year ended December 31, 2015.

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

CITY OF ALLENTOWN, PENNSYLVANIA

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In order to meet its needs, the investment strategy of the Police, Firemen, and Officers and Employees Pension Plans is to responsibly and prudently maximize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class for the plans as of December 31, 2015 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%	0.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

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

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the PMRS Board's opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are presented in the chart labeled "System Nominal and Real Rates of Return by Asset Class."
4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study, the minimum acceptable confidence level for the PMRS Board has been determined to be 70%. The chart labeled

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

“Confidence Levels for System Nominal and Real Rates of Return” identifies simulated portfolio returns at various confidence levels.

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2015:

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic equity (large capitalized firms)	25.0%	11.7%	8.7%
Domestic equity (small capitalized firms)	15.0%	11.4%	8.4%
International equity (developed markets)	15.0%	7.6%	4.6%
International equity (emerging markets)	10.0%	11.1%	8.1%
Real estate	20.0%	9.7%	6.7%
Fixed income	15.0%	2.0%	-1.0%
Total portfolio	100.0%	9.2%	6.2%

The following are the Confidence Levels for System Nominal and Real Rates of Return as of December 31, 2015:

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95.0%	4.7%	1.7%
90.0%	5.7%	2.7%
85.0%	6.4%	3.4%
80.0%	6.9%	3.9%
75.0%	7.4%	4.4%
70.0%	7.8%	4.8%
50.0%	9.2%	6.2%

Based on the four-part analysis, the PMRS Board established the System’s long-term expected rate of return at 7.5%.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

In addition to determining the System's long-term expected rate of return, PMRS also develops a long-term expected rate of return for individual participating municipalities. The long-term expected rate of return for individual participating municipalities is also referred to as the regular interest rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the PMRS Board is obligated to apply the regular interest rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the long-term expected rate of return for individual participating municipalities is equal to the regular interest rate. The rationale for the difference between the System's long-term expected rate of return and the individual participating municipalities' regular interest rate is described in the section below labeled "Discount Rate." As of December 31, 2014, this rate is equal to 5.5%.

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

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, 2015, the annual money-weighted rate of return on Plan investments, net of investment expense, was -0.44% for the Police Plan, -0.32% for the Firemen Plan, and 0.67% for the Officers and Employees Plan.

Concentrations - At December 31, 2015, the Police, Firemen, and Officers and Employees Pension Plans had no 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, 2015 was 7.75% for the Police and Firemen Pension Plans and 6.75% for the Officers and Employees Pension Plan. These rates are the assumed long-term expected rate of return on Plan investments. 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.

While it is often common practice to establish an actuarial discount rate that is equal to the long-term expected rate of return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the regular interest rate. The PMRS Board establishes the regular interest rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the

CITY OF ALLENTOWN, PENNSYLVANIA

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accounts of plan participants, municipalities, and plan retirees each year. The PMRS Board considers the following five quantitative factors in establishing the regular interest rate:

1. Retiree plan liability as a percentage of total plan liability,
2. Active plan participant liability as a percentage of total plan liability,
3. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
4. PMRS System long-term expected rate of return, and
5. PMRS administrative expenses.

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

The PMRS Board may then adjust the regular interest rate derived from the formula due to a variety of qualitative factors such as the desire to minimize regular interest rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2014 was 5.5%.

This required equivalence between the regular interest rate and the actuarial discount rate will likely result in a System long-term expected rate of return that will be higher than the actuarial discount rate and higher than the long-term expected rate of return for individual participating municipalities. Should the System experience a prolonged period of investment returns in excess of the regular interest rate, the PMRS Board is authorized to allocate any applicable portion of any such excess in accordance with PMRS Board policies.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Police	\$ 53,251,972	\$ 30,627,618	\$ 11,994,186
Firemen	\$ 35,906,334	\$ 22,192,701	\$ 10,735,544
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Officers and Employees	\$ 1,752,860	\$ 811,349	\$ (29,798)
	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
PMRS	\$ 32,642,240	\$ 14,870,782	\$ (197,454)

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

For the year ended December 31, 2015, the City recognized pension expense of \$12,472,927 in the governmental activities and \$318,633 in the business-type activities. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 864,085	\$ -
City contributions subsequent to measurement date	2,012,663	216,441
Net difference between projected and actual earnings on pension plan investments	<u>17,052,524</u>	<u>22,790</u>
Total deferred outflows of resources	<u>\$ 19,929,272</u>	<u>\$ 239,231</u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	<u>\$ 22,571</u>	<u>\$ 2,427</u>
Total deferred inflows of resources	<u>\$ 22,571</u>	<u>\$ 2,427</u>

CITY OF ALLENTOWN, PENNSYLVANIA

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The effect of the differences in the City's expected and actual experience is recognized over the average expected remaining service lives of active and inactive members. The difference between the projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2016	\$ 4,442,797	\$ 5,091
2017	4,442,797	5,091
2018	4,442,797	5,091
2019	4,442,800	5,090
2020	122,847	-
	<u>\$ 17,894,038</u>	<u>\$ 20,363</u>

Discretely Presented Component Units' Pension Plan

Parking Authority

Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan

The Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan is designed to provide retirement benefits to the Parking Authority's eligible union employees. The plan covers all eligible employees over the age of 19 with one year of service with the Parking Authority. Employer contributions to the plan are established by the Union's collective bargaining agreement. Employer contributions were fixed at 5% by the collective bargaining agreement for the year ended December 31, 2015. 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.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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. Eleven of thirteen salaried employee participants contribute a minimum of 5.0% of salary and received the maximum employer match of 10%.

Allentown Parking Authority Salaried Employees' Defined Benefit Pension Plan

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

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

At December 31, 2015, the following employees were covered by the Plan:

Active employees	8
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	6
	<u>15</u>

Retirement Benefits - The normal retirement benefit is 2.25% of average 36 month compensation for each year of credited service to a maximum of 70% of such average compensation. In no event shall the benefit be less than the Equivalent Actuarial Value of the participant's December 31, 2001 account balance under the former Allentown Parking Authority Defined Contribution Retirement Plan. Normal retirement date is the first day of the month following the attainment of age 55.

CITY OF ALLENTOWN, PENNSYLVANIA

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The postponed retirement benefit is calculated using compensation and service up to age 70 ½. Benefits will be actuarially increased for postponed retirement after age 70 ½, and will be reduced by any distributions made after age 70 ½. A member may postpone his retirement beyond the normal retirement date.

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

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

Contributions - Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Plan members were required to contribute 5% of their compensation as a condition of membership; however, this condition has been waived as of December 31, 2010.

Changes in the Net Pension Liability (Asset) - An actuarial valuation of the total pension liability (asset) is performed biennially. The total pension liability (asset) was determined as part of an actuarial valuation as of January 1, 2015. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2015.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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The changes in the total pension liability, the plan fiduciary net position (i.e. fair value of plan assets), and the net pension liability (asset) of the Parking Authority for the year ended December 31, 2015 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2014	\$ 3,004,969	\$ 3,212,582	\$ (207,613)
Changes for the year:			
Interest	218,085	-	218,085
Net investment income (loss)	-	(35,622)	35,622
Benefit payments, including refunds	(194,346)	(194,346)	-
Net changes	23,739	(229,968)	253,707
Balances at December 31, 2015	\$ 3,028,708	\$ 2,982,614	\$ 46,094
Plan fiduciary net position as a percentage of the total pension liability			98.48%

Actuarial Assumptions - The actuarial assumptions of the Plan include the following:

Actuarial cost method	Entry age normal
Investment rate of return	7.5% per annum
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality Table projected to 2015 using Scale AA
Termination	None
Disability	None
Retirement age	Normal retirement age or age on valuation date, if greater
Form of annuity	10 year certain and life

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pensions plan investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Domestic equity:	
Large cap	6.58%
Mid cap	7.39%
Small cap	7.39%
International equity	7.59%
Fixed income	3.03%
Emerging markets	10.25%
Cash	0.75%

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Parking Authority	\$ 357,192	\$ 46,094	\$ (218,593)

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NOTES TO FINANCIAL STATEMENTS

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Pension Expense and Deferred Outflows of Resources Related to Pensions - For the year ended December 31, 2015, the Parking Authority recognized pension expense of \$38,285 under the defined benefit pension plan. At December 31, 2015, the Parking Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

Deferred Outflows of Resources:

Net difference between projected and actual investment earnings on pension plan investments	<u>\$ 215,422</u>
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Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	
2016	\$ 53,856
2017	53,856
2018	53,856
2019	<u>53,854</u>
	<u>\$ 215,422</u>

The Parking Authority's pension expense under all pension plans amounted to \$154,028 for the year ended December 31, 2015.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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, 2015 was as follows:

Notes and Bonds	Balance Outstanding January 1, 2015	Additions	Reductions	Balance Outstanding December 31, 2015	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 current refunded in 2015 with 2015 General Obligation Bonds, Series B	\$ 1,070,000	\$ -	\$ 1,070,000	\$ -	\$ -
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 \$595,000 in 2016 to \$1,460,000 in 2034	24,130,000	-	5,840,000	18,290,000	595,000
2004 Tax-Exempt General Obligation Bond, original amount of \$6,900,000, 3.00% to 5.00% interest, current refunded in 2015 with 2015 General Obligation Bonds, Series B	4,095,000	-	4,095,000	-	-
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 \$512,320 in 2016 to \$917,578 in 2031	8,900,318	-	484,040	8,416,278	512,320

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Notes and Bonds	Balance Outstanding January 1, 2015	Additions	Reductions	Balance Outstanding December 31, 2015	Current Portion
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	23,665,604	1,644,600	-	25,310,204	-
2007 Taxable General Obligation Note, original amount of \$7,990,000, 5.62% to 5.87% interest, payable in varying annual installments of \$905,000 in 2016 to \$45,000 in 2021	7,775,000	-	630,000	7,145,000	905,000
2008 Taxable General Obligation Bond, original amount of \$6,665,000, 3.00% to 3.70% interest, payable in varying annual installments of \$575,000 in 2016 to \$315,000 in 2018	1,750,000	-	560,000	1,190,000	575,000
2009 Tax-Exempt General Obligation Bond, original amount of \$5,310,000, 4.13% interest, serial portion payable in increasing annual installments of \$334,000 in 2016 to \$465,000 in 2024	3,891,000	-	321,000	3,570,000	334,000
2011 Tax-Exempt General Obligation Bond, original amount of \$6,350,000, 2.00% to 5.50% interest, advance refunded in 2015 with 2015 General Obligation Bonds, Series B	6,075,000	-	6,075,000	-	-
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 \$345,000 in 2016 to \$255,000 in 2036	5,655,000	-	575,000	5,080,000	345,000

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Notes and Bonds	Balance Outstanding January 1, 2015	Additions	Reductions	Balance Outstanding December 31, 2015	Current Portion
2012 General Obligation Bond, original amount of \$5,910,000, 0.50% to 3.00% payable in varying annual installments of \$645,000 in 2016 to \$740,000 in 2022	5,455,000	-	635,000	4,820,000	645,000
2015 General Obligation Note, draw down up to \$6,000,000, 1.40% interest, payable initially on August 1, 2015 and semi-annually on the first day of February and the first day of August with final maturity to occur on or before February 1, 2019. Once the Note is fully drawn down, a debt service schedule will be established.	-	1,643,395	100,000	1,543,395	1,322,000
2015 General Obligation Bonds, Series A, original amount of \$15,360,000, 2.00% to 3.85% interest, payable in varying annual installments of \$90,000 in 2016 to \$870,000 in 2045	-	15,360,000	-	15,360,000	90,000
2015 General Obligation Bonds, Series B, original amount of \$11,425,000, 2.00% to 3.65% interest, payable in varying annual installments of \$480,000 in 2016 to \$545,000 in 2036	-	11,425,000	-	11,425,000	480,000
Total Governmental Activities					
Notes and Bonds	92,461,922	30,072,995	20,385,040	102,149,877	5,803,320
Premium on bond issuance	461,346	745,551	215,028	991,869	-
Total	\$ 92,923,268	\$ 30,818,546	\$ 20,600,068	\$ 103,141,746	\$ 5,803,320

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2016	\$ 5,803,320	\$ 3,362,696	\$ 9,166,016
2017	5,031,245	3,444,907	8,476,152
2018	5,018,360	3,238,409	8,256,769
2019	5,241,190	3,011,789	8,252,979
2020	5,550,550	2,764,799	8,315,349
2021-2025	24,531,693	20,170,886	44,702,579
2026-2030	22,199,038	20,667,523	42,866,561
2031-2035	19,507,204	23,395,706	42,902,910
2036-2040	5,232,277	7,236,858	12,469,135
2041-2045	4,035,000	478,170	4,513,170
Total	<u>\$ 102,149,877</u>	<u>\$ 87,771,743</u>	<u>\$ 189,921,620</u>

Defeasance of Debt

In March 2015, the City currently refunded \$1,070,000 aggregate principal amount of the 2003 General Obligation Bond. The current refunding decreased the City's total debt service by \$92,907 through the year 2019 and resulted in an economic gain (difference between present values of the old and new debt service payments) in the amount of \$100,567.

