

CITY OF ALLENTOWN

Pennsylvania

COMPREHENSIVE ANNUAL FINANCIAL REPORT

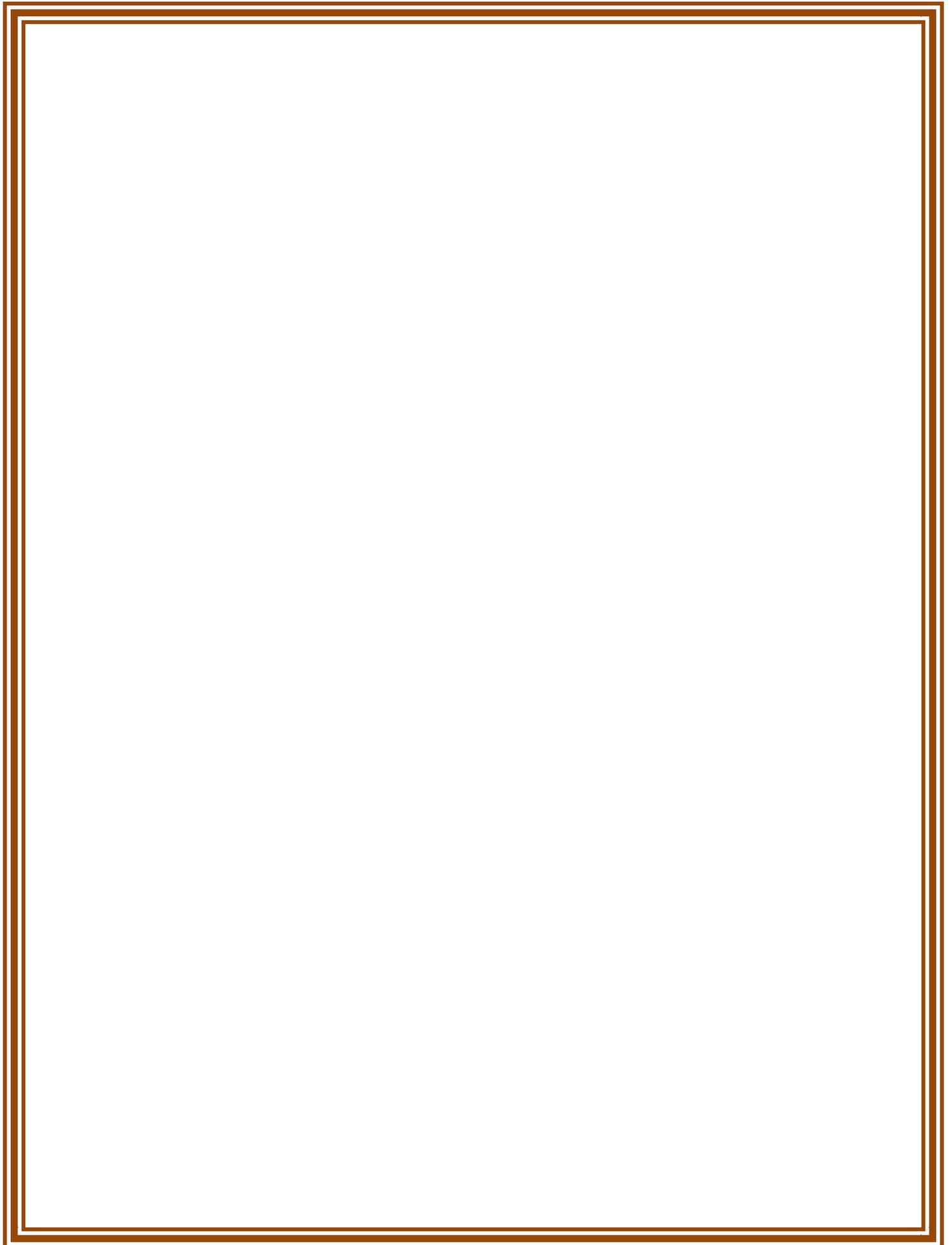


RAY O'CONNELL
MAYOR

JESSICA BARAKET
INTERIM DIRECTOR OF FINANCE

LUISA FOLLWEILER
TREASURY & ACCOUNTING MANAGER

For the year ended
December 31, 2019



**CITY OF ALLENTOWN, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**



MAYOR
Ray O'Connell

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

CITY CONTROLLER
Jeff Glazier

CITY SOLICITOR
Matthew Kloiber

Jessica Baraket, Interim Director of Finance
Luisa Follweiler, Treasury and Accounting Manager

Zelenkofske Axelrod LLC, Certified Public Accountants

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

PERTINENT FACTS ABOUT THE CITY OF ALLENTOWN

GENERAL

The City of Allentown is the county seat of Lehigh County and, with 118,032 residents, according to the U. S. Census Bureau 2010 estimate, ranks as Pennsylvania's third largest city. The Allentown-Bethlehem Metropolitan Statistical Area, comprised of Carbon, Lehigh and Northampton counties is the third largest urbanized area in the Commonwealth, with population estimated at 712,481. Only the Philadelphia and Pittsburgh areas have more residents. The City is strategically located within a 300-mile radius of the larger metropolitan areas on the eastern seaboard of the United States.

CITY GOVERNMENT

On April 23, 1996, the voters of the City of Allentown adopted a Home Rule Charter pursuant to the Home Rule Charter and Optional Plans Law, Act of April 13, 1972, P.L. 184, as amended, 53 P.S. Sections 2901 et seq. The City's Home Rule Charter took effect on the first Monday of January 1997. An elected Mayor with a four-year term serves as the chief executive of the City. A seven-member part-time City Council elected at large for four-year staggered terms, forms the legislative branch of the City government. The other elected City official is the City Controller who serves a four-year term. The City Council holds regular public meetings, at least twice a month, usually the first and third Wednesday of each month, in order to enact legislation in the form of ordinances and resolutions.

INDUSTRIES/LABOR FORCE

The Allentown area remains an attractive location for new and existing businesses. A number of major corporations, including, Air Products and Chemicals, Inc., PPL and Mack Trucks have selected Lehigh County as their headquarters or as the location of significant operations. Other major industries include apparel, electrical and electronic equipment and fabricated metal products. Investments have remained strong in Allentown and the Lehigh Valley area relative to the state and northeast as a whole.

TRANSPORTATION

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

AMENITIES

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

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Jessica Baraket
Interim Finance Director
City of Allentown
435 Hamilton Street
Allentown, PA 18101
P:610.437.7624 F:610.437.7618
Jessica.Baraket@allentownpa.gov

July 30, 2020

Honorable Mayor and Members of City
Council Allentown, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the City of Allentown, Pennsylvania, for the fiscal year ended December 31, 2019 is submitted herewith. This report was prepared by the City's Department of Finance. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

The City provides a full range of municipal services, including police and fire protection; emergency medical services; sanitation services; the construction and maintenance of streets, roads, and infrastructure; the delivery of community health services through the City's Health Bureau; recreational and parks activities; community and economic development including planning and zoning; and general administrative support services.

This report has been prepared in accordance with U.S. 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 2019.

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

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

OTHER INFORMATION

The City's Administrative Code requires that an annual audit of the books of accounts, financial records, and transactions of the City be performed by independent certified public accountants. The accounting firm of Zelenkofske Axelrod LLC, was selected by City Council to perform the annual audit for fiscal years 2016 through 2018 with an option to renew an additional two years. In addition, various bond indentures also require such an audit. The City has complied with this requirement, and the auditor's opinion has been included in this report.

Allentown saw continuing growth in Center City connected to the Neighborhood Improvement Zone (NIZ) in 2019. Via state legislation unique to Allentown, the NIZ is comprised of 128 acres in center city and along the western side of the Lehigh River waterfront within which certain state and local tax revenues generated by new and existing businesses can be used to pay debt service on bonds and loans issued for qualifying capital improvements. The modern PPL Center arena, several office buildings, and numerous retail establishments and restaurants have been developed as a result of the NIZ. Nearly \$1 billion has been invested in NIZ projects since the inception of the program, creating over five thousand new jobs in downtown and generating millions of dollars of new revenue for the local taxing bodies.

In addition, more than 500 new apartments have been built in center city since 2013, with 250 additional units expected to be completed by year end 2020. Still more residential development is in the planning stages with expected construction in late 2020 or 2021. The 13-story Five City Center office tower opened in the fall of 2019, with ADP as the primary anchor tenant for the building. By December 2019, approximately 1200 ADP employees were working in this all glass Class-A office building. Development planning continues on many different residential and commercial projects throughout the City.

The fall of 2019 included an announcement by The Da Vinci Science Center of their intention to locate the new science center to the heart of downtown, near 8th and Hamilton Streets. The project is in the design and engineering phase currently, with a projected opening in 2022.

The Da Vinci Science Center expects to attract over 400,000 visitors annually, with an emphasis on providing STEAM (Science, Technology, Engineering, and Mathematics) education to the youth of Allentown and Lehigh Valley.

The City adopted its 10-year Comprehensive and Economic Development Plan Allentown Vision 2030 in 2019. This community-based plan contains the roadmap for economic development throughout the City for the next decade. In addition, the City partners with the Allentown Economic Development Corporation to provide low-interest loans for the benefit of small businesses.

And finally, the City is working to tackle blighted properties throughout the neighborhoods. In partnership with the Allentown Redevelopment Authority, the City works with property owners to bring their vacant residential structures into code compliance. Roughly 100 properties were in the blighted property process by year *end* 2019.

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

On December 31, 2019, Standard and Poor's has assessed the City's bond rating at A with a negative outlook, and Moody's has affirmed the City's A3 rating with a stable outlook. With the increase of 2019 reserves and the increased tax revenue for 2019, the Moody's outlook changed from a negative to a stable outlook.

In response, the City administration worked diligently with City Council and the Controller to achieve significant cost containment. Additionally, recurring revenues exceeded expenditures in 2019 without the use of reserves.

Acknowledgments: The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of many City staff. Lastly, we would 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,



Jessica Baraket
Interim Director of Finance



Luisa Follweiler
Treasury and Accounting Manager



Government Finance Officers Association

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

Presented to

**City of Allentown
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

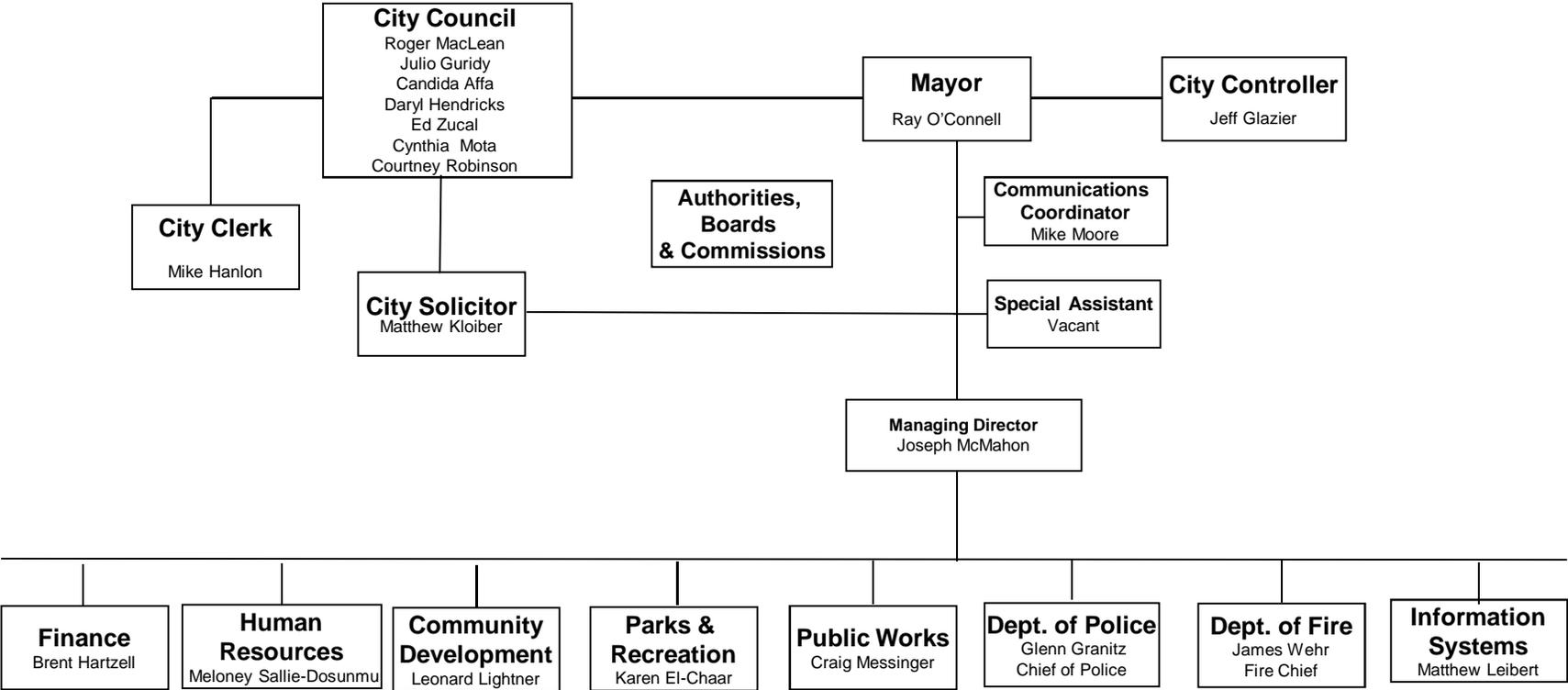
December 31, 2018

Christopher P. Morrill

Executive Director/CEO

City of Allentown

2019 Organizational Chart



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Independent Auditor's Report

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

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allentown, Pennsylvania (City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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Honorable Mayor and Members of City Council
City of Allentown, Pennsylvania
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2019 the City of Allentown adopted the provisions of Governmental Accounting Standards Board's Statement No. 83, *Certain Asset Retirement Obligations*, the provisions of Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No.14 and No.61*, and the provisions of Statement No. 95, *Postponement of the Effective Dates of Certain Authorities Guidance*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 16, subsequent events may have a significant impact on the operations of the City. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this 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 postemployment benefit information on pages 4 through 20 and 93 through 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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City of Allentown, Pennsylvania
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Other Information

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

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

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
July 30, 2020

**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, 2019. 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, 2019. Additional information is provided in the Transmittal Letter preceding this MD&A which can be found on pages i-iv of this report. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

Between the years 2005 and 2018, the City of Allentown made no effective increases to its real estate tax millage rates to address structural deficits or to account for inflation of the cost of materials, supplies, wages, benefits, and other services. While budgeting for 2019, the City calculated that baseline adjustments to the real estate tax millage to account for inflation alone would have netted the City an additional \$7.6 million in revenues over the same time period. The City, having exhausted its capacity to deal with structural deficits by debt financing, draw-downs on reserves and increases to the Earned Income Tax rate, resolved to increase its effective millage rate from 5.81 mills to 7.31 mills to address part of its structural deficit in 2019. This increase had the effect of covering the 13-year gap in cost inflation.