In March 2015, the City currently refunded \$4,095,000 aggregate principal amount of the 2004 Tax-Exempt General Obligation Bond. The current refunding decreased the City's total debt service by \$327,571 through the year 2024 and resulted in an economic gain (difference between present values of the old and new debt service payments) in the amount of \$340,758.

In March 2015, the City advance refunded \$6,075,000 aggregate principal amount of the 2011 Tax-Exempt General Obligation Bond. The advance refunding decreased the City's total debt service by \$709,484 through the year 2036 and resulted in an economic gain (difference between present values of the old and new debt service payments) in the amount of \$643,588.

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.

CITY OF ALLENTOWN, PENNSYLVANIA

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At December 31, 2015, \$17,910,000 of general obligation bonds, \$1,725,000 of water revenue bonds, and \$2,900,000 of sewer revenue bonds outstanding are considered defeased.

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

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Current Portion
Compensated absences:					
Governmental activities	\$ 3,859,465	\$ 2,906,995	\$ 2,878,745	\$ 3,887,715	\$ 3,849,934
Business-type activities	148,457	136,877	121,919	163,415	145,556
Total accrued compensated absences	<u>\$ 4,007,922</u>	<u>\$ 3,043,872</u>	<u>\$ 3,000,664</u>	<u>\$ 4,051,130</u>	<u>\$ 3,995,490</u>
Capital leases:					
Governmental activities	\$ 1,855,031	\$ -	\$ 427,823	\$ 1,427,208	\$ 424,868
Business-type activities	691,887	-	201,252	490,635	206,434
Total capital leases	<u>\$ 2,546,918</u>	<u>\$ -</u>	<u>\$ 629,075</u>	<u>\$ 1,917,843</u>	<u>\$ 631,302</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	1,564,143	661,688
	<u>\$ 1,959,891</u>	<u>\$ 547,731</u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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>
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>1,506,784</u>	<u>520,518</u>	<u>2,027,302</u>
Less interest	79,576	29,883	109,459
Total	<u>\$ 1,427,208</u>	<u>\$ 490,635</u>	<u>\$ 1,917,843</u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Discretely Presented Component Units' Long-Term Debt

Parking Authority

Long-term debt activity of the Parking Authority for the year ended December 31, 2015 consisted of the following:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Current Portion
2014 Parking Revenue Note, original amount of \$1,500,000, interest is payable monthly at the 30 day London Interbank Offering Rate (LIBOR) plus 1.70%, (1.86% at December 31, 2015), \$1,500,000 due in 2017.	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ -
2014 Parking Revenue Bond, Series A, original amount of \$16,885,000, 3.90% to 4.30% interest, serial portion payable in annual installments of \$475,000 in 2024 to \$540,000 in 2034.	16,885,000	-	-	16,885,000	-
2014 Parking Revenue Bond, Series B original amount of \$1,300,000, 4.35% interest, \$345,000 payable in 2016.	745,000	-	400,000	345,000	345,000
2014 Parking Revenue Bond, Series C, original amount of \$12,410,000, 3.90% to 4.30% interest, principal payments ranging from \$50,000 to \$1,201,231 are due annually beginning in 2024 through 2039. The Parking Authority has not drawn down the full amount of the bond.	-	7,447,765	-	7,447,765	-
2014 Parking Revenue Bond, Series D original amount of \$9,490,000, 4.35% interest, principal payments ranging from \$590,000 to \$1,300,000 are due annually beginning November 15, 2016. The Parking Authority has not drawn down the full amount of the bond.	-	9,015,596	-	9,015,596	590,000
	19,130,000	16,463,361	400,000	35,193,361	\$ 935,000
Capital lease	406,895	-	136,972	269,923	
	19,536,895	16,463,361	536,972	35,463,284	
Unearned revenue	9,037,634	-	229,008	8,808,626	
Net pension liability (asset)	(207,613)	253,707	-	46,094	
OPEB liability	85,749	17,724	-	103,473	
	<u>\$ 28,452,665</u>	<u>\$ 16,734,792</u>	<u>\$ 765,980</u>	<u>\$ 44,421,477</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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, 2015, the rate of this line is 3.5%.

Short-term debt activity for the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015
Line of credit	\$ 276,000	\$ -	\$ 276,000	\$ -

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

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2016	\$ 1,074,918	\$ 1,388,509	\$ 2,463,427
2017	2,604,218	1,328,548	3,932,766
2018	1,035,788	1,272,871	2,308,659
2019	1,080,000	1,228,056	2,308,056
2020	1,130,000	1,181,076	2,311,076
2021-2025	6,310,595	5,278,413	11,589,008
2026-2030	8,920,000	4,037,220	12,957,220
2031-2035	8,794,457	1,970,340	10,764,797
2036-2039	4,513,308	447,492	4,960,800
Total	\$ 35,463,284	\$ 18,132,525	\$ 53,595,809

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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	\$ -	\$ 11,131,988	\$ -	\$ 11,131,988
Public works	-	-	1,602,811	1,602,811
Community development	133,200	-	6,282,676	6,415,876
Public safety	-	-	689,638	689,638
Parks and recreation	-	-	4,289	4,289
Pension benefits	847,935	-	-	847,935
	981,135	11,131,988	8,579,414	20,692,537
Assigned for:				
General government	266,409	-	-	266,409
Public works	90,895	-	-	90,895
Community development	61,215	-	-	61,215
Public safety	48,424	-	-	48,424
Parks and recreation	3,200	-	-	3,200
Pension benefits	8,402,048	-	-	8,402,048
	8,872,191	-	-	8,872,191
Unassigned	18,038,567	-	-	18,038,567
Total fund balance	\$ 27,891,893	\$ 11,131,988	\$ 8,579,414	\$ 47,603,295

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, 2015

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

	<u>2015</u>	<u>2014</u>
Accrued claims liability, January 1	\$ 2,028,091	\$ 785,314
Incurred claims, including estimated claims incurred but not reported as of December 31:		
Provision for current year events	473,357	2,919,643
Payments	<u>(493,753)</u>	<u>(1,676,866)</u>
Accrued claims liability, December 31	2,007,695	2,028,091
Current portion	<u>2,007,695</u>	<u>1,100,792</u>
Long-term portion	<u>\$ -</u>	<u>\$ 927,299</u>

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

Discretely Presented Component Units' Risk Management

Parking Authority

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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)	\$ 6,271,532
Interest on net OPEB obligation	469,676
Adjustment to ARC	<u>(538,036)</u>
Annual OPEB cost	6,203,172
Contributions made	<u>3,678,126</u>
Increase in net OPEB obligation	2,525,046
Net OPEB obligation, beginning of year	<u>11,741,893</u>
Net OPEB obligation, end of year	<u><u>\$ 14,266,939</u></u>

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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>
12/31/2013	\$ 5,248,883	75%	\$ 9,713,116
12/31/2014	5,902,516	66%	11,741,893
12/31/2015	6,203,172	59%	14,266,939

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, 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>
\$ -	\$ 79,819,800	0%	\$ 46,735,967	171%

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, 2015

Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed period
Remaining amortization period	23 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.0% per annum
Projected salary increases	3.5% 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, 2015

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, 2015

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)	\$ 71,093
Interest on net OPEB obligation	4,716
Adjustment to ARC	<u>(6,660)</u>
Annual OPEB cost	69,149
Contributions made	<u>51,425</u>
Increase in net OPEB obligation	17,724
Net OPEB obligation, beginning of year	<u>85,749</u>
Net OPEB obligation, end of year	<u>\$ 103,473</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 ended December 31, 2015 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2013	\$ 50,573	29%	\$ 86,163
12/31/2014	73,055	101%	85,749
12/31/2015	69,149	74%	103,473

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, 2015

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 9.0% healthcare cost trend increase for fiscal year 2015, 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, 2015 is as follows:

<u>Year Ending</u>	<u>Total</u>
2016	\$ 220,875
2017	220,875
2018	220,875
2019	221,879
2020	221,879
Thereafter	8,723,128
Total	<u>\$ 9,829,511</u>

14. COMMITMENTS AND CONTINGENCIES

Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2015 of approximately \$9.8 million.

CITY OF ALLENTOWN, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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, 2015, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

Litigation

The City is involved in various lawsuits arising in the ordinary course of its municipal activities. Management has accrued amounts for those lawsuits that are probable and estimable. For the balance of the lawsuits, management believes that the resolution of these actions is not expected to have a material adverse effect on the financial statements of the City.

Discretely Presented Component Units' Commitments and Contingencies

Parking Authority

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

15. SUBSEQUENT EVENT

On January 1, 2016, the Solid Waste Fund issued a loan in the amount \$4,500,000 to the General Fund. The General Fund is to repay the loan in six equal installments of \$642,857 beginning in 2017, with the final installment of \$642,858 due in 2023.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Real estate:				
Current	\$30,000,000	\$30,000,000	\$28,829,502	\$(1,170,498)
Prior year	1,250,000	1,250,000	1,308,987	58,987
Lehigh County Tax Claims	500	500	-	(500)
Total real estate taxes	<u>31,250,500</u>	<u>31,250,500</u>	<u>30,138,489</u>	<u>(1,112,011)</u>
Act 511 taxes:				
Earned income	18,400,000	18,400,000	18,725,842	325,842
Residence per capita	192,000	192,000	232,989	40,989
Amusement devices	14,500	14,500	12,683	(1,817)
Deed transfer	900,000	900,000	1,417,499	517,499
Local services tax	1,900,000	1,900,000	1,810,111	(89,889)
Business privilege	7,000,000	7,000,000	7,207,011	207,011
Total Act 511 taxes	<u>28,406,500</u>	<u>28,406,500</u>	<u>29,406,135</u>	<u>999,635</u>
Total taxes	<u>59,657,000</u>	<u>59,657,000</u>	<u>59,544,624</u>	<u>(112,376)</u>
Licenses and permits:				
Business licenses	405,000	405,000	401,780	(3,220)
Billboard and sign permits/licenses	9,700	9,700	12,150	2,450
Building permits and licenses	745,000	745,000	625,718	(119,282)
Plumbing permits and licenses	115,000	115,000	110,191	(4,809)
Electrical permits and licenses	275,000	275,000	270,204	(4,796)
Sheet metal technician license	60,680	60,680	30,915	(29,765)
Liquor licenses	60,000	60,000	57,300	(2,700)
Health bureau permits and licenses	195,000	195,000	241,542	46,542
Rental inspection program	1,718,000	1,718,000	2,028,943	310,943
Presales inspection program	130,000	130,000	167,100	37,100
Zoning permits and fees	100,000	100,000	68,285	(31,715)
Fire department inspection fees	75,000	75,000	89,394	14,394
CATV franchise fees	1,250,000	1,250,000	1,508,865	258,865
Shade tree permits/fees	3,000	3,000	2,880	(120)
Other permits and licenses	303,970	303,970	243,702	(60,268)
Total licenses and permits	<u>5,445,350</u>	<u>5,445,350</u>	<u>5,858,969</u>	<u>413,619</u>
Fines and forfeits:				
District court	358,000	358,000	291,687	(66,313)
Fines and restitution	145,000	145,000	129,764	(15,236)
Parking Authority transfer	1,250,000	1,250,000	269,475	(980,525)
Total fines and forfeits	<u>1,753,000</u>	<u>1,753,000</u>	<u>690,926</u>	<u>(1,062,074)</u>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2015
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues (Continued):				
Intergovernmental revenue:				
Health grants Acts 315 and 12	789,538	789,538	587,884	(201,654)
Health categorical grants	993,180	1,103,180	828,943	(274,237)
Police/fire training	239,000	244,012	216,245	(27,767)
State aid for pension	4,219,737	4,219,737	3,878,823	(340,914)
Police grants/reimbursements	1,697,888	1,697,888	1,519,328	(178,560)
Casino fee	3,700,000	3,700,000	3,897,601	197,601
Other grants/miscellaneous	90,700	138,775	348,403	209,628
Total intergovernmental revenue	<u>11,730,043</u>	<u>11,893,130</u>	<u>11,277,227</u>	<u>(615,903)</u>
Charges for services:				
Departmental earnings:				
Tax/municipal certifications	134,000	134,000	126,955	(7,045)
Police extra duty jobs	475,000	475,000	620,118	145,118
Health bureau services	122,550	122,550	96,062	(26,488)
Street excavation/restoration	60,000	60,000	91,702	31,702
Printing and copier fees	75,000	75,000	78,071	3,071
Other charges for service	50,000	50,000	27,078	(22,922)
Vehicle towing agreement	250,000	250,000	213,573	(36,427)
EMS transit fees	3,200,000	3,200,000	2,795,395	(404,605)
Warrants of survey	6,000	6,000	7,896	1,896
Stormwater	300,000	300,000	-	(300,000)
Water and sewer	600,000	600,000	597,925	(2,075)
ADIDA	-	-	553	553
Total departmental earnings	<u>5,272,550</u>	<u>5,272,550</u>	<u>4,655,328</u>	<u>(617,222)</u>
Municipal recreation:				
Swimming pool fees	183,000	183,000	137,199	(45,801)
Recreation fees	90,000	90,000	89,614	(386)
Total municipal recreation	<u>273,000</u>	<u>273,000</u>	<u>226,813</u>	<u>(46,187)</u>
General Fund service charges:				
Other service charges	1,034,778	1,034,778	1,031,336	(3,442)
Total General Fund service charges	<u>1,034,778</u>	<u>1,034,778</u>	<u>1,031,336</u>	<u>(3,442)</u>
Total charges for services	<u>6,580,328</u>	<u>6,580,328</u>	<u>5,913,477</u>	<u>(666,851)</u>
Investment income	<u>11,000</u>	<u>11,000</u>	<u>11,143</u>	<u>143</u>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2015
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues (Continued):				
Other income:				
Rental of city property	100,000	100,000	139,759	39,759
Contributions	179,000	188,500	10,470	(178,030)
Damage to city property	25,000	25,000	11,725	(13,275)
Lights in parkway	170,000	170,000	15,172	(154,828)
Pennsylvania Utility Realty Tax	70,000	70,000	67,229	(2,771)
Allentown Housing Authority	50,000	50,000	105,774	55,774
Sale of property	-	-	5,183	5,183
Recreation/special events	10,000	10,000	11,931	1,931
Miscellaneous	1,815,000	1,815,000	1,870,252	55,252
Total other income	<u>2,419,000</u>	<u>2,428,500</u>	<u>2,237,495</u>	<u>(191,005)</u>
Total revenues	<u>87,595,721</u>	<u>87,768,308</u>	<u>85,533,861</u>	<u>(2,234,447)</u>
Expenditures:				
General government:				
Nondepartmental:				
City Council	434,992	519,274	403,760	115,514
Office of the Mayor	3,842,324	3,855,378	3,432,680	422,698
City Controller	190,987	190,987	180,128	10,859
Law	658,323	658,323	622,518	35,805
General and civic	707,458	728,252	712,218	16,034
Total nondepartmental	<u>5,834,084</u>	<u>5,952,214</u>	<u>5,351,304</u>	<u>600,910</u>
Department of Finance	<u>3,040,998</u>	<u>3,000,204</u>	<u>2,900,910</u>	<u>99,294</u>
Total Department of Finance	<u>3,040,998</u>	<u>3,000,204</u>	<u>2,900,910</u>	<u>99,294</u>
Human Resources	<u>778,221</u>	<u>778,221</u>	<u>694,660</u>	<u>83,561</u>
Total Human Resources	<u>778,221</u>	<u>778,221</u>	<u>694,660</u>	<u>83,561</u>
Total general government	<u>9,653,303</u>	<u>9,730,639</u>	<u>8,946,874</u>	<u>783,765</u>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2015
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Public safety:				
Department of Public Safety:				
Police	29,356,416	29,515,775	29,448,599	67,176
Fire	18,295,090	18,335,841	18,178,908	156,933
Communications	855,141	859,568	792,556	67,012
Total public safety	<u>48,506,647</u>	<u>48,711,184</u>	<u>48,420,063</u>	<u>291,121</u>
Public works:				
Department of Public Works:				
Director's office	415,171	415,887	390,473	25,414
Engineering	1,395,860	1,435,886	1,372,974	62,912
Building maintenance	2,085,390	2,112,690	1,946,027	166,663
Fleet maintenance operation	3,505,314	3,505,314	2,897,534	607,780
Streets	3,135,357	3,135,357	2,869,526	265,831
Traffic planning and control	897,897	931,935	853,864	78,071
Street lighting	685,608	700,948	654,598	46,350
Total public works	<u>12,120,597</u>	<u>12,238,017</u>	<u>10,984,996</u>	<u>1,253,021</u>
Health and sanitation:				
Department of Community Development:				
Health	3,206,852	3,296,402	3,095,737	200,665
Total health and sanitation	<u>3,206,852</u>	<u>3,296,402</u>	<u>3,095,737</u>	<u>200,665</u>
Parks and recreation:				
Department of Parks and Recreation:				
Park maintenance	3,512,416	3,535,548	3,347,154	188,394
Recreation	582,796	592,599	580,962	11,637
Swimming pool operation	395,346	380,784	279,763	101,021
Total parks and recreation	<u>4,490,558</u>	<u>4,508,931</u>	<u>4,207,879</u>	<u>301,052</u>
Community development and planning:				
Department of Community Development:				
Director's office	735,464	731,064	641,340	89,724
Planning and zoning	978,919	1,048,421	965,887	82,534
Building standards and safety	2,891,290	2,904,149	2,690,736	213,413
Total community development and planning	<u>4,605,673</u>	<u>4,683,634</u>	<u>4,297,963</u>	<u>385,671</u>
Capital outlays	<u>2,489,000</u>	<u>2,638,147</u>	<u>2,538,646</u>	<u>99,501</u>
Total capital outlays	<u>2,489,000</u>	<u>2,638,147</u>	<u>2,538,646</u>	<u>99,501</u>
Total expenditures	<u>85,072,630</u>	<u>85,806,954</u>	<u>82,492,158</u>	<u>3,314,796</u>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2015
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Excess of Revenues Over Expenditures	2,523,091	1,961,354	3,041,703	1,080,349
Other Financing Sources (Uses):				
Issuance of long-term debt	2,489,000	2,489,000	1,599,441	(889,559)
Transfers in:				
Equipment Fund	582,577	582,577	582,577	-
Community Development Block Grant Fund	10,000	10,000	551	(9,449)
Transfers out:				
General Fund	(582,577)	(582,577)	(582,577)	-
Debt Service Fund	(12,145,980)	(12,145,980)	(10,824,585)	1,321,395
Internal Service Fund	(500,000)	(500,000)	(500,000)	-
E-911 Fund	(1,066,015)	(1,066,015)	(1,066,015)	-
Total other financing uses	(11,212,995)	(11,212,995)	(10,790,608)	422,387
Net Change in Fund Balance	<u>\$ (8,689,904)</u>	<u>\$ (9,251,641)</u>	(7,748,905)	<u>\$ 1,502,736</u>
Net effect of other income and expenditure accruals			1,622,468	
Net Change in Fund Balance			(6,126,437)	
Fund Balance:				
Beginning of year			34,018,330	
End of year			<u>\$ 27,891,893</u>	

(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2015

1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets as required by the City Charter are adopted by City Council on a cash basis for revenues and modified accrual basis for expenditures, including appropriations to cover prior and anticipated current encumbrances. Appropriations not reserved for encumbrances lapse at year-end. Budgets are legally adopted for the General Fund, Capital Projects Fund, Debt Service Fund, Liquid Fuels Fund, Community Development Block Grant Fund, Trexler Fund, E-911 Fund, and Grants 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 REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2015

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>Appropriation</u>
General Fund:			
Public Safety:			
Department of Public Safety:			
Police - operating materials and supplies	\$ 132,814	\$ 136,501	2.78%
Capital outlay			
Equipment	\$ 1,000,000	\$ 1,126,455	12.65%
Capital Projects Fund:			
Capital outlay			
Automatic meter reading and billing - other contract services	\$ -	\$ 10,137	100.0%
Debt Service Fund:			
Debt service - principal	\$ 10,370,040	\$ 14,310,040	37.99%
Debt service - interest	\$ 3,146,774	\$ 3,797,583	20.68%
Liquid Fuels Fund:			
Public Works:			
Department of Public Works:			
Streets - chemicals	\$ 253,500	\$ 297,382	17.31%

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

	2015*	2014*
Total Pension Liability:		
Service cost	\$ 2,856,276	\$ 2,661,908
Interest	12,720,534	12,280,247
Differences between expected and actual experience	737,072	-
Benefit payments, including refunds	(10,190,293)	(10,194,574)
Net Changes in Total Pension Liability	6,123,589	4,747,581
Total Pension Liability - Beginning	165,542,653	160,795,072
Total Pension Liability - Ending (a)	\$ 171,666,242	\$ 165,542,653
Plan Fiduciary Net Position:		
Contributions - employer	\$ 2,669,759	\$ 2,507,471
Contributions - member	914,420	825,381
Net investment income (loss)	(701,889)	6,419,152
Benefit payments, including refunds	(10,190,293)	(10,194,574)
Administrative expense	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(7,317,676)	(453,252)
Plan Fiduciary Net Position - Beginning	148,356,300	148,809,552
Plan Fiduciary Net Position - Ending (b)	\$ 141,038,624	\$ 148,356,300
Net Pension Liability - Ending (a-b)	\$ 30,627,618	\$ 17,186,353
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.16%	89.62%
Covered Employee Payroll	\$ 17,794,000	\$ 17,031,352
Net Pension Liability as a Percentage of Covered Employee Payroll	172.12%	100.91%

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

See accompanying note to required supplementary information - pension information.