The 2019 City budget anticipated a \$2.5 million reduction in General Fund reserves due to the use of such reserves to effectively balance the budget. Instead, the General Fund realized a \$4.6 million surplus for the year, with lower-than-budgeted operating costs supplemented by the increase in tax revenue due to the increase in tax millage. Tax collection remained robust due to good economic conditions and strong in-house assessment and recovery of municipal claims and tax deficiencies. The City's current fiscal challenges center on maintaining a balance between recurring revenues and recurring expenditures over the next five years.

The City's continuing fiscal challenges center on maintaining a balance between recurring revenues and recurring expenditures. Rising benefit costs enable expenditures to grow at an expanding rate compared to recurring revenue. While 2019 was a strong year for general fund revenue collections, the view beyond 2019 presents a landscape not only of challenges to the generally accepted norms and predictability of revenue inflows, but also challenges to the City's ability to enact cost containment measures while providing the same level of municipal services to its taxpayers.

Primary among the City's cost constraints are its long-term retirement benefit obligations. As a result of Government Accounting Standards Board Statement 75 (GASB 75) and GASB 68 (concerning pension obligations), the City continues to report the entire life cycle of its pension obligations and other postemployment benefits (OPEB) as liabilities on its statement of net position annually. The combination of these GASB provisions continues to weigh heavily on the City's net position.

Both of these costs result from the health insurance options and defined benefit retirement plans available to City employees, and the life cycle costs of these provisions are now stated clearly for public review in this and all subsequent CAFR documents.

Importantly, the City assures its citizens that it has been aware of these life cycle costs for a long time, and the City timely pays what is required by law to ensure stable pension funds and health care services within available revenues without sacrificing the quality of essential public services such as police and fire protection, public works, parks and recreation, and community and economic development.

In December of 2019, The Novak Consulting Group (Novak) submitted its recommendations for an Early Intervention Program (EIP). These recommendations were designed to “more clearly define the City’s strategic goals and to restructure some City services to better achieve these goals and enhance efficiency”. The EIP urged the City, among other cost containment and efficiency measures, to adopt or update financial management polices concerning its fund balances, debt and investment management, to pursue strategies to contain its health care and OPEB costs, including funding an OPEB trust and to pursue a priority-based budgeting philosophy. Novak further noted that most other Mid-Atlantic private and public employers of similar size either require significantly greater contributions from their employees and retirees to the cost of their medical and prescription drug coverage benefits, or have replaced their defined benefit plans with a defined contribution plan, or both.

The City’s two largest sources of General Fund revenue are realized from City Real Estate Taxes and Local Earned Income Taxes. On January 22, 2019, the City assessed real estate taxes at the rate of 23.5376 mills (.0235376) on Land within its territorial limits, which tax assessed value was fixed at \$791,100,600, and Improvements thereof to the Land at a rate of 4.4528 mills (.004528), which tax assessed value was fixed at \$4,497,694,800. The City’s gross tax assessment for all real property within its territorial limits as of January 22, 2019 was \$38,647,946. Resident earned income tax was assessed at a 1.975 percent rate in 2019, of which a 1.475 percent rate is remitted to the City government and .5 percent to the school district. Non-residents employed within the City were assessed a 1.28 percent earned income tax rate. It is typical among the non-resident class of taxpayers that the City keeps only .28 percent of the tax assessment, while 1.0 percent is distributed back to the municipality where the non-resident resides. Between 90% - 95% of the City’s Earned Income Tax collections are quarterly remitted as a result of payroll withholding from employers.

Finally, on March 6, 2020, Governor Tom Wolf declared the existence of a disaster emergency throughout the Commonwealth as a result of the pandemic outbreak of the novel coronavirus (COVID-19). Please refer to Note 16.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

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

- **Supplementary information**

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand City government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the City's pension and other postemployment benefit plans and budget-to-actual figures for the General Fund. In addition to these required elements, an optional supplementary section is included with other statements that provide particulars about nonmajor funds.

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

- *Government-wide financial statements*, the first two statements, provide a broad overview of the City's overall financial status as well as the financial status of the City's component units, in a manner similar to private-sector business.
- *Fund financial statements*, the remaining statements, focus on individual parts of City government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental fund statements* show how general government services, such as public safety, were financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the City operates like a business, such as the Solid Waste Fund.
 - *Fiduciary fund statements* reflect activities involving resources that are held by the City as a trustee or agent for the benefit of others, including the City's retirement plans. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the City's programs.

Table A-1 shows how the various parts of this annual report are arranged and relate to one another.

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

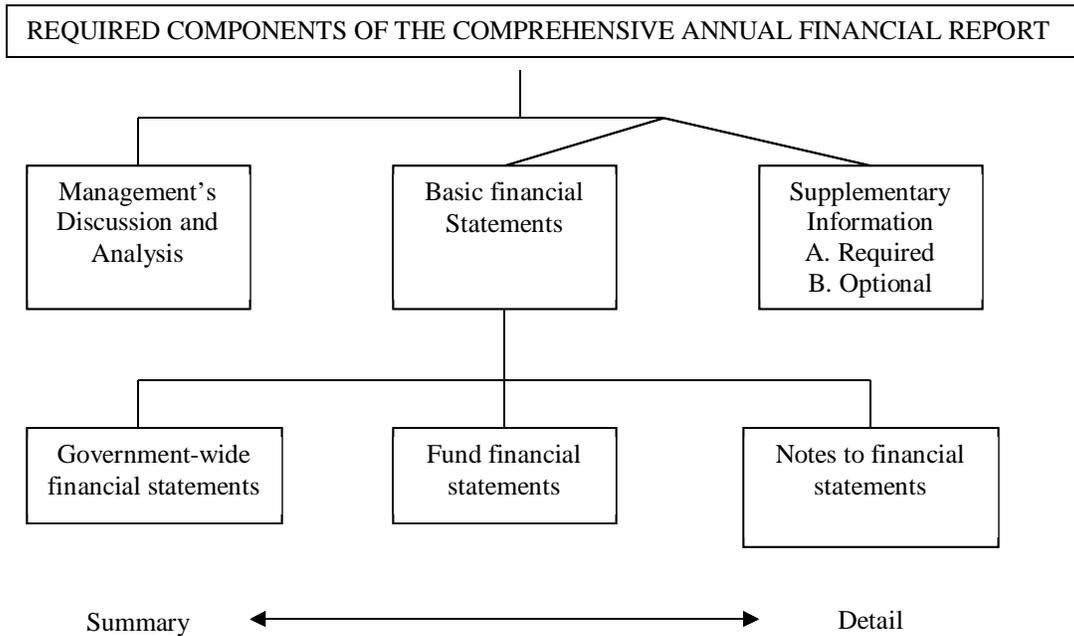


Table A-2 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

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

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

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

Government-wide financial statements

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

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

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

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

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

There are two categories of activities for the primary government.

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

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

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

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position includes items with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is net position that does not meet any of the above criteria

Fund financial statements

Fund financial statements provide more detailed information on the City's most significant funds, *not the City as a whole*. Funds are accounting devices, i.e., a group of related accounts that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Governmental fund financial statements are reported using current financial resources measurement focus and modified accrual accounting established by the Governmental Accounting Standards Board for governments.

The City has three kinds of funds:

- *Governmental funds* include most of the City's basic services and focus on: (1) the flow in and out of cash and other financial assets that can be readily converted to cash, and (2) the balances left at year-end that are available for spending. The governmental funds that the City maintains (General, Liquid Fuels, Community Development Block Grant, Revolving Loan, Debt Service, Capital Projects, Trexler, E-911, Lease A.O., Stormwater and Grants) are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs.

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

The City adopts an annual budget for the General, Liquid Fuels, Debt Service, Community Development Block Grant, Trexler, E-911, Capital Projects, Lease A.O., Stormwater and Grants funds, as required by Pennsylvania law. Budgetary comparisons for the general fund are presented as required supplementary information. Budgetary comparisons for the Capital Projects, Liquid Fuels, Community Development Block Grant, Trexler, E-911, Debt Service, Lease A.O., Stormwater and Grants funds are presented as supplementary information.

- *Proprietary funds* report business-type programs and activities that charge fees designed to cover the cost of providing services. They report using the full accrual basis of accounting.
- *Fiduciary funds* are funds for which the City is the trustee or fiduciary. These include the Officers and Employees Pension Fund, the Police Pension Fund, the Firemen Pension Fund, and certain agency funds or clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The City is responsible to ensure that the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The City's total assets were \$346,494,266 at December 31, 2019. Of this amount, \$250,373,673 was capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-------------------------|--------------------------|---------------------|-------------------------|-------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 62,108,678 | \$ 52,451,311 | \$ 8,612,171 | \$ 8,496,912 | \$ 70,720,849 | \$ 60,948,223 |
| Capital assets, net | 244,735,201 | 238,769,956 | 5,638,472 | 6,073,200 | 250,373,673 | 244,843,156 |
| Other non-current assets | 25,399,744 | 26,414,038 | - | - | 25,399,744 | 26,414,038 |
| Total Assets | 332,243,623 | 317,635,305 | 14,250,643 | 14,570,112 | 346,494,266 | 332,205,417 |
| Deferred Outflows of Resources: | | | | | | |
| Deferred outflows of resources for pensions | 10,715,756 | 34,153,218 | 602,261 | 666,542 | 11,318,017 | 34,819,760 |
| Deferred outflows of resources for OPEB | 9,520,517 | 12,073,010 | 607,692 | 770,617 | 10,128,209 | 12,843,627 |
| Deferred charge on refunding | 321,246 | 341,323 | - | - | 321,246 | 341,323 |
| Total Deferred Outflows of Resources | 20,557,519 | 46,567,551 | 1,209,953 | 1,437,159 | 21,767,472 | 48,004,710 |
| Current and other liabilities | 21,466,722 | 18,988,662 | 2,290,727 | 1,458,671 | 23,757,449 | 20,447,333 |
| Long-term liabilities | 241,144,569 | 274,665,060 | 8,475,050 | 7,239,023 | 249,619,619 | 281,904,083 |
| Total Liabilities | 262,611,291 | 293,653,722 | 10,765,777 | 8,697,694 | 273,377,068 | 302,351,416 |
| Deferred Inflows of Resources: | | | | | | |
| Utility system concession lease | 212,463,062 | 212,104,503 | - | - | 212,463,062 | 212,104,503 |
| Deferred inflows of resources for OPEB | 4,936,797 | 1,348,907 | 315,115 | 86,100 | 5,251,912 | 1,435,007 |
| Deferred inflows of resources for pensions | 17,209,879 | 12,385,606 | - | 1,307,470 | 17,209,879 | 13,693,076 |
| Total Deferred Inflows of Resources | 234,609,738 | 225,839,016 | 315,115 | 1,393,570 | 234,924,853 | 227,232,586 |
| Net position: | | | | | | |
| Net investment in capital assets | 200,846,817 | 192,129,736 | 5,202,335 | 5,368,849 | 206,049,152 | 197,498,585 |
| Restricted | 16,770,597 | 15,759,253 | - | - | 16,770,597 | 15,759,253 |
| Unrestricted | (362,037,301) | (363,578,871) | (822,631) | 547,157 | (362,859,932) | (363,031,714) |
| Total Net Position (Deficit) | \$ (144,419,887) | \$ (155,289,882) | \$ 4,379,704 | \$ 5,916,006 | \$ (140,040,183) | \$ (149,773,876) |