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

	2015*	2014*
Total Pension Liability:		
Service cost	\$ 1,513,683	\$ 1,422,468
Interest	8,782,604	8,601,438
Difference between expected and actual experience	312,322	-
Benefit payments, including refunds	(8,104,277)	(8,075,886)
Net Changes in Total Pension Liability	2,504,332	1,948,020
Total Pension Liability - Beginning	115,474,443	113,526,423
Total Pension Liability - Ending (a)	\$ 117,978,775	\$ 115,474,443
Plan Fiduciary Net Position:		
Contributions - employer	\$ 1,205,379	\$ 1,355,613
Contributions - member	482,441	450,825
Net investment income (loss)	(374,539)	4,173,658
Benefit payments, including refunds	(8,104,277)	(8,075,886)
Administrative expense	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(6,800,669)	(2,106,472)
Plan Fiduciary Net Position - Beginning	102,586,743	104,693,215
Plan Fiduciary Net Position - Ending (b)	\$ 95,786,074	\$ 102,586,743
Net Pension Liability - Ending (a-b)	\$ 22,192,701	\$ 12,887,700
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.19%	88.84%
Covered Employee Payroll	\$ 9,544,000	\$ 8,968,810
Net Pension Liability as a Percentage of Covered Employee Payroll	232.53%	143.69%

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

See accompanying note 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

	2015*	2014*
Total Pension Liability:		
Service cost	\$ 8,254	\$ 7,950
Interest	1,064,075	1,169,496
Differences between expected and actual experience	(434,623)	-
Benefit payments, including refunds	(2,235,966)	(2,371,674)
Net Changes in Total Pension Liability	(1,598,260)	(1,194,228)
Total Pension Liability - Beginning	17,290,169	18,484,397
Total Pension Liability - Ending (a)	\$ 15,691,909	\$ 17,290,169
Plan Fiduciary Net Position:		
Contributions - employer	\$ 161,022	\$ 103,519
Contributions - member	3,851	3,573
Net investment income	50,233	940,162
Benefit payments, including refunds	(2,235,966)	(2,371,674)
Administrative expense	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(2,030,533)	(1,335,102)
Plan Fiduciary Net Position - Beginning	16,911,093	18,246,195
Plan Fiduciary Net Position - Ending (b)	\$ 14,880,560	\$ 16,911,093
Net Pension Liability - Ending (a-b)	\$ 811,349	\$ 379,076
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.83%	97.81%
Covered Employee Payroll	\$ 70,000	\$ 64,960
Net Pension Liability as a Percentage of Covered Employee Payroll	1159.07%	583.55%

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

See accompanying note to required supplementary information - pension information.

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

	2015*
Total Pension Liability:	
Service cost	\$ 3,792,600
Interest	8,298,621
Differences between expected and actual experience	(31,247)
Transfers	(42,319)
Benefit payments, including refunds	(7,706,851)
Net Changes in Total Pension Liability	4,310,804
Total Pension Liability - Beginning	150,914,149
Total Pension Liability - Ending (a)	\$ 155,224,953
Plan Fiduciary Net Position:	
Contributions - employer	\$ 1,558,888
Contributions - plan members	1,672,158
Net investment income	7,201,360
Transfers	(42,319)
Benefit payments, including refunds	(7,706,851)
Administrative expense	(304,806)
Net Change in Plan Fiduciary Net Position	2,378,430
Plan Fiduciary Net Position - Beginning	137,975,741
Plan Fiduciary Net Position - Ending (b)	\$ 140,354,171
Net Pension Liability - Ending (a-b)	\$ 14,870,782
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.42%
Covered Employee Payroll	\$ 22,740,178
Net Pension Liability as a Percentage of Covered Employee Payroll	65.39%

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

See accompanying note to required supplementary information - pension information.

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

	2015*
Total Pension Liability:	
Interest	\$ 218,085
Benefit payments, including refunds	(194,346)
Net Changes in Total Pension Liability	23,739
Total Pension Liability - Beginning	3,004,969
Total Pension Liability - Ending (a)	\$ 3,028,708
Plan Fiduciary Net Position:	
Net investment income (loss)	\$ (35,622)
Benefit payments, including refunds	(194,346)
Net Change in Plan Fiduciary Net Position	(229,968)
Plan Fiduciary Net Position - Beginning	3,212,582
Plan Fiduciary Net Position - Ending (b)	\$ 2,982,614
Net Pension Liability - Ending (a-b)	\$ 46,094
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.48%
Covered Employee Payroll	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	0.00%

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

See accompanying note to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULES OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

2015* 2014 2013 2012 2011 2010 2009 2008 2007 2006

Schedule of City Contributions										
POLICE PENSION PLAN										
Actuarially determined contribution under Act 205										
Contributions in relation to the actuarially determined contribution	\$ 2,669,759	\$ 2,507,471	\$ 2,276,774	\$ 7,324,133	\$ 7,338,716	\$ 5,726,720	\$ 7,115,495	\$ 6,022,935	\$ 5,841,327	\$ 3,010,328
Contribution deficiency (excess)	\$ -	\$ -	\$ (84,500,000)	\$ (924,592)	\$ (259,128)	\$ -	\$ -	\$ -	\$ (1)	\$ -
Covered employee payroll	\$ 17,794,000	\$ 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
Contributions as a percentage of covered employee payroll	15.00%	14.72%	567.39%	56.94%	55.10%	41.43%	54.73%	52.91%	57.68%	31.93%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-0.44%	4.51%								

Schedule of City Contributions										
FIREMEN PENSION PLAN										
Actuarially determined contribution under Act 205										
Contributions in relation to the actuarially determined contribution	\$ 1,205,379	\$ 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
Contribution deficiency (excess)	\$ -	\$ (10,000)	\$ (61,200,086)	\$ (513,705)	\$ (146,227)	\$ -	\$ -	\$ -	\$ (1)	\$ -
Covered employee payroll	\$ 9,544,000	\$ 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
Contributions as a percentage of covered employee payroll	12.63%	15.11%	772.53%	46.98%	56.80%	29.91%	35.02%	33.09%	41.49%	16.98%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	-0.32%	4.23%								

(Continued)

See accompanying note to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULES OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS (Continued)

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
OFFICERS AND EMPLOYEES PENSION PLAN:										
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 161,022	\$ 103,519	\$ 81,097	\$ 512,669	\$ 514,014	\$ 343,531	\$ 451,053	\$ 355,279	\$ 528,875	\$ -
Contributions in relation to the actuarially determined contribution	161,022	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)	\$ (18,156)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 70,000	\$ 64,960	\$ 62,491	\$ 250,856	\$ 250,324	\$ 314,909	\$ 386,999	\$ 370,644	\$ 370,644	\$ 327,197
Contributions as a percentage of covered employee payroll	250.03%	159.36%	7010.76%	230.18%	212.58%	109.09%	116.55%	95.85%	142.69%	0.00%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	0.67%	5.99%								

PMRS PLAN:										
Schedule of City Contributions**										
Actuarially determined contribution under Act 205	\$ 1,557,908	\$ 1,612,483	\$ 1,299,757	\$ 1,367,093	\$ 1,186,454	\$ 1,217,945	\$ 1,374,389	\$ 1,263,532	\$ 446,843	\$ 358,968
Contributions in relation to the actuarially determined contribution	1,558,888	1,612,483	1,299,757	1,367,093	1,186,454	1,217,945	1,374,389	1,263,532	446,843	358,968
Contribution deficiency (excess)	\$ (980)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 22,740,178									
Contributions as a percentage of covered employee payroll	6.86%									
Investment Returns										
Annual money-weighted rate of return, net of investment expense	2.13%									

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

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

(Concluded)

See accompanying note to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA

SCHEDULE OF PARKING AUTHORITY CONTRIBUTIONS AND INVESTMENT RETURNS

2015*

PARKING AUTHORITY PENSION PLAN

Schedule of Parking Authority Contributions

Actuarially determined contribution under Act 205	\$ -
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ -
Contributions as a percentage of covered employee payroll	0.00%

Investment Returns

Annual money-weighted rate of return, net of investment expense	-1.14%
---	--------

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

See accompanying note to required supplementary information - pension information.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION INFORMATION

YEAR ENDED DECEMBER 31, 2015

1. ACTUARIAL METHODS AND ASSUMPTIONS

Primary Government

The information presented in the required supplementary information was determined as part of the actuarial valuation at the dates indicated. Methods and assumptions used to determine contribution rates for the Police, Firemen, and Officers and Employees Pension Plans under Act 205 for the year ended December 31, 2015 are as follows:

	<u>Police</u>	<u>Firemen</u>	<u>Officers and Employees</u>
Valuation date	1/1/2013	1/1/2013	1/1/2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed period	Level dollar, closed period	Level dollar, closed period
Amortization period	13.4 years	15.9 years	10.4 years
Asset valuation method	*	*	*
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases	3.50%-4.50%	4.50%	4.50%

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

CITY OF ALLENTOWN, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED DECEMBER 31, 2015

Methods and assumptions used to determine the contribution rate required under Act 205 for the PMRS Pension Plan for the year ended December 31, 2014 (presented as the subsequent year on the preceding schedules) are as follows:

Valuation date	1/1/2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed period
Amortization period	Based upon amortization periods in Act 205
Asset valuation method	Based upon the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.50%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	3.00%
Cost-of-living adjustment	3.00%
Pre-retirement mortality	Males: RP 2000 with 1 year set back Females: RP 2000 with 5 year set back
Post-retirement mortality	Males and females: RP-2000 Sex-Distinct Combined Health Mortality Table

Changes in Actuarial Assumptions

Police Pension Plan – The mortality table in the January 1, 2013 actuarial valuation was changed to better reflect past experience and projected mortality improvements. The actuarial valuation dated January 1, 2012 used the 1992 Railroad Board Mortality Table for males, and female mortality was assumed to be equal to that of males five years younger. The mortality table in the January 1, 2013 actuarial valuation is the Blue Collar adjusted RP 2000, which projected improvement to 2017 using 50% of Scale AA. The disabled mortality table was changed from the 1992 Railroad Board Mortality Table set forward 10 years to the RP 2000 disabled mortality table.

The salary scale was changed from 5% per year to 4.50% per year with respect to merit increases and 3.5% without merit increases.

As a result of these changes, the unfunded actuarially accrued liability increased by \$4,976,960.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION INFORMATION

YEAR ENDED DECEMBER 31, 2015

Firemen Pension Plan – The mortality table in the January 1, 2013 actuarial valuation was changed to better reflect expected experience. The actuarial valuation dated January 1, 2012 used the 1992 Railroad Board Mortality Table for males, and female mortality was assumed to be equal to that of males five years younger. The mortality table in the January 1, 2013 actuarial valuation is the Blue Collar adjusted RP 2000, which projected improvement to 2017 using 50% of Scale AA.

The salary scale was changed from 5% per year to 4.50% per year.

As a result of these changes, the unfunded actuarially accrued liability increased by \$46,266.

Officers and Employees Pension Plan - The mortality table in the January 1, 2013 actuarial valuation was changed to better reflect expected experience. The actuarial valuation dated January 1, 2012 used the 1992 Railroad Board Mortality Table for males, and female mortality was assumed to be equal to that of males five years younger. The mortality table in the January 1, 2013 actuarial valuation is the Blue Collar adjusted RP 2000 Combined Mortality Table, which projected improvement to 2017 using 50% of Scale AA. The disability table was changed to the RP 2000 Disabled Mortality.

The salary scale was changed from 5% per year to 4.50% per year.

As a result of these changes, the unfunded actuarially accrued liability increased by \$73,714.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION INFORMATION

YEAR ENDED DECEMBER 31, 2015

Discretely Presented Component Unit

Parking Authority

Actuarial cost method	Entry age normal
Investment return	7.5% per annum
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality Table projected to 2015 using Scale AA
Disability	None
Retirement age	Normal retirement age or age on valuation, if greater
Form of annuity	10 year certain and life
Significant plan changes	None
Significant assumption changes	None

CITY OF ALLENTOWN, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION - OPEB

Primary Government:

SCHEDULE OF FUNDING PROGRESS

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	\$ -	\$ 74,006,955	\$ 74,006,955	0.00%	\$ 40,290,000	183.69%
1/1/2014	-	78,153,672	78,153,672	0.00%	44,723,414	174.75%
1/1/2015	-	79,819,800	79,819,800	0.00%	46,735,967	170.79%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed period
Amortization period	23 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	3.5% per year (with merit)
Healthcare inflation rate	4.00%

Discretely Presented Component Unit - Parking Authority:

SCHEDULE OF FUNDING PROGRESS

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%

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CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING BALANCE SHEET OTHER NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	
Assets							
Cash and cash equivalents	\$ 1,648,328	\$ 641,564	\$ 127,289	\$ -	\$ 232,648	\$ 8,255	\$ 2,658,084
Receivables:							
Loans	-	4,301,161	1,201,688	-	-	-	5,502,849
Accounts	-	-	-	-	216	-	216
Grants	-	929,890	-	1,112,870	-	17,211	2,059,971
Interest	-	-	-	6,726	-	-	6,726
Due from other funds	-	-	-	-	460,034	-	460,034
Total Assets	\$ 1,648,328	\$ 5,872,615	\$ 1,328,977	\$ 1,119,596	\$ 692,898	\$ 25,466	\$ 10,687,880
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 18,630	\$ 52,814	\$ -	\$ 29,166	\$ 3,260	\$ 12,966	\$ 116,836
Wages payable	26,887	-	-	16,794	-	-	43,681
Due to other funds	-	843,873	1,320	288,317	-	-	1,133,510
Unearned revenue	-	-	-	781,030	-	-	781,030
Other liabilities	-	33,409	-	-	-	-	33,409
Total Liabilities	45,517	930,096	1,320	1,115,307	3,260	12,966	2,108,466
Fund Balance:							
Restricted	1,602,811	4,942,519	1,327,657	4,289	689,638	12,500	8,579,414
Total Fund Balance	1,602,811	4,942,519	1,327,657	4,289	689,638	12,500	8,579,414
Total Liabilities and Fund Balance	\$ 1,648,328	\$ 5,872,615	\$ 1,328,977	\$ 1,119,596	\$ 692,898	\$ 25,466	\$ 10,687,880

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

YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	
Revenues:							
Investment earnings	\$ -	\$ -	\$ 53	\$ -	\$ 309	\$ -	\$ 362
Intergovernmental revenues	2,559,208	1,851,508	-	1,635,282	2,043,518	3,774,522	11,864,038
Other	121,157	10,151	-	23,593	-	-	154,901
Total revenues	2,680,365	1,861,659	53	1,658,875	2,043,827	3,774,522	12,019,301
Expenditures:							
Current:							
General government	-	-	-	-	-	3,723,344	3,723,344
Public safety	-	-	-	-	2,845,305	-	2,845,305
Community development	-	1,862,930	-	-	-	38,678	1,901,608
Public works	2,238,183	-	-	-	-	-	2,238,183
Parks and recreation	-	-	-	1,219,160	-	-	1,219,160
Capital outlay	112,496	-	-	27,324	-	-	139,820
Total expenditures	2,350,679	1,862,930	-	1,246,484	2,845,305	3,762,022	12,067,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	329,686	(1,271)	53	412,391	(801,478)	12,500	(48,119)

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2015
(Continued)

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	1,066,015	1,066,015
Transfers out	-	-	-	(363,162)	(4,032)	(367,194)
Total other financing sources (uses)	-	-	-	(363,162)	1,061,983	698,821
Net Change in Fund Balance	329,686	(1,271)	53	49,229	260,505	650,702
Fund Balance (Deficit):						
Beginning of year	1,273,125	4,943,790	1,327,604	(44,940)	429,133	7,928,712
End of year	<u>\$ 1,602,811</u>	<u>\$ 4,942,519</u>	<u>\$ 1,327,657</u>	<u>\$ 4,289</u>	<u>\$ 689,638</u>	<u>\$ 8,579,414</u>

(Concluded)

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 224,833	\$ 224,833
Intergovernmental revenues	-	1,270,080	12,992,298	11,722,218
Other	-	85,000	99,427	14,427
Total revenues	-	1,355,080	13,316,558	11,961,478
Expenditures:				
Current:				
Capital outlay	67,221,866	94,608,025	17,124,327	77,483,698
Total expenditures	67,221,866	94,608,025	17,124,327	77,483,698
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,221,866)	(93,252,945)	(3,807,769)	89,445,176
Other Financing Sources (Uses):				
Transfers in	-	339,040	-	(339,040)
Transfers out	-	-	(141,858)	(141,858)
Total other financing sources (uses)	-	339,040	(141,858)	(480,898)
Net Change in Fund Balance	\$ (67,221,866)	\$ (92,913,905)	(3,949,627)	\$ 88,964,278
Net effect of other income and expenditure accruals			14,305,330	
Net Change in Fund Balance			10,355,703	
Fund Balance:				
Beginning of year			776,285	
End of year			\$ 11,131,988	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - DEBT SERVICE FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures:				
<u>Current:</u>				
General government	\$ 35,000	\$ 35,000	\$ 7,080	\$ 27,920
Debt service - principal	10,370,040	10,370,040	14,310,040	(3,940,000)
Debt service - interest	3,146,774	3,146,774	3,797,583	(650,809)
Total expenditures	<u>13,551,814</u>	<u>13,551,814</u>	<u>18,114,703</u>	<u>(4,562,889)</u>
Deficiency of Revenues Under Expenditures	<u>(13,551,814)</u>	<u>(13,551,814)</u>	<u>(18,114,703)</u>	<u>(4,562,889)</u>
Other Financing Sources:				
Transfers in	<u>13,551,814</u>	<u>13,551,814</u>	<u>18,114,703</u>	<u>4,562,889</u>
Total other financing sources	<u>13,551,814</u>	<u>13,551,814</u>	<u>18,114,703</u>	<u>4,562,889</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
<u>Intergovernmental revenues:</u>				
PA Liquid Fuels Tax	\$2,431,244	\$2,431,244	\$2,503,452	\$ 72,208
State aid for pension	39,944	39,944	55,756	15,812
Total intergovernmental revenues	<u>2,471,188</u>	<u>2,471,188</u>	<u>2,559,208</u>	<u>88,020</u>
<u>Other income:</u>				
Miscellaneous	69,208	69,208	121,157	51,949
Total other income	<u>69,208</u>	<u>69,208</u>	<u>121,157</u>	<u>51,949</u>
Total revenues	<u>2,540,396</u>	<u>2,540,396</u>	<u>2,680,365</u>	<u>139,969</u>
Expenditures:				
<u>Public works:</u>				
Department of Public Works:				
Streets	3,014,927	3,021,260	2,238,183	783,077
Total public works	<u>3,014,927</u>	<u>3,021,260</u>	<u>2,238,183</u>	<u>783,077</u>
Capital outlay	-	-	112,496	(112,496)
Total expenditures	<u>3,014,927</u>	<u>3,021,260</u>	<u>2,350,679</u>	<u>670,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(474,531)</u>	<u>(480,864)</u>	<u>329,686</u>	<u>810,550</u>
Net Change in Fund Balance	<u>\$ (474,531)</u>	<u>\$ (480,864)</u>	<u>329,686</u>	<u>\$ 810,550</u>
Fund Balance:				
Beginning of year			<u>1,273,125</u>	
End of year			<u>\$1,602,811</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ -	\$ -	\$ 1,605,194	\$ 1,605,194
Expenditures:				
Community development:				
Department of Community Development	8,539,960	11,258,837	1,819,335	9,439,502
Total community development	8,539,960	11,258,837	1,819,335	9,439,502
Total expenditures	8,539,960	11,258,837	1,819,335	9,439,502
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,539,960)	(11,258,837)	(214,141)	11,044,696
Net Change in Fund Balance	<u>\$ (8,539,960)</u>	<u>\$ (11,258,837)</u>	(214,141)	<u>\$ 11,044,696</u>
Net effect of other income and expenditure accruals			212,870	
Net Change in Fund Balance			(1,271)	
Fund Balance:				
Beginning of year			4,943,790	
End of year			<u>\$ 4,942,519</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - TREXLER FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
<u>Intergovernmental revenues:</u>				
Trexler grants	\$1,270,000	\$1,945,983	\$1,340,774	\$ (605,209)
State aid for pension	31,068	31,068	37,171	6,103
Total intergovernmental revenues	<u>1,301,068</u>	<u>1,977,051</u>	<u>1,377,945</u>	<u>(599,106)</u>
Total revenues	<u>1,301,068</u>	<u>1,977,051</u>	<u>1,377,945</u>	<u>(599,106)</u>
Expenditures:				
<u>Parks and recreation:</u>				
Department of Parks and Recreation:				
Grounds maintenance	1,269,215	1,945,198	1,219,160	726,038
Total parks and recreation	<u>1,269,215</u>	<u>1,945,198</u>	<u>1,219,160</u>	<u>726,038</u>
Capital outlay	-	-	27,324	(27,324)
Total expenditures	<u>1,269,215</u>	<u>1,945,198</u>	<u>1,246,484</u>	<u>698,714</u>
Excess of Revenues Over Expenditures	<u>31,853</u>	<u>31,853</u>	<u>131,461</u>	<u>99,608</u>
Other Financing Uses:				
<u>Transfers out</u>				
	-	-	(363,162)	(363,162)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(363,162)</u>	<u>(363,162)</u>
Net Change in Fund Balance	<u>\$ 31,853</u>	<u>\$ 31,853</u>	(231,701)	<u>\$ (263,554)</u>
Net effect of other income and expenditure accruals			<u>280,930</u>	
Net Change in Fund Balance			49,229	
Fund Balance (Deficit):				
<u>Beginning of year</u>				
			<u>(44,940)</u>	
End of year			<u>\$ 4,289</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - E-911 FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 300	\$ 300	\$ 309	\$ 9
Intergovernmental revenues	2,000,000	2,000,000	2,131,533	131,533
Total revenues	<u>2,000,300</u>	<u>2,000,300</u>	<u>2,131,842</u>	<u>131,542</u>
Expenditures:				
Public safety:				
Department of Police:				
Emergency communications	3,165,958	3,165,958	2,845,305	320,653
Total public safety	<u>3,165,958</u>	<u>3,165,958</u>	<u>2,845,305</u>	<u>320,653</u>
Total expenditures	<u>3,165,958</u>	<u>3,165,958</u>	<u>2,845,305</u>	<u>320,653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,165,658)</u>	<u>(1,165,658)</u>	<u>(713,463)</u>	<u>452,195</u>
Other Financing Sources (Uses):				
Transfers in	1,066,015	1,066,015	1,066,015	-
Transfers out	-	-	(4,032)	(4,032)
Total other financing sources (uses)	<u>1,066,015</u>	<u>1,066,015</u>	<u>1,061,983</u>	<u>(4,032)</u>
Net Change in Fund Balance	<u>\$ (99,643)</u>	<u>\$ (99,643)</u>	348,520	<u>\$ 448,163</u>
Net effect of other income and expenditure accruals			<u>(88,015)</u>	
Net Change in Fund Balance			260,505	
Fund Balance:				
Beginning of year			429,133	
End of year			<u>\$ 689,638</u>	