City of Allentown, Pennsylvania
Management's Discussion and Analysis

The following statement of activities represents changes in net position for the years ended December 31, 2019 and 2018. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

Table A-4: Condensed Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-------------------------|--------------------------|---------------------|-------------------------|-------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program revenues: | | | | | | |
| Charges for services | \$ 28,082,657 | \$ 28,852,560 | \$ 16,113,444 | \$ 15,681,285 | \$ 44,196,101 | \$ 44,533,845 |
| Operating grants and contributions | 13,527,175 | 19,945,131 | 552,475 | 1,060,856 | 14,079,650 | 21,005,987 |
| Capital grants | 340,703 | 802,464 | - | - | 340,703 | 802,464 |
| General revenues: | | | | | | |
| Taxes | 85,451,237 | 78,881,070 | - | - | 85,451,237 | 78,881,070 |
| Investment earnings | 664,745 | 609,832 | 74,784 | - | 739,529 | 609,832 |
| Unrestricted grants/contributions | 12,294,357 | 11,798,217 | - | - | 12,294,357 | 11,798,217 |
| Total revenues | 140,360,874 | 140,889,274 | 16,740,703 | 16,742,141 | 157,101,577 | 157,631,415 |
| Expenses: | | | | | | |
| General government | 16,641,885 | 17,862,356 | - | - | 16,641,885 | 17,862,356 |
| Public safety | 65,999,897 | 70,750,446 | - | - | 65,999,897 | 70,750,446 |
| Community development | 11,243,886 | 11,768,151 | - | - | 11,243,886 | 11,768,151 |
| Public works | 20,916,551 | 21,858,634 | - | - | 20,916,551 | 21,858,634 |
| Health and sanitation | 3,814,779 | 3,374,484 | - | - | 3,814,779 | 3,374,484 |
| Parks and recreation | 7,411,353 | 6,623,619 | - | - | 7,411,353 | 6,623,619 |
| Water and sewer | - | - | - | - | - | - |
| Interest on long-term debt | 4,812,958 | 4,341,979 | - | - | 4,812,958 | 4,341,979 |
| Municipal golf course | - | - | 1,225,306 | 1,230,685 | 1,225,306 | 1,230,685 |
| Solid waste fund | - | - | 15,701,270 | 14,389,435 | 15,701,270 | 14,389,435 |
| Total expenses | 130,841,309 | 136,579,669 | 16,926,576 | 15,620,120 | 147,767,885 | 152,199,789 |
| Change in net position before transfers | 9,519,565 | 4,309,605 | (185,873) | 1,122,021 | 9,333,692 | 5,431,626 |
| Transfers | 1,350,430 | 1,364,031 | (1,350,430) | (1,364,031) | - | - |
| Change in net position | 10,869,995 | 5,673,636 | (1,536,303) | (242,010) | 9,333,692 | 5,431,626 |
| Net position (deficit) beginning, as restated | (155,289,882) | (160,963,518) | 5,916,007 | 6,158,017 | (149,373,875) | (154,805,501) |
| Net position (deficit) ending | \$ (144,419,887) | \$ (155,289,882) | \$ 4,379,704 | \$ 5,916,007 | \$ (140,040,183) | \$ (149,373,875) |

Total government-wide revenues of \$157.1 million in 2019 came primarily from taxes of \$85.5 million, representing 54.4 percent of the total. Charges for services at \$44.2 million made up the second largest source of revenue at 28.1 percent, followed by operating grants and contributions of \$14.4 million, or 9.0 percent.

Total expenses for all programs in 2019 were \$147.8 million. The expenses cover a range of services, with the largest being public safety at \$66.0 million or 44.7 percent. The next largest program areas were public works at \$20.9 million or 14.2 percent, general government at \$16.6 million or 11.3 percent, and the solid waste fund at \$15.7 million or 10.6 percent.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Net cost of services

Net cost of services indicates the amount of support required from taxes and other general revenues for programs of the government. Table A-5 depicts the net program expenses for the years ended December 31, 2019 and 2018.

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

| | Total cost of services | | Net cost of services | |
|----------------------------|------------------------|-----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Program: | | | | |
| General government | \$ 16,641,885 | \$ 17,862,356 | \$ 9,486,042 | \$ 4,422,276 |
| Public safety | 65,999,897 | 70,750,446 | 60,593,658 | 64,740,975 |
| Community development | 11,243,886 | 11,768,151 | 2,015,561 | 2,412,397 |
| Public works | 20,916,551 | 21,858,634 | 10,743,094 | 11,723,180 |
| Health and sanitation | 3,814,779 | 3,374,484 | 1,386,240 | 825,825 |
| Parks and recreation | 7,411,353 | 6,623,619 | 5,044,134 | 3,480,685 |
| Water and sewer | - | - | (5,190,913) | (4,967,803) |
| Interest on long-term debt | 4,812,958 | 4,341,979 | 4,812,958 | 4,341,979 |
| Municipal golf course | 1,225,306 | 1,230,685 | 580,236 | (9,950) |
| Solid waste fund | 15,701,270 | 14,389,435 | (319,579) | (1,112,071) |
| Total expenses | \$ <u>147,767,885</u> | \$ <u>152,199,789</u> | \$ <u>89,151,431</u> | \$ <u>85,857,493</u> |

The City relied on real estate tax, Act 511 taxes such as earned income tax and business privilege tax, and other general revenues to fund 60.3 percent of its governmental and business-type activities in 2019. These revenues covered 57.0 percent of general government spending with the remainder coming from grants and fees for specific services. These revenues also covered 91.8 percent of public safety spending with the remainder coming from grants, fines, and court costs.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Capital assets

The City's investment in capital assets at December 31, 2019, net of accumulated depreciation, was \$250.4 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Detailed information about the City's capital assets can be found in Note 5, Notes to Financial Statements. Table A-6 is a summary of capital assets at December 31, 2019 and 2018.

Table A-6: Capital assets, net at December 31, 2019 and 2018

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 9,809,945 | \$ 9,809,945 | \$ 1,134,759 | \$ 1,134,759 | \$ 10,944,704 | \$ 10,944,704 |
| Assets under concession lease - LCA | 88,767,580 | 83,608,608 | - | - | 88,767,580 | 83,608,608 |
| Assets under concession lease - COA | 6,064,891 | 5,717,653 | - | - | 6,064,891 | 5,717,653 |
| Construction in progress | 9,248,917 | 3,459,131 | - | - | 9,248,917 | 3,459,131 |
| Buildings | 3,839,530 | 4,229,910 | 626,666 | 649,534 | 4,466,196 | 4,879,444 |
| Land and building improvements | 20,810,239 | 20,065,187 | 862,930 | 1,029,570 | 21,673,169 | 21,094,757 |
| Machinery and equipment | 10,757,952 | 12,208,352 | 2,015,929 | 2,186,524 | 12,773,881 | 14,394,876 |
| Vehicles | 7,030,090 | 7,648,105 | 970,750 | 1,044,997 | 8,000,840 | 8,693,102 |
| Infrastructure | 88,406,057 | 92,023,065 | - | - | 88,406,057 | 92,023,065 |
| Distribution and collection systems | - | - | 27,438 | 27,816 | 27,438 | 27,816 |
| Total | \$ 244,735,201 | \$ 238,769,956 | \$ 5,638,472 | \$ 6,073,200 | \$ 250,373,673 | \$ 244,843,156 |

Debt administration

Long-term debt:

At December 31, 2019, the City had \$96.3 million of debt outstanding, including bonds, notes, and capital leases. This was a net decrease of \$4.4 million from the end of 2018. Detailed information about the City's Long-term Debt can be found in Note 9, Notes to Financial Statements. Table A-7 provides a summary of outstanding debt.

Table A-7: Summary of outstanding debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|-----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Capital leases | \$ 3,009,918 | \$ 4,003,545 | \$ 436,137 | \$ 704,351 | \$ 3,446,055 | \$ 4,707,896 |
| Bonds and notes | 92,812,488 | 83,778,507 | - | - | 92,812,488 | 83,778,507 |
| Pension obligation bonds | - | 12,175,000 | - | - | - | 12,175,000 |
| Total | \$ 95,822,406 | \$ 99,957,052 | \$ 436,137 | \$ 704,351 | \$ 96,258,543 | \$ 100,661,403 |

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, 2019 was approximately \$273.3 million, and the total debt outstanding was \$96.3 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2019 was approximately \$382.7 million and the total applicable debt outstanding was \$96.3 million, which is also below the legal debt limit.

Bond rating

At December 31, 2019, the City is rated A3 with a stable outlook by Moody's Investors Service and an A rating with a negative outlook by S&P. The City is hopeful that the positive change in General Fund balance during 2019 will at least restore a stable outlook from 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, schedules are presented to reconcile the fund statements to the government-wide statements.

The City's governmental funds include the General Fund, special revenue funds, Debt Service Fund, and Capital Projects Fund. The General Fund is the chief operating fund for the City. Special revenue funds are restricted to specific legislated uses. The Debt Service Fund is used to record the funding and payment of principal and interest on the issuance of debt in the governmental funds. The Capital Projects Fund accounts for the proceeds of bond issues to be used for capital projects. The major funds are shown on the statement of revenues, expenditures, and changes in fund balance in the financial statements.

Governmental fund revenues

Governmental fund revenues by source for the years ended December 31, 2019 and 2018 are as follows. Table A-8 also presents changes from 2018 to 2019.

Table A-8: Revenues by source, governmental funds

| | 2019 | 2018 | Changes from 2018 to 2019 | Percent change |
|----------------------------|-----------------------|-----------------------|------------------------------|-------------------|
| Revenues: | | | | |
| Taxes | \$ 86,200,830 | \$ 76,085,821 | \$ 10,115,009 | 13.3% |
| Licenses and permits | 7,648,361 | 8,768,619 | (1,120,258) | -12.8% |
| Charges for services | 6,582,276 | 6,094,400 | 487,876 | 8.0% |
| Fines and forfeits | 377,686 | 623,181 | (245,495) | -39.4% |
| Investment earnings | 579,507 | 609,832 | (30,325) | -5.0% |
| Intergovernmental revenues | 25,992,040 | 32,875,745 | (6,883,705) | -20.3% |
| Other | 9,348,091 | 8,842,875 | 505,216 | 5.7% |
| Total revenues | <u>\$ 136,728,791</u> | <u>\$ 133,900,473</u> | <u>\$ 2,828,318</u> | <u>2.3%</u> |

Governmental fund revenues totaled \$136.7 million for the year ended December 31, 2019. This is an increase of \$2.8 million from 2018, primarily due to increased tax revenue, resulting from the City real estate tax rate increase in 2019 .

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2019 and 2018 are as follows. Table A-9 also presents changes from 2018 to 2019.

Table A-9: Expenditures by function, governmental funds

| | 2019 | 2018 | Changes from 2018 to 2019 | Percent change |
|-----------------------|-----------------------|-----------------------|------------------------------|-------------------|
| Expenditures: | | | | |
| General government | \$ 12,330,677 | \$ 17,015,637 | \$ (4,684,960) | -27.5% |
| Public safety | 65,667,143 | 64,725,057 | 942,086 | 1.5% |
| Community development | 11,194,135 | 11,500,007 | (305,872) | -2.7% |
| Public works | 14,469,632 | 16,589,541 | (2,119,909) | -12.8% |
| Health and sanitation | 3,712,218 | 3,489,864 | 222,354 | 6.4% |
| Parks and recreation | 6,225,680 | 5,889,408 | 336,272 | 5.7% |
| Debt service: | | | | |
| Principal | 18,967,566 | 13,686,108 | 5,281,458 | 38.6% |
| Interest | 2,523,288 | 2,459,911 | 63,377 | 2.6% |
| Capital outlay | 10,421,825 | 5,834,064 | 4,587,761 | 78.6% |
| Total expenditures | <u>\$ 145,512,164</u> | <u>\$ 141,189,597</u> | <u>\$ 4,322,567</u> | <u>3.1%</u> |

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

Governmental fund expenditures totaled \$145.5 million for the year ended December 31, 2019, an increase of 3.1 percent from 2018 primarily due to capital outlay and debt repayment.

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, 2019 and 2018.

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

| | 2019 | | 2018 | |
|-----------------------|----------------------|---------------------|----------------------|---------------------|
| | Governmental Funds | Enterprise Funds | Governmental Funds | Enterprise Funds |
| General | \$ 23,463,617 | \$ - | \$ 18,896,146 | \$ - |
| Liquid Fuels Fund | 2,365,600 | - | 2,087,203 | - |
| Community Development | | | | |
| Block Grant | 4,118,161 | - | 4,150,650 | - |
| Trexler | 331,137 | - | 614,819 | - |
| Capital Projects | 3,939,299 | - | 4,973,906 | - |
| E-911 | - | - | (246,234) | - |
| Grants | - | - | - | - |
| Revolving Loan | 1,335,106 | - | 1,328,577 | - |
| Debt Service Fund | 1,040 | - | - | - |
| Stormwater Fund | 3,668,276 | - | 1,864,391 | - |
| Lease A.O. Fund | 1,011,978 | - | 1,139,707 | - |
| Municipal Golf Course | - | 850,521 | - | 858,174 |
| Solid Waste Fund | - | 3,529,183 | - | 5,057,833 |
| Total | \$ 40,234,214 | \$ 4,379,704 | \$ 34,809,165 | \$ 5,916,007 |

The City's governmental funds reported a combined fund balance of \$40.2 million at December 31, 2019, up \$5.4 million from a year previously. Of this total fund balance, \$4.1 million is restricted for Community Development Block Grant projects, \$3.9 million is restricted for capital acquisitions, \$2.4 million is restricted for the Liquid Fuels Fund, \$1.3 million is restricted for the Revolving Loan Fund, \$1.0 million is restricted for the Lease A.O. Fund, and \$0.3 million is restricted for the Trexler fund.