CITY OF ALLENTOWN, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GRANTS FUND

YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenues	\$3,746,050	\$ 4,810,948	\$3,757,311	\$(1,053,637)
Total revenues	3,746,050	4,810,948	3,757,311	(1,053,637)
Expenditures:				
General government	3,588,250	4,648,148	3,710,378	937,770
Community development	157,800	162,800	38,678	124,122
Total expenditures	3,746,050	4,810,948	3,749,056	1,061,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	8,255	8,255
Net Change in Fund Balance	\$ -	\$ -	8,255	\$ 8,255
Net effect of other income and expenditure accruals			4,245	
Net Change in Fund Balance			12,500	
Fund Balance:				
Beginning of year			-	
End of year			\$ 12,500	

CITY OF ALLENTOWN, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUNDS

DECEMBER 31, 2015

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
Assets				
Interest receivable	\$ 54,529	\$ 60,989	\$ 19,609	\$ 135,127
Due from City's General Fund	31,557	18,245	148	49,950
Investments, at fair value:				
Money market funds	2,016,352	1,840,260	584,836	4,441,448
Equity mutual funds	94,884,588	64,155,420	5,329,640	164,369,648
Bond mutual funds	19,523,172	2,326,484	-	21,849,656
Corporate bonds	3,858,214	4,274,079	1,397,965	9,530,258
U.S. government obligations	14,011,698	15,723,642	5,057,729	34,793,069
U.S. government agency obligations	6,709,929	7,413,366	2,509,335	16,632,630
Total Assets	141,090,039	95,812,485	14,899,262	251,801,786
Liabilities				
Accounts payable	11,883	10,308	6,526	28,717
Due to City's General Fund	39,532	16,103	12,176	67,811
Total Liabilities	51,415	26,411	18,702	96,528
Net Position				
Restricted for pension benefits	<u>\$141,038,624</u>	<u>\$ 95,786,074</u>	<u>\$ 14,880,560</u>	<u>\$251,705,258</u>

CITY OF ALLENTOWN, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2015

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
Additions:				
<u>Contributions:</u>				
Employer	\$ 2,669,759	\$ 1,205,379	\$ 161,022	\$ 4,036,160
Plan members	914,420	482,441	3,851	1,400,712
Total contributions	<u>3,584,179</u>	<u>1,687,820</u>	<u>164,873</u>	<u>5,436,872</u>
<u>Investment income (loss):</u>				
Net depreciation in fair value of investments	(3,902,818)	(2,349,773)	(132,660)	(6,385,251)
Interest and dividends	3,296,069	2,064,397	254,361	5,614,827
Less investment expenses	(95,140)	(89,163)	(71,468)	(255,771)
Net investment income (loss)	<u>(701,889)</u>	<u>(374,539)</u>	<u>50,233</u>	<u>(1,026,195)</u>
Total additions	<u>2,882,290</u>	<u>1,313,281</u>	<u>215,106</u>	<u>4,410,677</u>
Deductions:				
Benefits paid to recipients	10,190,293	8,104,277	2,235,966	20,530,536
Administrative and other fees	9,673	9,673	9,673	29,019
Total deductions	<u>10,199,966</u>	<u>8,113,950</u>	<u>2,245,639</u>	<u>20,559,555</u>
Change in Net Position	(7,317,676)	(6,800,669)	(2,030,533)	(16,148,878)
Net Position:				
Beginning of year	148,356,300	102,586,743	16,911,093	267,854,136
End of year	<u>\$ 141,038,624</u>	<u>\$ 95,786,074</u>	<u>\$ 14,880,560</u>	<u>\$ 251,705,258</u>

CITY OF ALLENTOWN, PENNSYLVANIA
COMBINING SCHEDULES OF CHANGES IN ASSETS
AND LIABILITIES - AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Earned Income Tax Escrow				
Assets:				
Cash and cash equivalents	\$ -	\$ 2,526	\$ 2,526	\$ -
Total assets	<u>\$ -</u>	<u>\$ 2,526</u>	<u>\$ 2,526</u>	<u>\$ -</u>
Liabilities:				
Due to other governments	\$ -	\$ 2,526	\$ 2,526	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 2,526</u>	<u>\$ 2,526</u>	<u>\$ -</u>
Payroll Withholding Funds				
Assets:				
Cash and cash equivalents	\$ 1,206,153	\$ 15,541,076	\$ 15,467,506	\$ 1,279,723
Total assets	<u>\$ 1,206,153</u>	<u>\$ 15,541,076</u>	<u>\$ 15,467,506</u>	<u>\$ 1,279,723</u>
Liabilities:				
Payroll tax liability	\$ 1,182,641	\$ 15,520,100	\$ 15,434,022	\$ 1,268,719
Due to other governments	23,512	20,976	33,484	11,004
Total liabilities	<u>\$ 1,206,153</u>	<u>\$ 15,541,076</u>	<u>\$ 15,467,506</u>	<u>\$ 1,279,723</u>
Tax Collection Fund				
Assets:				
Cash and cash equivalents	\$ 2,564	\$ 21	\$ 2,585	\$ -
Total assets	<u>\$ 2,564</u>	<u>\$ 21</u>	<u>\$ 2,585</u>	<u>\$ -</u>
Liabilities:				
Due to other governments	\$ 2,564	\$ 21	\$ 2,585	\$ -
Total liabilities	<u>\$ 2,564</u>	<u>\$ 21</u>	<u>\$ 2,585</u>	<u>\$ -</u>
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,208,717	\$ 15,543,623	\$ 15,472,617	\$ 1,279,723
Total assets	<u>\$ 1,208,717</u>	<u>\$ 15,543,623</u>	<u>\$ 15,472,617</u>	<u>\$ 1,279,723</u>
Liabilities:				
Payroll tax liability	\$ 1,182,641	\$ 15,520,100	\$ 15,434,022	\$ 1,268,719
Due to other governments	26,076	23,523	38,595	11,004
Total liabilities	<u>\$ 1,208,717</u>	<u>\$ 15,543,623</u>	<u>\$ 15,472,617</u>	<u>\$ 1,279,723</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
Financial Trends	1 - 5
<p>These tables contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.</p>	
Revenue Capacity	6 - 9
<p>These tables contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.</p>	
Debt Capacity	10 - 13
<p>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.</p>	
Economic & Demographic Information	14 - 15
<p>These tables offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
Operating Information	16 - 18
<p>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.</p>	

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CITY OF ALLENTOWN PENNSYLVANIA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in Capital Assets	\$ 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	\$ 149,413,132
Restricted	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	9,560,549
Unrestricted	(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)	(294,253,739)
Total governmental activities net position	8,491,147	17,559,428	8,821,403	1,570,245	9,219,992	10,003,324	10,957,947	107,337,847	113,735,444	(75,280,058)
Business - type activities										
Net investment in Capital Assets	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	4,965,265
Unrestricted	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	5,292,360
Total business - type activities net position	74,133,272	73,440,811	77,442,922	77,852,736	80,928,282	83,008,879	85,364,615	12,245,073	11,929,719	10,257,625
Primary government										
Net investment in Capital Assets	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	154,378,397
Restricted	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	9,560,549
Unrestricted	(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)	(228,961,379)
Total primary government activities net position	\$ 82,624,419	\$ 91,000,239	\$ 86,264,325	\$ 79,422,981	\$ 90,148,274	\$ 93,012,203	\$ 96,322,562	\$ 119,582,920	\$ 125,665,163	\$ (65,022,433)

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.

In 2015, the net position of the governmental activities and business-type activities was restated by the amounts of (\$191,045,705) and (\$1,104,931), respectively, due to the implementation of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pension Plans" and Governmental Accounting Standards Board Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date."

CITY OF ALLENTOWN, PENNSYLVANIA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 18,476,854
Public safety	36,746,269	44,659,264	50,050,802	51,117,977	54,050,067	52,607,308	54,635,907	48,764,915	53,906,692	57,643,493
Community development	8,687,031	9,508,856	12,548,838	12,544,800	13,845,854	9,773,209	8,126,929	7,909,900	7,443,083	6,521,109
Public works	11,363,182	11,252,288	11,874,900	9,353,946	12,617,569	11,920,300	12,066,315	13,962,846	19,032,950	16,755,390
Health and sanitation	4,450,785	3,263,888	3,045,226	2,285,122	2,547,999	3,373,570	2,763,477	3,116,962	2,944,949	3,201,951
Parks and recreation	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	6,267,874
Other	1,141,913								1,033,067	
Interest on long-term debt	3,996,208	4,373,230	3,577,271	3,952,622	5,071,431	5,481,742	5,331,070	4,997,583	4,419,672	4,822,575
Total governmental activities expenses	\$ 80,369,808	\$ 85,111,619	\$ 98,893,979	\$ 96,352,567	\$ 98,339,353	\$ 100,111,298	\$ 101,998,473	\$ 99,556,114	\$ 114,234,740	\$ 113,689,246
Business - type activities:										
Water fund	10,268,694	10,846,987	10,663,179	10,932,251	11,410,407	11,308,214	10,999,925	9,718,973		
Sewer fund	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	9,530,362	11,565,750	12,528,680	12,578,028	12,584,872	13,170,266	14,549,004	14,529,054	14,599,155	15,027,563
Municipal golf course	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	1,180,801
Total business - type activities expenses	\$ 32,911,560	\$ 35,518,667	\$ 35,877,466	\$ 38,226,043	\$ 38,077,395	\$ 39,176,895	\$ 40,958,122	\$ 34,126,809	\$ 15,819,928	\$ 16,208,384
Total primary government expenses	\$ 113,281,368	\$ 121,630,286	\$ 135,771,465	\$ 134,578,610	\$ 136,396,749	\$ 139,276,193	\$ 142,956,595	\$ 133,682,723	\$ 130,054,668	\$ 129,897,610
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 3,761,333
Public safety	5,792,822	6,678,609	6,602,040	7,043,785	7,202,889	3,792,692	3,627,974	3,820,867	3,935,055	3,889,699
Community development	1,560,786	1,607,840	1,949,934	1,782,643	3,174,152	3,249,126	3,325,198	3,839,739	3,986,649	3,408,113
Public works	941,958	2,668,591	1,418,930	2,463,882	183,134	192,673	189,821	277,561	236,424	366,278
Health and sanitation	181,677	224,221	177,924	170,013	180,922	192,961	436,682	309,931	329,332	344,749
Parks and recreation	327,358	366,715	332,878	358,414	411,409	424,910	418,634	461,267	505,205	314,298
Other	5,187,455									
Water and sewer										
Operating grants and contributions	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	13,172,892
Capital grants and contributions	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	12,033,696
Total governmental activities program revenues	\$ 29,906,946	\$ 26,692,078	\$ 36,524,448	\$ 31,250,042	\$ 31,665,934	\$ 31,565,069	\$ 31,280,435	\$ 57,388,026	\$ 50,449,683	\$ 42,154,788
Business - type activities:										
Charges for services:										
Water fund	14,639,594	14,167,850	14,122,453	13,194,621	15,220,117	14,878,781	15,525,790	8,762,028		
Sewer fund	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	8,830,880	11,538,022	13,598,330	13,292,638	13,467,648	13,662,905	14,837,965	14,935,518	14,675,253	14,901,702
Municipal golf course	1,067,497	1,249,958	1,278,723	1,296,971	1,316,067	1,321,291	1,383,066	1,279,247	1,237,609	1,281,661
Operating grants and contributions	808,377	948,666	823,762	397,701	1,280,326	828,291	1,630,127	887,428	621,636	411,842
Total business-type activities program revenues	\$ 41,450,958	\$ 42,857,230	\$ 44,850,127	\$ 43,271,022	\$ 45,764,924	\$ 46,316,568	\$ 47,708,588	\$ 34,682,569	\$ 16,534,498	\$ 16,595,205
Total primary government program revenues	\$ 71,357,904	\$ 69,549,308	\$ 81,374,575	\$ 74,521,064	\$ 77,630,858	\$ 77,881,637	\$ 78,989,023	\$ 92,070,595	\$ 66,984,181	\$ 58,750,003
Net (expense)/revenue:										
Governmental activities	\$ (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)	\$ (71,534,448)
Business - type activities	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	386,841
Total primary government net expense	\$ (41,923,464)	\$ (52,280,978)	\$ (54,396,890)	\$ (60,057,546)	\$ (58,765,891)	\$ (61,394,556)	\$ (63,967,572)	\$ (41,612,128)	\$ (63,070,487)	\$ (71,147,607)