The General Fund balance increased by \$4.6 million, largely attributable to constrained expenditures and increased tax revenue due to an increase in tax millage from 2018 to 2019. The Stormwater Fund increased by \$1.8 million, Solid Waste Fund decreased by \$1.5, the Capital Fund balance decreased by \$1 million, and the Lease A.O. Fund balance decreased by less than \$0.1 million.

Budgetary considerations

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

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

Because the City's fiscal year differs from those of the Commonwealth and the federal government, it is difficult to know what grants will be forthcoming in the City's fiscal year. Some revenue variances are due to budgeting for grants not received or for grants received but not anticipated.

The \$4.6 million increase in General Fund balance resulted from controlled spending, but most importantly was the first Real Estate Tax increase in thirteen years. Regarding revenue, business privilege tax has seen a significant increase in recurring taxes, fees for emergency medical service have increased with higher demand for health emergencies and rental inspection program revenue has benefitted from a new collection schedule and collection procedures.

Economic Condition and Outlook

LOCATION & DEMOGRAPHIC ADVANTAGES

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

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

ECONOMIC DEVELOPMENT ACHIEVEMENTS

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

As noted in the introductory letter of this report, economic development is occurring rapidly in Allentown, predominantly in but not limited to the center city. Allentown is experiencing employment growth in such sectors as legal and financial services, banking, insurance, financial

planning, tourism, entertainment, and destination visiting. The City adopted its 10-year Comprehensive and Economic Development Plan, Allentown Vision 2030 in 2019, which will guide the economic development efforts of the City administration and community leaders for the next decade.

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

SUMMARY

The City of Allentown saw significant economic development in 2019, and City government dedicated its resources toward achieving long-term financial and community stability. Much work remains for the City to continue being effective stewards of the City's public services. While most City expenses throughout 2019 remained relatively stable due to stringent monitoring and management practices, certain costs continue to increase at rates above the Consumer Price Index, particularly in personnel benefits and risk management. Revenue initiatives and cost control measures will continue to be implemented to mitigate financial risk. Working with Council and the City Controller, the City Administration will lead the way to ensure that the successes of recent years are strengthened in the years to come.

The 2020 General Fund budget for the City of Allentown forecasts revenues of \$116.6 million and expenditures of \$119 million, using \$2.4 million of cash reserves due to necessary capital contributions. It is anticipated that the City of Allentown will attain a Capital Bond to avoid using the cash reserves in 2020.

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 Interim Director of Finance, City of Allentown, 435 Hamilton Street, Allentown, Pennsylvania 18101.

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

| Assets | Primary Government | | Total | Component Units |
|---|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business-Type Activities | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 36,740,587 | \$ 4,627,166 | \$ 41,367,753 | \$ 3,382,113 |
| Investments - restricted | 2,604,834 | - | 2,604,834 | 1,677,187 |
| Receivables (net of allowance for uncollectible): | | | | |
| Taxes | 19,420,129 | - | 19,420,129 | - |
| Accounts | 3,253,872 | 1,568,582 | 4,822,454 | 286,227 |
| Grants | 2,256,638 | - | 2,256,638 | - |
| Other current assets | 8,242 | - | 8,242 | 36,203 |
| Inventory | - | 11,806 | 11,806 | 19,327 |
| Prepaid expenses | - | - | - | 249,720 |
| Prepaid debt insurance | 228,993 | - | 228,993 | - |
| Due from other governments | - | - | - | 52,768 |
| Internal balances | (2,404,617) | 2,404,617 | - | - |
| Total current assets | <u>62,108,678</u> | <u>8,612,171</u> | <u>70,720,849</u> | <u>5,703,545</u> |
| Noncurrent assets: | | | | |
| Capital assets, net: | | | | |
| Land | 9,809,945 | 1,134,759 | 10,944,704 | 8,301,151 |
| Assets under concession lease-LCA | 88,767,580 | - | 88,767,580 | - |
| Assets under concession lease-City | 6,064,891 | - | 6,064,891 | - |
| Buildings | 3,839,530 | 626,666 | 4,466,196 | 44,999,837 |
| Land and building improvements | 20,810,239 | 862,930 | 21,673,169 | - |
| Machinery and equipment | 10,757,952 | 2,015,929 | 12,773,881 | 1,389,178 |
| Vehicles | 7,030,090 | 970,750 | 8,000,840 | 179,085 |
| Distribution and collection systems | - | 27,438 | 27,438 | - |
| Construction in progress | 9,248,917 | - | 9,248,917 | 788,557 |
| Infrastructure | 88,406,057 | - | 88,406,057 | - |
| Total capital assets, net | <u>244,735,201</u> | <u>5,638,472</u> | <u>250,373,673</u> | <u>55,657,808</u> |
| Loans and notes receivable | 4,140,165 | - | 4,140,165 | 1,840,399 |
| Utility system concession lease receivable | 21,259,579 | - | 21,259,579 | - |
| Property held for development | - | - | - | 362,289 |
| Net pension asset | - | - | - | 389,378 |
| Total noncurrent assets | <u>270,134,945</u> | <u>5,638,472</u> | <u>275,773,417</u> | <u>58,249,874</u> |
| Total Assets | <u>332,243,623</u> | <u>14,250,643</u> | <u>346,494,266</u> | <u>63,953,419</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows of resources for pensions | 10,715,756 | 602,261 | 11,318,017 | 5,116 |
| Deferred outflows of resources for OPEB | 9,520,517 | 607,692 | 10,128,209 | - |
| Deferred charge on refunding | 321,246 | - | 321,246 | 535,733 |
| Total Deferred Outflows of Resources | <u>20,557,519</u> | <u>1,209,953</u> | <u>21,767,472</u> | <u>540,849</u> |

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019
(Continued)

| Liabilities | Primary Government | | Total | Component Units |
|--|----------------------------|-----------------------------|-------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | | |
| Current liabilities: | | | | |
| Accounts payable and other current liabilities | 5,283,337 | 1,741,392 | 7,024,729 | 494,136 |
| Wages payable | 2,076,488 | 83,074 | 2,159,562 | - |
| Accrued interest payable | 556,044 | - | 556,044 | - |
| Claims liability | 310,289 | - | 310,289 | - |
| Other liabilities | 1,061,265 | 231 | 1,061,496 | 323,690 |
| Due to other governments | 1,491,610 | - | 1,491,610 | - |
| Compensated absences | 2,940,745 | 190,002 | 3,130,747 | - |
| Facility contractual obligation | 136,218 | - | 136,218 | - |
| Capital leases payable | 892,726 | 276,028 | 1,168,754 | 58,163 |
| Notes and bonds payable, current maturities | 6,718,000 | - | 6,718,000 | 1,203,085 |
| Total current liabilities | <u>21,466,722</u> | <u>2,290,727</u> | <u>23,757,449</u> | <u>2,079,074</u> |
| Noncurrent liabilities: | | | | |
| Unearned revenue | - | 6,400 | 6,400 | 288,711 |
| Capital leases payable | 2,117,192 | 160,109 | 2,277,301 | 180,340 |
| Compensated absences | 134,896 | 10,752 | 145,648 | - |
| Unearned revenue | - | - | - | 7,892,594 |
| Net pension liability | 67,331,700 | 2,842,495 | 70,174,195 | - |
| Total other postemployment benefit liability | 85,466,293 | 5,455,294 | 90,921,587 | 527,770 |
| Line of credit | - | - | - | 758,754 |
| Notes and bonds payable | 86,094,488 | - | 86,094,488 | 31,996,232 |
| Total noncurrent liabilities | <u>241,144,569</u> | <u>8,475,050</u> | <u>249,619,619</u> | <u>41,644,401</u> |
| Total Liabilities | <u>262,611,291</u> | <u>10,765,777</u> | <u>273,377,068</u> | <u>43,723,475</u> |
| Deferred Inflows of Resources | | | | |
| Utility system concession lease | 212,463,062 | - | 212,463,062 | - |
| Deferred inflows of resources for OPEB | 4,936,797 | 315,115 | 5,251,912 | 23,324 |
| Deferred inflows of resources for pensions | 17,209,879 | - | 17,209,879 | 274,151 |
| Total Deferred Inflows of Resources | <u>234,609,738</u> | <u>315,115</u> | <u>234,924,853</u> | <u>297,475</u> |
| Net Position | | | | |
| Net investment in capital assets | 200,846,817 | 5,202,335 | 206,049,152 | 22,755,721 |
| Restricted for: | | | | |
| Capital projects | 3,939,299 | - | 3,939,299 | - |
| Public works | 7,046,894 | - | 7,046,894 | - |
| Community development | 5,453,267 | - | 5,453,267 | 878,488 |
| Public safety | - | - | - | - |
| Parks and recreation | 331,137 | - | 331,137 | - |
| Unrestricted | (362,037,301) | (822,631) | (362,859,932) | (3,160,891) |
| Total Net Position (Deficit) | <u>\$ (144,419,887)</u> | <u>\$ 4,379,704</u> | <u>\$ (140,040,183)</u> | <u>\$ 20,473,318</u> |

(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

| Functions/Programs: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Units |
|--|-----------------------|-------------------------|--|--|--|-----------------------------|-------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 16,641,885 | \$ 5,468,069 | \$ 1,687,774 | \$ - | \$ (9,486,042) | \$ - | \$ (9,486,042) | \$ - |
| Public safety | 65,999,897 | 4,407,864 | 998,375 | - | (60,593,658) | - | (60,593,658) | - |
| Community development | 11,243,886 | 5,411,553 | 3,816,772 | - | (2,015,561) | - | (2,015,561) | - |
| Public works | 20,916,551 | 6,595,548 | 3,302,081 | 275,828 | (10,743,094) | - | (10,743,094) | - |
| Health and sanitation | 3,814,779 | 374,413 | 2,054,126 | - | (1,386,240) | - | (1,386,240) | - |
| Parks and recreation | 7,411,353 | 634,297 | 1,668,047 | 64,875 | (5,044,134) | - | (5,044,134) | - |
| Water and sewer | - | 5,190,913 | - | - | 5,190,913 | - | 5,190,913 | - |
| Interest on long-term debt | 4,812,958 | - | - | - | (4,812,958) | - | (4,812,958) | - |
| Total governmental activities | <u>130,841,309</u> | <u>28,082,657</u> | <u>13,527,175</u> | <u>340,703</u> | <u>(88,890,774)</u> | <u>-</u> | <u>(88,890,774)</u> | <u>-</u> |
| Business-Type activities: | | | | | | | | |
| Solid Waste Fund | 15,701,270 | 14,590,321 | 530,713 | - | - | (580,236) | (580,236) | - |
| Municipal Golf Course | 1,225,306 | 1,523,123 | 21,762 | - | - | 319,579 | 319,579 | - |
| Total business-type activities | <u>16,926,576</u> | <u>16,113,444</u> | <u>552,475</u> | <u>-</u> | <u>-</u> | <u>(260,657)</u> | <u>(260,657)</u> | <u>-</u> |
| Total primary government | <u>\$ 147,767,885</u> | <u>\$ 44,196,101</u> | <u>\$ 14,079,650</u> | <u>\$ 340,703</u> | <u>(88,890,774)</u> | <u>(260,657)</u> | <u>(89,151,431)</u> | <u>-</u> |
| Component units: | | | | | | | | |
| Redevelopment Authority of the City of Allentown | \$ 596,249 | \$ 333,795 | \$ 479,393 | \$ - | - | - | - | 216,939 |
| Allentown Parking Authority | 7,689,665 | 8,543,499 | 666,947 | - | - | - | - | 1,520,781 |
| Total component units | <u>\$ 8,285,914</u> | <u>\$ 8,877,294</u> | <u>\$ 1,146,340</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,737,720</u> |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 36,860,819 | - | 36,860,819 | - |
| Act 511 | | | | | 46,672,060 | - | 46,672,060 | - |
| Utility realty | | | | | 69,592 | - | 69,592 | - |
| Deed transfer tax | | | | | 1,848,766 | - | 1,848,766 | - |
| Grants and contributions not restricted to specific purposes | | | | | 12,294,357 | - | 12,294,357 | - |
| Investment earnings | | | | | 579,507 | 74,784 | 654,291 | 48,488 |
| Gain on sale of asset | | | | | 85,238 | - | 85,238 | - |
| Transfers | | | | | 1,350,430 | (1,350,430) | - | - |
| Total general revenues and transfers | | | | | <u>99,760,769</u> | <u>(1,275,646)</u> | <u>98,485,123</u> | <u>48,488</u> |
| Change in Net Position | | | | | 10,869,995 | (1,536,303) | 9,333,692 | 1,786,208 |
| Net Position: | | | | | | | | |
| Beginning of year | | | | | (155,289,882) | 5,916,007 | (149,373,875) | 18,687,110 |
| End of year | | | | | <u>\$ (144,419,887)</u> | <u>\$ 4,379,704</u> | <u>\$ (140,040,183)</u> | <u>\$ 20,473,318</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| Assets | General | Capital Projects | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|-----------------|-----------------------------------|--------------------------------|
| Cash and cash equivalents | \$ 19,803,452 | \$ 2,188,730 | \$ 3,640 | \$ 9,524,941 | \$ 31,520,763 |
| Investments - restricted | 518,179 | 2,086,655 | - | - | 2,604,834 |
| Receivables, net: | | | | | |
| Taxes | 19,420,129 | - | - | - | 19,420,129 |
| Loans | 114,200 | - | - | 4,025,965 | 4,140,165 |
| Accounts | 2,458,465 | - | - | 423,571 | 2,882,036 |
| Grants | 489,654 | 245,901 | - | 1,521,083 | 2,256,638 |
| Utility system concession lease | 21,259,579 | - | - | - | 21,259,579 |
| Interest | - | - | - | 8,242 | 8,242 |
| Due from other funds | 1,142,116 | 193,775 | 1,040 | - | 1,336,931 |
| Total Assets | <u>\$ 65,205,774</u> | <u>\$ 4,715,061</u> | <u>\$ 4,680</u> | <u>\$ 15,503,802</u> | <u>\$ 85,429,317</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 2,257,350 | \$ 733,972 | \$ 3,640 | \$ 1,001,669 | \$ 3,996,631 |
| Wages Payable | 1,944,547 | - | - | 124,932 | 2,069,479 |
| Due to other funds | 1,040 | - | - | 1,169,079 | 1,170,119 |
| Due to other governments | 1,291,610 | - | - | 200,000 | 1,491,610 |
| Advance from other fund | 2,571,429 | - | - | - | 2,571,429 |
| Other liabilities | 841,611 | 41,790 | - | 177,864 | 1,061,265 |
| Total Liabilities | <u>8,907,587</u> | <u>775,762</u> | <u>3,640</u> | <u>2,673,544</u> | <u>12,360,533</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - taxes | 11,574,991 | - | - | - | 11,574,991 |
| Unavailable revenue - utility system concession lease | 21,259,579 | - | - | - | 21,259,579 |
| Total Deferred Inflows of Resources | <u>32,834,570</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,834,570</u> |
| Fund Balance: | | | | | |
| Restricted | - | 3,939,299 | 1,040 | 12,830,258 | 16,770,597 |
| Assigned | 1,634,591 | - | - | - | 1,634,591 |
| Unassigned | 21,829,026 | - | - | - | 21,829,026 |
| Total Fund Balance | <u>23,463,617</u> | <u>3,939,299</u> | <u>1,040</u> | <u>12,830,258</u> | <u>40,234,214</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 65,205,774</u> | <u>\$ 4,715,061</u> | <u>\$ 4,680</u> | <u>\$ 15,503,802</u> | <u>\$ 85,429,317</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | | |
|---|---------------------|---------------------------------|
| Total Fund Balance - Governmental Funds | \$ | 40,234,214 |
| 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 | | 244,735,201 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in governmental funds | | 32,834,570 |
| Prepaid debt insurance is reported as an asset and amortized on the statement of net position | | 228,993 |
| Utility system concession lease is required to be amortized over the life of the lease for the governmental activities | | (212,463,062) |
| Certain liabilities, including general obligation debt, compensated absences, accrued interest payable, are not reported as liabilities in governmental funds, but are reported on the Statement of Net Position. Those items consist of: | | |
| Accrued interest payable on general obligation debt | (556,044) | |
| Facility contractual obligation | (136,218) | |
| Notes and bonds payable | (92,812,488) | |
| Less: deferred charge on refunding | 321,246 | |
| Capital leases payable | (3,009,918) | |
| Compensated absences | (3,075,641) | |
| Other postemployment benefits liability, net of related deferred inflows and outflows of resources | (80,882,573) | |
| Net pension liability, net of related deferred inflows and outflows of resources | <u>(73,825,823)</u> | (253,977,459) |
| 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>3,987,656</u> |
| Total Net Position - Governmental Activities | \$ | <u><u>(144,419,887)</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, 2019

| | General | Capital Projects | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 86,200,830 | \$ - | \$ - | \$ - | \$ 86,200,830 |
| Licenses and permits | 7,648,361 | - | - | - | 7,648,361 |
| Charges for services | 6,078,734 | 503,542 | - | - | 6,582,276 |
| Fines and forfeits | 377,686 | - | - | - | 377,686 |
| Investment earnings | 376,038 | 88,913 | - | 114,556 | 579,507 |
| Intergovernmental revenues | 12,953,553 | 340,703 | - | 12,697,784 | 25,992,040 |
| Other | 3,001,483 | 10,358 | - | 6,336,250 | 9,348,091 |
| Total revenues | <u>116,636,685</u> | <u>943,516</u> | <u>-</u> | <u>19,148,590</u> | <u>136,728,791</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 10,453,142 | 221,789 | 4,850 | 1,650,896 | 12,330,677 |
| Public safety | 64,398,333 | - | - | 1,268,810 | 65,667,143 |
| Community development | 7,059,429 | - | - | 4,134,706 | 11,194,135 |
| Public works | 8,262,737 | - | - | 6,206,895 | 14,469,632 |
| Health and sanitation | 3,712,218 | - | - | - | 3,712,218 |
| Parks and recreation | 4,758,524 | - | - | 1,467,156 | 6,225,680 |
| Debt service: | | | | | |
| Principal | - | - | 18,846,566 | 121,000 | 18,967,566 |
| Interest | - | - | 2,468,588 | 54,700 | 2,523,288 |
| Capital outlay | 5,336,982 | 4,105,927 | - | 978,916 | 10,421,825 |
| Total expenditures | <u>103,981,365</u> | <u>4,327,716</u> | <u>21,320,004</u> | <u>15,883,079</u> | <u>145,512,164</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>12,655,320</u> | <u>(3,384,200)</u> | <u>(21,320,004)</u> | <u>3,265,511</u> | <u>(8,783,373)</u> |
| Other Financing Sources (Uses): | | | | | |
| Issuance of long-term debt | - | - | - | 189,529 | 189,529 |
| Issuance of bonds | - | 12,460,000 | - | - | 12,460,000 |
| Sale of capital assets | 92,525 | - | - | - | 92,525 |
| Transfers in | 2,255,199 | 2,177,804 | 21,321,044 | - | 25,754,047 |
| Transfers out | <u>(10,435,573)</u> | <u>(12,288,211)</u> | <u>-</u> | <u>(1,563,895)</u> | <u>(24,287,679)</u> |
| Total other financing sources (uses) | <u>(8,087,849)</u> | <u>2,349,593</u> | <u>21,321,044</u> | <u>(1,374,366)</u> | <u>14,208,422</u> |
| Net Change in Fund Balance | 4,567,471 | (1,034,607) | 1,040 | 1,891,145 | 5,425,049 |
| Fund Balance: | | | | | |
| Beginning of year | 18,896,146 | 4,973,906 | - | 10,939,113 | 34,809,165 |
| End of year | <u>\$ 23,463,617</u> | <u>\$ 3,939,299</u> | <u>\$ 1,040</u> | <u>\$ 12,830,258</u> | <u>\$ 40,234,214</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

| | | |
|--|----|-------------------|
| Net Change in Fund Balance - Governmental Funds | \$ | 5,425,049 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period. | | 10,421,825 |
| Depreciation expense on capital assets is reported in the statement of activities but not does require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in governmental funds. | | (9,608,266) |
| When recognizing the disposal of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported in the governmental activities. | | (7,286) |
| 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. | | (1,274,454) |
| Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | 195,094 |
| Activities of the internal service fund are reported as net revenue in the statement of activities. | | 2,785,042 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds. | | (12,649,529) |
| Principal payments on capital leases consumes the current financial resources of governmental funds. | | 993,627 |
| The repayment of principal of long-term debt consumes the current financial resources of governmental funds. | | 18,967,566 |
| The accretion of capital appreciation bonds does not consume current financial resources of governmental funds. | | (2,151,804) |
| Governmental funds report the effect of debt issuance premiums, discounts, insurance premiums, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. | | (133,377) |
| Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources. | | (266,946) |
| 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. | | (3,797,750) |
| The total other postemployment liability is recorded as a liability in the government wide financial statements, but not in the fund financial statements. This amount represents the change in the total OPEB liability, net of related deferred inflows and outflows of resources. | | (2,832,173) |
| The deferred inflow of resources from the utility system concession lease is amortized over the life of the lease in the statement of activities. | | 4,803,377 |
| Change in Net Position - Governmental Activities | \$ | <u>10,869,995</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

| Assets | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|---|--------------|----------------------------|
| | Solid Waste Fund | Nonmajor Fund Municipal Golf Course | Total | Internal Service Fund |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,625,766 | \$ 1,400 | \$ 4,627,166 | \$ 5,219,824 |
| Accounts receivable: | | | | |
| Refuse collection | 1,664,404 | - | 1,664,404 | - |
| Other | - | - | - | 371,836 |
| Total accounts receivable | 1,664,404 | - | 1,664,404 | 371,836 |
| Allowance for doubtful accounts | 95,822 | - | 95,822 | - |
| Net accounts receivable | 1,568,582 | - | 1,568,582 | 371,836 |
| Advance to other funds | 642,857 | - | 642,857 | - |
| Inventories | - | 11,806 | 11,806 | - |
| Total current assets | 6,837,205 | 13,206 | 6,850,411 | 5,591,660 |
| Noncurrent assets: | | | | |
| Advance to other funds | 1,928,572 | - | 1,928,572 | - |
| Capital assets, net: | | | | |
| Land | - | 1,134,759 | 1,134,759 | - |
| Buildings | 1,017,066 | 265,587 | 1,282,653 | - |
| Land and building improvements | 1,477,128 | 3,385,290 | 4,862,418 | - |
| Machinery and equipment | 4,259,764 | 1,641,858 | 5,901,622 | - |
| Vehicles | 4,001,081 | 239,224 | 4,240,305 | - |
| Distribution and collection systems | - | 37,465 | 37,465 | - |
| Total capital assets | 10,755,039 | 6,704,183 | 17,459,222 | - |
| Accumulated depreciation | (7,439,438) | (4,381,312) | (11,820,750) | - |
| Net capital assets | 3,315,601 | 2,322,871 | 5,638,472 | - |
| Total noncurrent assets | 5,244,173 | 2,322,871 | 7,567,044 | - |
| Total assets | 12,081,378 | 2,336,077 | 14,417,455 | 5,591,660 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows of resources for pensions | 546,918 | 55,343 | 602,261 | - |
| Deferred outflows of resources for OPEB | 506,410 | 101,282 | 607,692 | - |
| Total deferred outflows of resources | 1,053,328 | 156,625 | 1,209,953 | - |

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

Business-Type Activities - Enterprise Funds

| Liabilities | Solid Waste Fund | Nonmajor Fund Municipal Golf Course | Total | Internal Service Fund |
|--|---------------------|---|---------------------|--------------------------|
| Current liabilities: | | | | |
| Accounts payable | 1,673,893 | 67,499 | 1,741,392 | 1,286,706 |
| Wages payable | 75,107 | 7,967 | 83,074 | 7,009 |
| Claims liability | - | - | - | 310,289 |
| Other liabilities | - | 231 | 231 | - |
| Due to other funds | - | 166,812 | 166,812 | - |
| Compensated absences | 164,284 | 25,718 | 190,002 | 10,763 |
| Capital leases payable | 222,157 | 53,871 | 276,028 | - |
| Total current liabilities | 2,135,441 | 322,098 | 2,457,539 | 1,614,767 |
| Noncurrent liabilities | | | | |
| Capital leases payable | 70,817 | 89,292 | 160,109 | - |
| Compensated absences | 9,297 | 1,455 | 10,752 | 494 |
| Deferred revenues | - | 6,400 | 6,400 | - |
| Net pension liability | 2,581,293 | 261,202 | 2,842,495 | - |
| Other postemployment benefit liability | 4,546,079 | 909,215 | 5,455,294 | - |
| Total noncurrent liabilities | 7,207,486 | 1,267,564 | 8,475,050 | 494 |
| Total Liabilities | 9,342,927 | 1,589,662 | 10,932,589 | 1,615,261 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of resources for OPEB | 262,596 | 52,519 | 315,115 | - |
| Total deferred inflows of resources | 262,596 | 52,519 | 315,115 | - |
| Net Position | | | | |
| Net investment in capital assets | 3,022,627 | 2,179,708 | 5,202,335 | - |
| Unrestricted (deficit) | 506,556 | (1,329,187) | (822,631) | 3,976,399 |
| Total Net Position | \$ 3,529,183 | \$ 850,521 | \$ 4,379,704 | \$ 3,976,399 |