TABLE 2

CITY OF ALLENTOWN, PENNSYLVANIA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 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	\$ 59,959,705
Property taxes and other taxes										
Grants and charges not restricted to specific purposes	6,146,246	6,028,421	1,313,230	5,048,294	14,121,987	12,298,352	10,216,783	10,290,239	11,484,314	12,631,023
Investment earnings	973,003	1,490,757	762,789	223,172	212,979	4,608	19,651	69,236	28,820	19,919
Transfers	4,946,256	7,389,315	4,369,484	4,631,594	4,813,116	5,071,078	4,394,730	71,674,238	1,029,924	954,004
Total governmental activities	60,577,721	67,487,822	53,631,506	57,851,367	64,623,965	69,329,561	71,672,661	140,065,501	70,555,549	73,564,651
Business - type activities:										
Investment earnings	479,682	558,291	399,954	(3,571)	128,545	-	-	132,218	-	-
Transfers	(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)	(954,004)
Total business - type activities	(4,466,574)	(6,831,024)	(3,970,530)	(4,635,165)	(4,684,571)	(5,071,076)	(4,394,730)	(71,542,020)	(1,029,924)	(954,004)
Total primary government	\$ 56,111,147	\$ 60,656,798	\$ 49,660,976	\$ 53,216,202	\$ 59,939,395	\$ 64,258,485	\$ 67,277,931	\$ 68,523,481	\$ 69,525,625	\$ 72,610,647
Special items:										
Gain on cancellation of post-employment benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on extinguishment of debt	-	-	-	-	-	-	-	660,819	-	-
Tax settlement	-	-	-	-	-	-	-	(1,989,898)	-	-
Total special items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,299,079)	\$ (372,895)	\$ -
Change in Net Position										
Governmental activities	\$ 10,114,959	\$ 9,065,281	\$ (6,738,025)	\$ (7,251,158)	\$ (1,849,453)	\$ 783,332	\$ 954,623	\$ 97,897,413	\$ 6,397,597	\$ 2,030,203
Business - type activities	4,072,824	(692,461)	4,002,111	409,814	3,022,967	2,080,997	2,355,756	(72,285,139)	(315,354)	(587,163)
Total primary government	\$ 14,187,883	\$ 8,372,820	\$ (2,735,914)	\$ (6,841,344)	\$ 1,173,504	\$ 2,864,329	\$ 3,310,379	\$ 25,612,274	\$ 6,082,243	\$ 1,443,040

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 3

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

<u>Year</u>	<u>Total Taxes</u>	<u>General Property Tax</u>	<u>Earned Income Tax</u>	<u>Business Privilege Tax</u>	<u>Other Local Taxes</u>
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
2015	59,959,705	30,121,707	19,429,021	6,939,406	3,469,571

TABLE 4

CITY OF ALLENTOWN, PENNSYLVANIA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ -	\$ 1,571,640	\$ 840,183	\$ 810,719	\$ 1,428,755	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,128,441	12,565,940	7,365,006	3,476,985	1,687,909	-	-	-	769,097	981,135
Restricted	-	-	-	-	-	147,000	704,228	794,058	-	-
Assigned	-	-	-	-	-	1,771,079	-	21,588,122	15,534,027	8,872,191
Unassigned	-	-	-	-	-	2,487	(1,445,400)	24,022,470	17,715,206	18,038,567
Total general fund	9,128,441	14,137,580	8,205,189	4,287,704	3,116,664	1,920,546	(741,172)	46,404,650	34,018,330	27,891,893
All other governmental funds										
Reserved	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	19,711,402
Unassigned	-	-	-	-	-	(96,134)	(29,306)	(151,609)	(44,940)	-
Total all other governmental funds	11,014,501	12,707,115	9,681,839	9,903,072	7,553,846	14,132,403	10,851,516	9,333,352	8,704,997	19,711,402
TOTAL	\$ 20,142,942	\$ 26,844,695	\$ 17,887,028	\$ 14,190,776	\$ 10,670,510	\$ 16,052,949	\$ 10,110,344	\$ 55,738,002	\$ 42,723,327	\$ 47,603,295

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 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	\$ 59,786,702
Licenses and permits	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	5,845,880
Charges for services	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	6,312,663
Fines and forfeits	578,963	580,737	592,504	461,834	500,334	518,350	634,724	672,105	748,687	690,926
Investment earnings	961,195	1,471,916	758,833	223,172	212,978	4,608	19,686	69,236	28,820	19,919
Intergovernmental revenues	19,846,232	17,152,512	24,407,606	20,897,082	30,437,462	28,685,423	26,927,447	49,185,888	39,416,740	36,574,646
Other	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	1,610,936
Total revenues	80,720,283	84,842,283	85,786,469	84,314,166	91,754,387	96,749,849	97,464,353	124,151,656	116,416,220	110,841,672
Expenditures										
General government	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	14,227,338
Public safety	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	49,925,150
Community development	8,614,365	9,442,326	12,482,112	12,605,261	14,171,165	9,731,882	7,835,133	7,669,312	7,047,296	6,199,566
Public works	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	13,658,527
Health and sanitation	4,402,464	3,240,066	3,005,201	2,648,017	2,738,801	2,809,068	2,673,529	3,420,443	2,877,343	3,095,730
Parks and recreation	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	5,427,035
Other	-	-	-	-	-	-	-	-	1,033,067	-
Debt service:										
Principal	5,134,432	3,618,900	2,633,800	2,575,600	3,131,400	6,514,100	3,395,750	3,874,400	8,698,300	14,310,040
Interest	3,894,144	4,395,128	3,780,898	3,960,851	3,942,027	4,423,008	4,180,843	3,827,906	3,733,786	3,841,537
Payment of loan issuance costs	251,525	4,595,671	261,309	49,786	-	-	-	-	-	-
Capital outlay	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	18,815,450
Total expenditures	87,288,923	90,382,474	101,003,869	98,000,312	103,844,240	110,094,301	108,730,668	277,968,957	130,149,570	129,504,373
Excess (deficiency) of revenues over (under) expenditures	(6,568,640)	(5,540,191)	(15,217,400)	(13,686,146)	(12,089,853)	(13,344,452)	(11,266,305)	(153,817,301)	(13,733,350)	(18,662,701)
Other Financing Sources (uses):										
Issuance of long term debt	12,053,400	22,763,981	6,665,000	5,310,000	258,976	13,890,000	5,910,000	-	-	17,003,395
Refunding bonds issued	-	(17,850,000)	(6,410,000)	-	-	38,630	(5,828,246)	-	-	11,425,000
Payment to refunded bonds escrow agent	-	-	6,309	-	-	(128,066)	(16,111)	-	-	(6,634,456)
Bond premium	-	(379,897)	-	-	-	-	(16,111)	-	-	745,551
Capital lease obligations	105,077	273,220	1,582,940	-	-	-	-	102,950	-	-
Transfers in	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	20,551,091
Transfers out	(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)	(19,547,912)
Total other financing sources and uses	17,147,913	12,241,944	6,259,733	9,989,894	5,122,608	18,726,891	5,323,700	199,444,959	1,091,570	23,542,669
Special item	-	-	-	-	-	-	-	-	(372,895)	-
Net change in fund balances	\$ 10,579,273	\$ 6,701,753	\$ (8,957,667)	\$ (3,696,252)	\$ (6,967,045)	\$ 5,382,439	\$ (5,942,605)	\$ 45,627,658	\$ (13,014,675)	\$ 4,879,968
Debt service as a percentage of noncapital expenditures	11.3%	9.0%	7.1%	7.1%	7.5%	10.9%	7.7%	3.1%	12.0%	16.4%

Notes:
 On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.
 Year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

TABLE 6

CITY OF ALLENTOWN, PENNSYLVANIA

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

Fiscal Year Ended December 31	Real Property				Vacant Lots	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						
2006	\$ 1,037,145,800	\$ 361,532,150	\$ 227,440,000	\$ 53,261,600	22,297,350	\$ 1,701,676,900	\$ 426,922,950	0.01753	\$ 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	0.01753	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	0.01753	3,407,753,700	50%
2009	1,049,378,500	359,395,350	231,912,550	53,227,200	15,995,250	1,709,908,850	466,210,300	0.01753	3,419,817,700	50%
2010	1,050,521,900	352,885,300	229,726,000	52,937,100	16,665,650	1,702,735,950	471,422,500	0.01753	3,405,471,900	50%
2011	1,053,338,550	351,299,450	230,313,050	53,052,000	15,463,150	1,703,466,200	484,513,100	0.01753	3,406,932,400	50%
2012	1,051,702,800	351,225,450	230,099,250	53,044,800	16,477,600	1,702,549,900	476,375,100	0.01753	3,405,099,800	50%
2013	3,000,528,700	1,137,984,800	772,716,200	177,743,400	43,352,100	5,132,325,200	1,503,378,200	0.00581	5,132,325,200	100%
2014	2,992,534,800	1,167,818,000	771,111,300	176,876,300	47,110,300	5,155,450,700	1,518,849,200	0.00581	5,155,450,700	100%
2015	2,989,816,700	1,409,920,500	772,448,100	178,204,100	47,602,100	5,397,991,500	1,526,983,200	0.00581	5,397,991,500	100%

Notes:

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 7

Property Tax Rates
Direct and Overlapping Governments
Last Ten Years

Fiscal Year	Direct Rates	Overlapping Rates		Total Direct & Overlapping Rates
	Allentown City	School District	County	
	Total City Millage(1)	Total School Millage	Total County Millage	
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
2015	5.81	18.329	3.680	27.82

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).