(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, 2019

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|---|---------------------|----------------------------|
| | Solid Waste Fund | Nonmajor Fund Municipal Golf Course | Totals | Internal Service Fund |
| Operating Revenues: | | | | |
| Charges for services: | | | | |
| Refuse collections | \$ 14,130,359 | \$ - | \$ 14,130,359 | \$ - |
| Recycling | 75,011 | - | 75,011 | - |
| Other charges | - | 1,523,123 | 1,523,123 | 25,741,098 |
| Miscellaneous | 384,951 | - | 384,951 | 34,516 |
| Total operating revenues | <u>14,590,321</u> | <u>1,523,123</u> | <u>16,113,444</u> | <u>25,775,614</u> |
| Operating Expenses: | | | | |
| Personnel services | 4,662,351 | 694,938 | 5,357,289 | - |
| Utility Services | 12,300 | 17,089 | 29,389 | - |
| Contracted services | 10,203,809 | 38,743 | 10,242,552 | - |
| Materials and supplies | 374,267 | 212,050 | 586,317 | - |
| Claims and benefits | - | - | - | 22,892,556 |
| Depreciation expense | 421,635 | 194,310 | 615,945 | - |
| Miscellaneous | 26,908 | 68,176 | 95,084 | - |
| Total operating expenses | <u>15,701,270</u> | <u>1,225,306</u> | <u>16,926,576</u> | <u>22,892,556</u> |
| Operating Income (Loss) | <u>(1,110,949)</u> | <u>297,817</u> | <u>(813,132)</u> | <u>2,883,058</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Grants | 530,713 | 21,762 | 552,475 | 17,922 |
| Interest | 74,784 | - | 74,784 | - |
| Total non-operating revenues (expenses) | <u>605,497</u> | <u>21,762</u> | <u>627,259</u> | <u>17,922</u> |
| Change in net position before transfers | (505,452) | 319,579 | (185,873) | 2,900,980 |
| Transfers out | (1,023,198) | (327,232) | (1,350,430) | (115,938) |
| Change in Net Position | <u>(1,528,650)</u> | <u>(7,653)</u> | <u>(1,536,303)</u> | <u>2,785,042</u> |
| Net Position: | | | | |
| Beginning of year | 5,057,833 | 858,174 | 5,916,007 | 1,191,357 |
| End of Year | <u>\$ 3,529,183</u> | <u>\$ 850,521</u> | <u>\$ 4,379,704</u> | <u>\$ 3,976,399</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, 2019

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|---|---------------------|----------------------------|
| | Solid Waste Fund | Nonmajor Fund Municipal Golf Course | Totals | Internal Service Fund |
| Cash Flows From Operating Activities: | | | | |
| Receipts from customers and users | \$ 15,079,926 | \$ 1,529,523 | \$ 16,609,449 | \$ 26,621,417 |
| Payments to suppliers for services | (9,855,332) | (271,853) | (10,127,185) | (22,673,410) |
| Payments to employees | (4,070,558) | (626,203) | (4,696,761) | (65,074) |
| Net cash provided by (used in) operating activities | <u>1,154,036</u> | <u>631,467</u> | <u>1,785,503</u> | <u>3,882,933</u> |
| Cash Flows From Non-Capital Financing Activities: | | | | |
| Operating grants received | 530,713 | 21,762 | 552,475 | 17,922 |
| Interest income | 74,784 | - | 74,784 | - |
| Transfers out | (1,023,198) | (327,232) | (1,350,430) | (115,938) |
| Net cash used in non-capital financing activities | <u>(417,701)</u> | <u>(305,470)</u> | <u>(723,171)</u> | <u>(98,016)</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (120,225) | (60,993) | (181,218) | - |
| Advance from/to other fund | 642,857 | (211,834) | 431,023 | - |
| Payments of obligations under capital leases | (215,044) | (53,170) | (268,214) | - |
| Net cash provided by (used in) capital and related financing activities | <u>307,588</u> | <u>(325,997)</u> | <u>(18,409)</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>1,043,923</u> | <u>-</u> | <u>1,043,923</u> | <u>3,784,917</u> |
| Cash and Cash Equivalents: | | | | |
| Beginning of year | 3,581,843 | 1,400 | 3,583,243 | 1,434,907 |
| End of year | <u>\$ 4,625,766</u> | <u>\$ 1,400</u> | <u>\$ 4,627,166</u> | <u>\$ 5,219,824</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | |
| Operating income (loss) | \$ (1,110,949) | \$ 297,817 | \$ (813,132) | \$ 2,883,058 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 421,635 | 194,310 | 615,945 | - |
| Changes in: | | | | |
| Accounts receivable | 489,605 | - | 489,605 | - |
| Prepaid expenses | - | - | - | 74,184 |
| Due from other governments | - | - | - | 845,803 |
| Inventories | - | 8,038 | 8,038 | - |
| Deferred outflows of resources for pension and OPEB | 190,891 | 36,315 | 227,206 | - |
| Accounts payable | 761,952 | 56,343 | 818,295 | 144,962 |
| Wages payable | 2,317 | (2,853) | (536) | 930 |
| Claims liability | - | - | - | (73,030) |
| Other liabilities | - | 6,224 | 6,224 | - |
| Compensated absences | (14,595) | 4,987 | (9,608) | 7,026 |
| Net pension liability | 1,579,244 | 153,840 | 1,733,084 | - |
| Other postemployment benefit liability | (175,969) | (35,194) | (211,163) | - |
| Deferred inflows of resources for pension and OPEB | (990,095) | (88,360) | (1,078,455) | - |
| Total adjustments | <u>2,264,985</u> | <u>333,650</u> | <u>2,598,635</u> | <u>999,875</u> |
| Net cash provided by (used in) operating activities | <u>\$ 1,154,036</u> | <u>\$ 631,467</u> | <u>\$ 1,785,503</u> | <u>\$ 3,882,933</u> |
| Schedule of Noncash Investing Capital and Financing Activities | | | | |
| Issuance of capital lease obligations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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, 2019

| | Pension Trust Funds | Custodial Funds |
|------------------------------------|------------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 1,471,380 |
| Interest receivable | 105,076 | - |
| Due from other funds | - | 10,818 |
| Investments, at fair value: | | |
| Money market funds | 4,866,793 | - |
| Equity mutual funds | 208,065,667 | - |
| Bond mutual funds | 39,672,513 | - |
| Collective investment trust | 28,794,289 | - |
| Corporate bonds | 4,727,535 | - |
| U.S. government obligations | 18,680,521 | - |
| U.S. government agency obligations | 3,366,646 | - |
| Total Assets | 308,279,040 | 1,482,198 |
| Liabilities | | |
| Accounts payable | 25,037 | - |
| Payroll tax liability | - | 1,476,092 |
| Due to other funds | 814,415 | - |
| Due to other governments | - | 6,106 |
| Total Liabilities | 839,452 | \$ 1,482,198 |
| Net Position | | |
| Restricted for pension benefits | \$ 307,439,588 | |

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, 2019

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| <u>Additions:</u> | |
| Contributions: | |
| Employer | \$ 11,029,853 |
| Plan members | 1,674,720 |
| Total contributions | <u>12,704,573</u> |
| Investment income (loss): | |
| Net appreciation in fair value of investments | 45,940,840 |
| Interest and dividends | 6,548,707 |
| Less investment expenses | (190,383) |
| Net investment income (loss) | <u>52,299,164</u> |
| Total additions | <u>65,003,737</u> |
| <u>Deductions:</u> | |
| Benefits paid to recipients | 20,959,542 |
| Administrative and other fees | 88,168 |
| Total deductions | <u>21,047,710</u> |
| Change in Net Position | <u>43,956,027</u> |
| <u>Net Position:</u> | |
| Beginning of year | <u>263,483,561</u> |
| End of year | <u><u>\$ 307,439,588</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, 2019

| | Redevelopment Authority of the City of Allentown | Allentown Parking Authority | Total |
|--|--|--------------------------------|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 562,318 | \$ 2,819,795 | \$ 3,382,113 |
| Certificates of deposit | - | 1,677,187 | 1,677,187 |
| Accounts receivable | - | 286,227 | 286,227 |
| Other current assets | - | 36,203 | 36,203 |
| Inventory | - | 19,327 | 19,327 |
| Prepaid expenses | 132 | 249,588 | 249,720 |
| Due from other governments | 52,768 | - | 52,768 |
| Total current assets | 615,218 | 5,088,327 | 5,703,545 |
| Noncurrent assets, net: | | | |
| Construction in progress | - | 788,557 | 788,557 |
| Land | - | 8,301,151 | 8,301,151 |
| Land and building improvements | - | 44,999,837 | 44,999,837 |
| Machinery and equipment | - | 1,389,178 | 1,389,178 |
| Vehicles | - | 179,085 | 179,085 |
| Total capital assets, net | - | 55,657,808 | 55,657,808 |
| Loans receivable | 1,440,399 | - | 1,440,399 |
| Notes receivable | - | 400,000 | 400,000 |
| Property held for development | 362,289 | - | 362,289 |
| Net pension asset | - | 389,378 | 389,378 |
| Total noncurrent assets | 1,802,688 | 56,447,186 | 58,249,874 |
| Total Assets | 2,417,906 | 61,535,513 | 63,953,419 |
| Deferred Outflows of Resources | | | |
| Deferred outflows of resources for pensions | - | 5,116 | 5,116 |
| Deferred charge on refunding | - | 535,733 | 535,733 |
| Total Deferred Outflows of Resources | - | 540,849 | 540,849 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and other current liabilities | 27,776 | 466,360 | 494,136 |
| Other liabilities | 988 | 322,702 | 323,690 |
| Unearned revenue | - | 288,711 | 288,711 |
| Capital lease payable | - | 58,163 | 58,163 |
| Notes and bonds payable, current maturities | - | 1,203,085 | 1,203,085 |
| Total current liabilities | 28,764 | 2,339,021 | 2,367,785 |
| Noncurrent liabilities: | | | |
| Unearned revenue | - | 7,892,594 | 7,892,594 |
| Capital lease payable, net of current portion | - | 180,340 | 180,340 |
| Line of credit | - | 758,754 | 758,754 |
| Other postemployment benefit liability | - | 527,770 | 527,770 |
| Bonds payable | - | 31,996,232 | 31,996,232 |
| Total noncurrent liabilities | - | 41,355,690 | 41,355,690 |
| Total Liabilities | 28,764 | 43,694,711 | 43,723,475 |
| Deferred Inflows of Resources | | | |
| Deferred inflows of resources for pensions | - | 274,151 | 274,151 |
| Deferred inflows of resources for OPEB | - | 23,324 | 23,324 |
| Total Deferred Inflows of Resources | - | 297,475 | 297,475 |
| Net Position | | | |
| Net investment in capital assets | - | 22,755,721 | 22,755,721 |
| Restricted | 878,488 | - | 878,488 |
| Unrestricted (deficit) | 1,510,654 | (4,671,545) | (3,160,891) |
| Total Net Position | \$ 2,389,142 | \$ 18,084,176 | \$ 20,473,318 |

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2019

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|-------------------------|--|---|-----------------------------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Redevelopment Authority of The City of Allentown | Allentown Parking Authority | Total Component Units |
| Component Units: | | | | | | |
| Redevelopment Authority of the City of Allentown | \$ 596,249 | \$ 333,795 | \$ 479,393 | \$ 216,939 | \$ - | \$ 216,939 |
| Allentown Parking Authority | 7,689,665 | 8,543,499 | 666,947 | - | 1,520,781 | 1,520,781 |
| Total component units | <u>\$ 8,285,914</u> | <u>\$ 8,877,294</u> | <u>\$ 1,146,340</u> | <u>216,939</u> | <u>1,520,781</u> | <u>1,737,720</u> |
| General revenues: | | | | | | |
| Investment earnings | | | | - | 48,488 | 48,488 |
| Total general revenues | | | | - | 48,488 | 48,488 |
| Change in Net Position | | | | 216,939 | 1,569,269 | 1,786,208 |
| Net Position: | | | | | | |
| Beginning of year | | | | 2,172,203 | 16,514,907 | 18,687,110 |
| End of year | | | | <u>\$ 2,389,142</u> | <u>\$ 18,084,176</u> | <u>\$ 20,473,318</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City was incorporated in 1762 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a third class city, as defined by state statutes. The City operates under a Home Rule Charter form of government and provides a full range of services, including public safety, roads, sanitation, health, stormwater, culture and recreation, and general government services to its approximately 118,000 residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units.

The City has evaluated all related entities (authorities, commissions, and affiliates) for possible inclusion in the financial reporting entity.

The component units discussed below are included in the City's reporting entity because of the significance of financial and operational relationships within the City. These component units have been included in the financial reporting entity as discretely presented component units:

Redevelopment Authority of the City of Allentown

The Redevelopment Authority of the City of Allentown (Authority), an entity legally separate from the City, is governed by a board appointed by the Mayor of the City. The Authority, in collaboration with the City's Department of Community and Economic Development, addresses urban revitalization. The Authority is financially dependent on the City. The City is the pass-through entity for the Authority's grant funding that is received from the U.S. Department of Housing and Urban Development (HUD) and the Pennsylvania Redevelopment Assistance Capital Program (RACP).

Allentown Parking Authority

The Allentown Parking Authority (Parking Authority) is a municipal authority organized pursuant to the Parking Authority Act of 1947 of the Commonwealth of Pennsylvania. The Parking Authority's function is to administer, supervise, and enforce an efficient system of off-street and on-street parking in the City. The Parking Authority is governed by a five member board appointed by the Mayor of the City and can be removed from the Board at will.

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

Related Organizations

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

The amounts the City appropriated to these entities during the year ended December 31, 2019 were immaterial to the basic financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

Basis of Presentation

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

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

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

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

The City reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

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

The City reports the following major proprietary fund:

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

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

Internal Service Fund – is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis. This fund is used for the City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses.

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

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

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

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

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

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

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

Cash and Cash Equivalents and Investments

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

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

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

- a. United States Treasury Bills.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

Cash and Cash Equivalents and Investments (Continued)

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

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

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

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

The Parking Authority had no deposit or investment transactions during the year ended December 31, 2019 which were in violation of state statutes or applicable trust indentures.

Restricted Assets

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

Internal Balances

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

Internal Balances (Continued)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advanced to/from other funds” (i.e., the 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 and solid waste charges for service receivables are shown net of an allowance for uncollectible amounts. All allowances have been calculated based on historical collections. The allowance for property tax and per capita tax, presented in the General Fund, was approximately \$263,000 at December 31, 2019. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$1.4 million at December 31, 2019. The allowance for accounts receivable presented in General Fund, was approximately \$380,000 at December 31, 2019. The allowance for doubtful accounts, presented in the Solid Waste Fund, was approximately \$95,000 at December 31, 2019.

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

The Parking Authority's estimate of the allowance for doubtful accounts receivable is based on an analysis of specific receivables taking in to account the age of the past due receivable and the assessment of the ultimate collectability. Management has determined that no allowance is necessary at December 31, 2019.

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, 2019 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 acquisition values on the date of donation. The City and the Parking Authority maintain a capitalization threshold of \$5,000 for all capital assets.

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

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

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

Capital Assets (Continued)

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

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 35-38 |
| Machinery and equipment | 5-25 |
| Vehicles | 2-10 |
| Infrastructure | 10-99 |

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

| | <u>Years</u> |
|------------------------------------|--------------|
| Building and building improvements | 10-44 |
| Parking garages and components | 10-50 |
| Furniture, Equipment and vehicles | 5-20 |
| Leasehold improvements | 5-15 |

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

Property Held for Development

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payment are incurred. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City reports encumbrances in its governmental funds as assigned fund balances, if the individual fund's fund balance is not presented as restricted. The General Fund encumbrances of \$1,634,591 relate to contract services, operating materials, supplies, repairs and maintenance, uniforms, and equipment. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but is not reported on the statement of net position. The Solid Waste Fund (\$42,827) and Internal Service Fund (\$39,297) encumbrances relate to contract services, property loss, operating supplies, and equipment.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

Fund Balance

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

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

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

Net Position

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

Compensated Absences

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

Compensated Absences (Continued)

For the Parking Authority, vacation pay for both salaried and union employees is based on length of service and accrues as of each employee's anniversary date. Sick pay for both salaried and union employees is based on eight days per calendar year. Employees may carry over a maximum of four sick days per calendar year. Compensated absences are included as a part of accrued expenses in the statement of net position.

Unavailable/Unearned Revenues

Unavailable/unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. In governmental funds, unavailable revenues represent amounts that are measurable, but are not available. Unearned revenues may result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date.

Bond Discounts/Premiums

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

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

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

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

Deferred Charge on Refunding

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

The Parking Authority has deferred the difference between the reacquisition price (the amount deposited into escrow to pay off the bonds) and the net carrying amount of previously refunded debt. This deferred amount on refunding is being amortized into interest expense on a straight-line basis over the shorter of the life of the new or old bonds. During the year ended December 31, 2019, such amortization amounted to \$35,916. The unamortized deferred amounts on refunding are reported as a deferred outflow of resources in the statement of net position.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

Property Taxes

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

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

Property taxes not being paid in installments become delinquent on July 15. The City continues to collect delinquent property taxes up to December 31 of the current year. At that time, all unpaid school and City real estate taxes are certified to Northeast Revenue Services, LLC for further collection and possible tax sales over an additional 30-month period.

The 2019 tax levy was 23.5376 mills on land and 4.4528 mills on improvements.

Tax Abatement Programs

In accordance with the Commonwealth of Pennsylvania, Keystone Opportunity Zone (KOZ) Act, 73 P.S. Sections 820.101-820.1309 (the Act), the City has designated certain zones within the City of Allentown where certain businesses and residents are eligible for tax abatement, deduction, exemption or credit. Businesses, property owners and residents that are located in the KOZ are eligible to receive significant state and local tax benefits. Projects in the KOZ are given priority consideration for assistance under various community and economic building initiatives. Eligibility means that the qualified businesses, property owners and residents meet the necessary criteria listed in the Act based upon an annual application and certification. Pennsylvania businesses relocating to the KOZ must either increase their full-time employment by 20% within the first full year of operation, or make a 10% capital investment in the KOZ property based on their prior year's gross revenues. If qualified businesses, property owners or residents relocate out of the KOZ within a stipulated period of time, certain percentages of the exemptions, deductions, abatements or credits shall be refunded to the Commonwealth and political subdivision. The total amount of City property taxes that were abated in 2019 was approximately \$176,900.

In accordance with Pennsylvania Act 50 of 2009 and Act 26 of 2011, the City has established a Neighborhood Improvement Zone (NIZ) within the City of Allentown whereby state and local taxes collected from eligible businesses located in and individuals working within the NIZ are collected and remitted to the Commonwealth of Pennsylvania. The taxes collected from business and individuals within the NIZ are used to fund the various economic development projects within the NIZ. All potential NIZ projects must be geographically located within the NIZ and must go through a pre-qualification, application and, if approved, closing process. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service on the project. The types of taxes include earned income, local services, and business privilege along with the business privilege license fees. The total amount the City remitted to Pennsylvania during 2019 was approximately \$2.88 million.

Interfund Transactions

As a result of its operations, the City affects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2019, appropriate interfund receivables or payables have been established.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

Self-Insurance

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2019, the City carries excess loss insurance policies, which limited its liability to \$1,000,000 per occurrence for workers' compensation, \$500,000 per occurrence for property and flood loss, and \$1,000,000 per occurrence for employee theft. Governmental and proprietary funds are charged based on historical loss patterns. These charges are reimbursed through the various funds. The City's funds reported loss claims based upon the evaluation of an independent claims manager. The City maintains the integrity of funds so provided, together with earnings thereon, in the Risk Management Internal Service Fund solely for purposes of liquidating claims incurred. Under its self-insurance plan, the City accrues the estimated expense of workers' compensation, property, casualty, and general liability claim costs based on claims filed subsequent to year-end, and an additional amount for incurred but not yet reported claims based on prior experience. An accrual for such costs of \$310,289 is included in the accompanying financial statements. Claim payments based on actual claims ultimately filed could differ materially from these estimates. Settled claims from these risks have not exceeded commercial insurance coverage for the past four years.

Budgets

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

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

The City Charter requires the City's legal level of budgetary control to be at the fund level. As a management control, the Finance Director has the power to authorize the transfer of any unexpended balance within a department and up to \$5,000 between departments. 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.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The City adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No.14 and No.61*. The adoption of this Statement had no effect on previously reported amounts.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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

The City adopted the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The City postponed the adoption of certain accounting standards due to adoption of GASB Statement No. 95.

Pending Changes in Accounting Principles

The Government Accounting Standards Board has issued GASB Statement No. 84, *Fiduciary Activities*. This Statement is required to be adopted by the City for the year ending December 31, 2020.

The Governmental Accounting Standards Board has issued GASB Statement No. 87, *Leases*. This Statement is required to be adopted by the City for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is required to be adopted by the City for the year ending December 31, 2020.

The Governmental Accounting Standards Board has issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement is required to be adopted by the City for the year ending December 31, 2021.

The Governmental Accounting Standards Board has issued GASB Statement No. 91, *Conduit Debt Obligations*. This Statement is required to be adopted by the City for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 92, *Omnibus 2020*. Sections of this Statement are required to be adopted in two phases by the City for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Sections of this Statement are required to be adopted in two phases by the City for the year ending December 31, 2021 and 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is required to be adopted by the City for the year ending December 31, 2023.

The Governmental Accounting Standards Board has issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is required to be adopted by the City for the year ending December 31, 2023.

The Governmental Accounting Standards Board has issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement is required to be adopted by the City for the year ending December 31, 2022.

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 2 UTILITY SYSTEM CONCESSION LEASE

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

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

The deferred inflow of resources resulting from the Agreement, in the amount of \$196,336,826, 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 \$20,936,358, 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> |
|--------------------|-----------------------|
| 2020 | \$ 4,898,349 |
| 2021 | 4,898,349 |
| 2022 | 4,898,349 |
| 2023 | 4,898,349 |
| 2024 | 4,898,349 |
| Thereafter | <u>187,971,317</u> |
| Total | <u>\$ 212,463,062</u> |

For the year ended December 31, 2019, the City recognized \$4,803,377 in charges for services – water and sewer related to the lease.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2019 consist of the following:

| | |
|---|-----------------------|
| Petty cash | \$ 6,725 |
| Deposits | 42,832,408 |
| Investments | 310,778,798 |
| | <u>\$ 353,617,931</u> |
| <u>Reconciliation to Statements of Net Position</u> | |
| Cash and cash equivalents: | |
| Governmental activities | \$ 36,740,587 |
| Business-type activities | 4,627,166 |
| Agency Funds | 1,471,380 |
| | <u>42,839,133</u> |
| Investments: | |
| Governmental activities | 2,604,834 |
| Fiduciary funds | 308,173,964 |
| | <u>310,778,798</u> |
| | <u>\$ 353,617,931</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, 2019, the City's book balance was \$42,839,133 and the bank balance was \$43,187,298. Of the bank balance, \$643,663 was covered by federal depository insurance, \$178,834 was covered by National Credit Union Administration deposit insurance, and \$42,364,801 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

As of December 31, 2019, the City's investments were comprised of the following:

| | |
|------------------------------------|-----------------------|
| Money market funds | \$ 7,471,627 |
| Equity mutual funds | 208,065,667 |
| Bond mutual funds | 39,672,513 |
| Corporate bonds | 4,727,535 |
| Collective Investment Trust | 28,794,289 |
| U.S. government obligations | 18,680,521 |
| U.S. government agency obligations | 3,366,646 |
| Total | <u>\$ 310,778,798</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Investments

Fair Value Measurement

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

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

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

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

As of December 31, 2019, the City had the following investments in fixed income securities and money market funds:

| | <u>12/31/2019</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|---------------------------------|-----------------------|---|--|--|
| Investments by fair value level | | | | |
| Debt securities | | | | |
| Corporate bonds | \$ 4,727,535 | \$ 4,727,535 | \$ - | \$ - |
| U.S. government obligations | 18,680,521 | 18,680,521 | - | - |
| U.S. Government Agencies | <u>3,366,646</u> | <u>3,366,646</u> | - | - |
| Total debt securities | <u>26,774,702</u> | <u>26,774,702</u> | - | - |
| Equity securities | | | | |
| Equity mutual funds | 208,065,667 | 208,065,667 | - | - |
| Bond mutual funds | 39,672,513 | 39,672,513 | - | - |
| Collective Investment Trust | <u>28,794,289</u> | <u>28,794,289</u> | - | - |
| Total equity securities | <u>276,532,469</u> | <u>276,532,469</u> | - | - |
| Money market funds | <u>7,471,627</u> | <u>7,471,627</u> | - | - |
| Total investments at fair value | <u>\$ 310,778,798</u> | <u>\$ 310,778,798</u> | <u>\$ -</u> | <u>\$ -</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

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.

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

The City's pension plans have a formal investment policy that seeks to minimize the risk of investment losses by requiring diversification of the investment portfolio targeted at 51% domestic equities, 17% international equities, 31% fixed income, and 1% cash for the Police and Firemen pension plans and 35% domestic equities, 11% international equities, 52% fixed income and 2% cash for the Officers and Employees pension plan.