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 8

Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2015</u>			<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>
Allentown Neighborhood Improvement Zone	\$ 133,112,958	1	2.51%			
Two City Center OP LP	56,585,400	2	1.07%			
Plaza at 835 W Hamilton Street LP	52,756,000	3	1.00%	\$ 21,570,550	1	1.26%
One City Center OP LP	35,005,500	4	0.66%			
Home Properties Trexler Park LLC	34,614,100	5	0.65%	6,936,550	4	0.41%
Congress Associates	25,200,000	6	0.48%	6,575,850	5	0.39%
Pennsylvania Power & Light Co.	21,982,200	7	0.42%			
The Lakes	21,834,500	8	0.41%	5,961,050	7	0.35%
Sharma Estates & Brandywine Gardens	20,200,000	9	0.38%			
Hospitality City Center OP LP	18,244,050	10	0.34%			
Morris Allentown Associates LP ET				5,753,700	8	0.34%
Lehigh Valley Hospital Inc.				5,372,750	9	0.31%
The Morning Call				7,098,250	3	0.42%
Agere Systems/Lucent Technologies				9,845,650	2	0.58%
Mack Trucks Inc.				5,962,700	6	0.35%
230 Riverbend Apartments LLC				5,304,000	10	0.31%
Total	\$ 419,534,708		7.91%	\$ 80,381,050		4.72%

Source:
City of Allentown Property Tax File

TABLE 9

CITY OF ALLENTOWN, PENNSYLVANIA

Property Tax Levies and Collections
Last Ten Years

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year	Fiscal Year of the Levy		Amount	Percentage of Levy
2006	\$ 30,984,146	\$ 28,464,063	91.9%	\$ 1,951,174	\$ 30,415,237	98.2%
2007	31,311,392	27,958,172	89.3%	1,264,923	29,223,095	93.3%
2008	29,796,059	28,339,285	95.1%	1,393,537	29,732,822	99.8%
2009	29,383,171	28,143,621	95.8%	1,168,655	29,312,276	99.8%
2010	29,349,230	28,331,648	96.5%	1,083,008	29,414,656	100.2%
2011	29,481,538	28,274,829	95.9%	1,018,237	29,293,066	99.4%
2012	29,700,657	28,426,793	95.7%	876,154	29,302,947	98.7%
2013	29,788,671	28,335,558	95.1%	652,292	28,987,850	97.3%
2014	29,614,100	28,313,759	95.6%	36,720	28,350,479	95.7%
2015	30,427,086	28,803,546	94.7%	-	28,803,546	94.7%

TABLE 10

CITY OF ALLENTOWN, PENNSYLVANIA

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
	Water			Sewer		General Obligation Bonds	Revenue Bonds	Capital Leases			
	General Obligation Bonds	Capital Leases	Revenue Bonds and Note	Other	Revenue Bonds						
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
2015	103,141,746	1,427,208	-	-	-	-	-	490,635	105,059,589	1.97%	890

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 11

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

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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	1.80%	787
2015	103,141,746	1.91%	874

Notes:

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 12

Direct and Overlapping Governmental Activities Debt
As of December 31, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 186,053,465	100.0%	\$ 186,053,465
Lehigh County General Obligation Bonds	141,659,186	20.0%	<u>28,331,837</u>
Subtotal, overlapping debt			214,385,302
City of Allentown Direct Debt			<u>104,568,954</u>
Total direct and overlapping debt			<u>\$ 318,954,256</u>

Note:

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%.

TABLE 13

CITY OF ALLENTOWN, PENNSYLVANIA
 Legal Debt Margin Information
 Last Ten Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 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	\$ 320,424,234
Total net debt applicable to limit	57,843,968	62,294,049	58,630,812	63,344,649	63,528,046	72,730,937	73,124,863	71,670,638	70,648,299	86,278,954
Legal debt margin	\$ 179,395,300	\$ 195,040,209	\$ 199,312,738	\$ 195,471,321	\$ 195,697,788	\$ 201,844,516	\$ 217,203,952	\$ 235,550,199	\$ 249,659,126	\$ 234,145,280
Total net debt applicable to the limit as a percentage of debt limit	24.38%	24.21%	22.73%	24.47%	24.51%	26.49%	25.19%	23.33%	22.06%	26.93%

Legal Debt Margin Calculation for Fiscal year 2015	
Borrowing base (1)	\$ 91,549,781
Percentage limitation	350%
Net debt limit	320,424,234
Debt applicable to limit:	
General obligation debt (2)	104,568,954
Less: Amount set aside for pension funding liability	(18,290,000)
	<u>86,278,954</u>
	\$ 234,145,280

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.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 14

Demographic and Economic Statistics
Last Ten Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
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%
2015	118,032	5,334,220,176	45,193	20,287	3.9%

Source:

- (1) US Department of Commerce, Bureau of the Census
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Allentown School District, starting 2014, also includes Charter School Enrollment
- (4) US Department of Labor, Bureau of Labor Statistics

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 15

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2015</u>			<u>2006</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>
Lehigh Valley Hospital/Health Services	2,607	1	3.58%	1,416	9	1.66%
Allentown School District	2,543	2	3.50%	2,826	2	3.31%
South East Personnel Leasing	2,330	3	3.20%			
Muhlenberg College	2,100	4	2.89%	2,133	5	2.50%
Allied Personnel Services	2,019	5	2.78%	2,393	4	2.80%
PPL Co.	1,839	6	2.53%	1,863	7	2.18%
Lehigh County & Institutions	1,652	7	2.27%	2,044	6	2.40%
Sacred Heart Hospital/Health Care	1,287	8	1.77%	1,618	8	1.90%
City of Allentown	1,094	9	1.50%			
Good Shepherd Rehab	992	10	1.36%			
H T S S Inc.				1,410	10	1.65%
Mack Trucks Inc.				2,570	3	3.01%
Performance Personnel				2,972	1	3.48%
	<u>18,463</u>		<u>25.38%</u>	<u>21,245</u>		<u>24.89%</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 2015 numbers reported above are what was reported to the Local Tax Collection District.

CITY OF ALLENTOWN, PENNSYLVANIA

Full-Time Equivalent Employees By Function
Last Ten Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	101	94	101	94	93	93	102	96	96	97
Public Safety										
Police										
Officers	237	207	211	203	205	209	219	214	216	222
Civilians	22	24	26	32	28	27	25	21	27	28
E-911	27	28	32	32	32	32	33	33	33	33
Fire										
Firefighters and officers	140	140	140	142	143	143	144	126	125	125
Civilians	1	1	1	1	1	1	1	1	1	1
EMS	32	32	32	29	31	32	41	32	32	32
Highways and Streets	58	58	58	53	48	46	46	86	82	80
Sanitation/Recycling	37	37	38	36	32	33	33	34	36	38
Building Maintenance	15	15	15	20	12	12	13	16	15	15
Building Standards & Safety	36	35	40	41	39	38	48	36	33	31
Culture and Recreation	41	37	39	34	25	22	24	50	56	55
Golf	6	6	6	5	5	6	6	6	6	6
Health	44	43	42	36	35	35	35	35	32	35
Water	87	93	93	89	84	85	84	0	0	0
Sewer	91	97	97	96	97	96	93	0	0	0
Total	975	947	971	942	910	910	946	786	790	798

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>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>	<u>2015</u>
Function										
Police										
Law violations	19,072	17,381	16,794	14,906	14,433	13,794	13,801	13,844	13,022	11,269
Traffic violations (1)	8,744	5,586	5,227	6,788	9,949	10,560	10,182	10,466	11,225	11,562
Fire										
Number of calls answered (2)	6,033	6,346	8,988	12,206	11,383	11,719	9,409	11,685	11,606	12,036
Inspections and investigations (4)	2,284	2,568	1,821	1,823	2,668	2,351	1,149	950	901	1,364
Highways and Streets										
Street reconstruction (miles)	0.1	0.15	0.29	0.13	0.02	0.00	0.10	0.28	1.83	0.16
Overlays (miles)	n/a	4.4	6.2	5.2	5.4	4.9	3.7	2.1	3.2	4.3
Potholes repaired	11,691	10,734	15,552	12,427	10,488	9,673	4,355	6,236	10,923	14,186
Sanitation										
Refuse collected (tons/year)	42,126	38,746	36,907	33,533	35,401	36,174	37,274	33,143	37,355	35,511
Recyclables collected (tons/year)	6,194	8,398	9,954	9,472	9,043	9,267	11,603	10,104	9,735	10,510
Sweep tickets issued	3,604	4,957	5,203	6,047	6,891	6,854	7,514	6,997	4,809	6,877
Animal related complaints (3)	1,222	1,510	1,476	1,467	1,193	1,268	1,441	1,286	1,378	1,482
Health										
Home hazard surveys	243	241	319	300	439	311	274	277	443	215
Food service inspections	1,405	1,429	1,456	1,708	1,765	1,306	1,613	1,712	1,615	1,853
Number of home visits	2,228	1,658	906	384	303	428	478	593	393	284
Total lead screenings/Healthy home visits (5)	870	690	773	849	945	916	788	227	0	17
Persons tested & counseled for HIV infection	2,160	2,324	2,472	2,544	2,656	2,624	2,517	2,290	2,036	2,077
Recreation										
Pavilion permits	206	325	508	389	382	294	297	523	648	629
Swimming pool season passes	152	191	195	116	211	159	253	680	263	294
Swimming pool patrons (non season pass)	13,395	43,623	56,453	65,428	64,932	47,365	36,584	50,895	31,509	33,081
Water (6)										
Water connection permits	25	57	20	16	17	47	8	3	0	0
Water main breaks	9	29	22	18	22	23	13	6	0	0
Average daily consumption (millions of gallons)	14.48	14.75	14.80	14.50	14.75	14.39	16.00	18.36	0	0
Wastewater										
Average daily sewage treatment (millions of gallons)	31.16	30.80	32.27	30.70	31.64	31.64	30.91	31.17	0.00	0.00
			158							

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	<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>	<u>2015</u>
Golf										
Number of patrons (7)	42,000	47,040	50,155	50,548	50,562	45,799	48,500	45,600	64,396	64,956
Number of days of service	225	273	305	299	293	285	310	285	251	266
E-911										
Number of calls:										
Police	105,196	107,135	103,600	112,841	112,639	127,315	119,686	120,355	123,840	119,647
EMS	12,929	13,485	13,985	13,512	13,843	14,628	14,528	13,998	14,583	15,542
Fire (3)	6,048	6,353	8,955	12,210	11,393	11,753	9,409	11,685	11,607	12,036
Other	8,952	9,556	8,760	9,259	8,572	9,653	7,901	7,843	8,630	9,455

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 started 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

Capital Asset Statistics By Function
Last Ten Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police:										
Stations	1	1	1	1	1	2	2	2	2	2
Police officers	190	187	197	203	199	197	209	200	208	211
Patrol units	83	87	84	84	87	90	108	114	114	107
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6
Fire fighters	140	140	140	141	141	102	120	123	120	118
Sanitation										
Collection trucks	3	3	3	3	3	3	4	4	4	3
Highways and Streets										
Streets (miles)	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5
Streetlights	7,766	7,829	7,835	7,990	7,995	8,097	8,097	8,106	8,106	8,136
Traffic signals	1,622	1,622	1,622	1,622	1,622	1,622	1,622	1,622	1,95	198
Recreation										
Parks acreage	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022
Parks	29	32	32	32	32	32	32	32	32	45
Swimming pools	5	5	5	5	4	4	4	4	4	4
Playgrounds	11	16	19	19	19	19	19	19	19	19
Water										
Water mains (miles)	300	310	310	310	310	310	310	310	310	310
Fire hydrants	1,708	1,819	1,819	1,816	1,818	1,820	1,817	1,817	1,817	1,817
Maximum daily capacity (millions of gallons)	30.0	30.0	30.0	30.0	30	30	35	35	35	35
Sewer										
Sanitary sewers (miles)	293	283	283	283	283	283	283	283	283	283
Storm sewers (miles)	185	165	165	165	165	165	165	165	165	165
Maximum daily treatment capacity (millions of gallons)	40	40	40	40	40	40	40	40	40	40
Golf										
Number of courses	1	1	1	1	1	1	1	1	1	1

Source:
Various city departments.

Notes:

- (1) Prior to 2014 the number included any type of traffic signals, starting 2014, the number only includes traffic light signals
 - (2) Starting in 2015, the number also includes pocket parks
- On August 7, 2013, the City of Allentown and Lehigh County Authority (LCA) closed a 50 year lease allowing LCA to operate, service and maintain the City water resource and waste water operations system.

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.

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