The City has the following recurring fair value measurements as of December 31, 2019:

| Investment Type | Fair Value | Investment Maturities | | | Rating |
|--------------------------------------|-----------------------|-----------------------|----------------------|----------------------|--------|
| | | 2020 | 2021-2025 | 2026-2030 | |
| Bond mutual funds | \$ 30,192,323 | \$ - | \$ - | \$ 30,192,323 | AA |
| Bond mutual funds | 9,480,190 | - | - | 9,480,190 | N/A |
| Corporate bonds | 442,361 | - | 442,361 | - | A3 |
| Corporate bonds | 2,500,296 | 1,271,584 | 1,228,712 | - | A1 |
| Corporate bonds | 502,279 | - | 502,279 | - | A2 |
| Corporate bonds | 322,017 | - | 322,017 | - | Aa1 |
| Corporate bonds | 345,282 | 345,282 | - | - | Aa2 |
| Corporate bonds | 145,058 | - | 145,058 | - | Aaa |
| Corporate bonds | 470,242 | 442,208 | 28,034 | - | Aa3 |
| U.S. government obligations | 4,047,463 | 4,047,463 | - | - | WR |
| U.S. government obligations | 135,678 | 135,678 | - | - | Aa3 |
| U.S. government obligations | 14,497,380 | 4,940,035 | 9,557,345 | - | Aaa |
| U.S. government agency obligations | 3,339,039 | 220,935 | 3,118,104 | - | Aaa |
| U.S. government agency obligations | 27,607 | - | 27,607 | - | A2 |
| Private Real Estate CIT | 17,192,428 | - | - | 17,192,428 | AA |
| Private Real Estate CIT | 11,601,861 | - | - | 11,601,861 | N/A |
| Money market funds | 2,499,758 | 2,499,758 | - | - | A-1+ |
| Money market funds | 4,971,869 | 4,971,869 | - | - | AAAm |
| Total fixed income securities | \$ 102,713,131 | \$ 18,874,812 | \$ 15,371,517 | \$ 68,466,802 | |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Participation in External Investment Pools

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

The pool is rated AAA by Standard & Poor's. PLGIT issues separate financial statements available at www.plgit.com. The carrying amount of external investment pool assets as of December 31, 2019 was \$4,196,104.

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

Component Units' - Participation in External Investment Pools

Parking Authority

The Parking Authority invests in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), a customized cash management program created in 1982 by the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials to provide a unique set of benefits and enhancements for investing public funds. The general objective of the PSDLAF is to provide its investors current income while preserving capital in a manner compatible with the needs and requirements of public school and local government entities in Pennsylvania. The pool is not SEC regulated. The investment policy of PSDLAF is guided by Section 440.1 of the Pennsylvania School Code, which governs the temporary investment of funds by school entities.

The fund is managed by a Board of Trustees (Trustees), who oversees, reviews, and supervises the activities of all consultants and professional advisers to PSDLAF. The Trustees also retain an Executive Director of the fund who acts as a consultant to PSDLAF and performs such consulting and advisory services with respect to matters concerning the operations and activities of PSDLAF as may from time to time be reasonably requested by the Trustees. An independent investment company has been appointed by the Trustees to act as PSDLAF's investment adviser. The fair value of the Parking Authority's position in PSDLAF is the same as the value of the pool shares and matures in less than one year. The Parking Authority's investment in PSDLAF has been rated AAAM, the highest rating available by Standard & Poor's, an independent investment rating company. The weighted average maturity of PSDLAF is approximately 151.73 days. The weighted average portfolio yield is approximately 1.980%.

As of December 31, 2019, the carrying amount of external investment pool assets was \$1,677,187. The fair value of external investment pool assets approximate their carrying values as of December 31, 2019. As required by the GASB, investments in external investment pools are uncategorized with regard to risk and are not included in the custodial credit risk presented above.

Component Units' Custodial Credit Risk – Deposits

Redevelopment Authority

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Component Units' Custodial Credit Risk – Deposits (Continued)

Redevelopment Authority (Continued)

The Authority's available cash is invested in demand deposit accounts. At December 31, 2019, the carrying amount of the Authority's bank deposits was \$562,318. The corresponding bank balance at December 31, 2019 was \$588,134, of which \$250,000 is covered by federal deposit insurance. The remaining \$338,114 of deposits is exposed to custodial risk because it is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Authority is covered by a collateral pool consisting of acceptable securities as outlined under Act No. 72, 1971 Session of Pennsylvania Legislature.

Parking Authority

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

Custodial credit risk is the risk that in the event of a bank failure, the Parking Authority's deposits may not be returned to it. The Parking Authority does not have a deposit policy for custodial credit risk. As of December 31, 2019, \$2,347,834 of the Parking Authority's bank balance of \$2,771,257 was exposed to custodial credit risk.

Deposits are included in the statement of net position as cash and cash equivalents and certificates of deposit. Amounts invested in external investment pools are not categorized because securities are not used as evidence of the investment.

NOTE 4 LOANS AND NOTES RECEIVABLE

The City

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

Redevelopment Authority

Loans receivable as of December 31, 2019 consist of the following:

The Authority has an interest-free loan receivable of \$880,000 with a private developer for the Cosmopolitan Project (Project). The Authority will receive varying principal payments as set forth in the agreement starting in 2018 and continuing through 2050. A "voluntary sale" notice must be provided to the Authority for any sale or transfer of the Project prior to the maturity date of the note.

In November 2014, the Authority conveyed a property to the Community Action Committee of Lehigh Valley (CACLV). In consideration of the transfer, the CACLV entered into a noninterest-bearing promissory note for \$314,999. Principal payments of the greater of (a) 50% of the excess of operating proceeds for the related property for the year ended June 30 or (b) \$700 are due annually commencing August 1, 2015 through 2029. After the initial 15-year term, no additional payments are due of the property remains in the ownership of the owner or another organization as approved by the Authority.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 4 LOANS AND NOTES RECEIVABLE (Continued)

If at the end of the 15-year term, certain conditions, as defined in the loan agreement, are not met, the remaining balance of the loan will be due upon the sale or transfer of the property over an additional 15-year term, unless the sale price is less than the remaining balance owed to the Authority, then, the remaining balance owed shall follow the ownership of the property for an additional 15 years or until August 1, 2044, whichever is sooner. If the property remains in the ownership of the CACLV as of August 1, 2044, the remaining balance of the loan will be forgiven. As of the year ended December 31, 2019, the remaining balance of the loan is \$312,899.

In June 2016, the Authority conveyed four properties to the HADC. In consideration of the transfer, the HADC entered into a noninterest bearing promissory note for \$250,000 which was funded by the Authority in 2016. Principal payments are due within thirty days of borrower receiving HOME funds from the City of Allentown. The HADC shall sign a mortgage with the Authority for each of the properties and the Authority will recover the remaining amount of loan dollars when the properties are sold. As of December 31, 2019, the remaining balance of the loan is \$250,000.

On February 26, 2020, the Board agreed to defer the payment to January 31, 2022.

Parking Authority

The Parking Authority received a note receivable from the sale of a parking facility during the year ended December 31, 2015. The note receivable has an outstanding balance of \$400,000 as of December 31, 2019. The note bears interest at a rate of 3% per annum. The final payment of principal of \$400,000 and all accrued interest is due thirty-six months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property, but in no case later than January 31, 2020. The note provides the option for the buyer to transfer or assign its Neighborhood Improvement Zone (NIZ) credits to the Parking Authority in the amount of \$550,000 for the first payment and \$440,000 for the final payment. The note is secured by a mortgage against the property.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 5 CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2019 is as follows:

| | January 1, 2019 | Additions/ Transfers in | Disposals/ Transfers out | December 31, 2019 |
|---|-----------------------|----------------------------|-----------------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 9,809,945 | \$ - | \$ - | \$ 9,809,945 |
| Assets under concession lease - LCA | 83,608,608 | 5,158,972 | - | 88,767,580 |
| Construction in progress | 3,459,131 | 8,768,378 | (2,978,592) | 9,248,917 |
| Total capital assets not being depreciated | <u>96,877,684</u> | <u>13,927,350</u> | <u>(2,978,592)</u> | <u>107,826,442</u> |
| Capital assets being depreciated: | | | | |
| Assets under concession lease - City | 6,183,778 | 553,455 | - | 6,737,233 |
| Buildings | 24,753,231 | 19,662 | - | 24,772,893 |
| Land and building improvements | 41,589,471 | 2,425,137 | - | 44,014,608 |
| Machinery and equipment | 38,214,709 | 494,668 | (3,579) | 38,705,798 |
| Vehicles | 25,299,295 | 1,139,117 | (1,316,715) | 25,121,697 |
| Infrastructure | 139,109,821 | - | - | 139,109,821 |
| Total capital assets being depreciated | <u>275,150,305</u> | <u>4,632,039</u> | <u>(1,320,294)</u> | <u>278,462,050</u> |
| Less accumulated depreciation for: | | | | |
| Assets under concession lease - City | 466,125 | 206,217 | - | 672,342 |
| Buildings | 20,523,321 | 410,042 | - | 20,933,363 |
| Land and building improvements | 21,524,284 | 1,680,085 | - | 23,204,369 |
| Machinery and equipment | 26,006,357 | 1,945,068 | (3,579) | 27,947,846 |
| Vehicles | 17,651,190 | 1,749,846 | (1,309,429) | 18,091,607 |
| Infrastructure | 47,086,756 | 3,617,008 | - | 50,703,764 |
| Total accumulated depreciation | <u>133,258,033</u> | <u>9,608,266</u> | <u>(1,313,008)</u> | <u>141,553,291</u> |
| Total capital assets being depreciated, net | <u>141,892,272</u> | <u>(4,976,227)</u> | <u>(7,286)</u> | <u>136,908,759</u> |
| Governmental activities capital assets, net | <u>\$ 238,769,956</u> | <u>\$ 8,951,123</u> | <u>\$ (2,985,878)</u> | <u>\$ 244,735,201</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 arrangements requires the operator to return the facility to the transferor in its original or enhanced condition. As such, no depreciation will be taken on these assets during the term of the Agreement.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 5 CAPITAL ASSETS (CONTINUED)

| | January 1, 2019 | Additions | Disposals | December 31, 2019 |
|--|---------------------|---------------------|------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,134,759 | \$ - | \$ - | \$ 1,134,759 |
| Total capital assets not being depreciated | <u>1,134,759</u> | <u>-</u> | <u>-</u> | <u>1,134,759</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,282,653 | - | - | 1,282,653 |
| Land and building improvements | 4,862,418 | - | - | 4,862,418 |
| Machinery and equipment | 5,819,779 | 84,483 | (2,640) | 5,901,622 |
| Vehicles | 4,310,118 | 96,734 | (166,547) | 4,240,305 |
| Distribution and collection systems | 37,465 | - | - | 37,465 |
| Total capital assets being depreciated | <u>16,312,433</u> | <u>181,217</u> | <u>(169,187)</u> | <u>16,324,463</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 633,119 | 22,868 | - | 655,987 |
| Land and building improvements | 3,832,848 | 166,640 | - | 3,999,488 |
| Machinery and equipment | 3,633,256 | 255,077 | (2,640) | 3,885,693 |
| Vehicles | 3,265,120 | 170,982 | (166,547) | 3,269,555 |
| Distribution and collection systems | 9,649 | 378 | - | 10,027 |
| Total accumulated depreciation | <u>11,373,992</u> | <u>615,945</u> | <u>(169,187)</u> | <u>11,820,750</u> |
| Total capital assets being depreciated, net | <u>4,938,441</u> | <u>(434,728)</u> | <u>-</u> | <u>4,503,713</u> |
| Business-type activities capital assets, net | <u>\$ 6,073,200</u> | <u>\$ (434,728)</u> | <u>\$ -</u> | <u>\$ 5,638,472</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------|---------------------|
| General government | \$ 1,319,895 |
| Public safety | 1,151,233 |
| Community development | 190,223 |
| Public works | 6,011,382 |
| Parks and recreation | 935,533 |
| Total | <u>\$ 9,608,266</u> |

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

| | |
|----------------------------|-------------------|
| Solid Waste Fund | \$ 421,635 |
| Municipal Golf Course Fund | 194,310 |
| Total | <u>\$ 615,945</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 5 CAPITAL ASSETS (Continued)

Component Unit's Capital Assets

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2019 is as follows:

| | January 1, 2019 | Additions/ Transfers in | Disposals/ Transfers out | December 31, 2019 |
|---|----------------------|----------------------------|-----------------------------|----------------------|
| Parking Authority: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,301,151 | \$ - | \$ - | \$ 8,301,151 |
| Construction in progress | 15,007 | 777,297 | (3,747) | 788,557 |
| Total capital assets not being depreciated | <u>8,316,158</u> | <u>777,297</u> | <u>(3,747)</u> | <u>9,089,708</u> |
| Capital assets being depreciated: | | | | |
| Building and improvements | 1,649,529 | 6,830 | - | 1,656,359 |
| Leasehold improvements | 507,650 | - | - | 507,650 |
| Parking garages and lots | 66,005,344 | 337,757 | 353,792 | 66,696,893 |
| Furniture and equipment | 2,488,227 | 1,099,211 | (384,335) | 3,203,103 |
| Vehicles | 542,785 | 24,803 | (105,983) | 461,605 |
| Total capital assets being depreciated | <u>71,193,535</u> | <u>1,468,601</u> | <u>(136,526)</u> | <u>72,525,610</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 1,244,218 | 65,099 | - | 1,309,317 |
| Leasehold improvements | 380,737 | 25,383 | - | 406,120 |
| Parking garages and lots | 20,243,388 | 1,902,240 | - | 22,145,628 |
| Furniture and equipment | 1,866,089 | (40,456) | (11,708) | 1,813,925 |
| Vehicles | 315,039 | 73,464 | (105,983) | 282,520 |
| Total accumulated depreciation | <u>24,049,471</u> | <u>2,025,730</u> | <u>(117,691)</u> | <u>25,957,510</u> |
| Total capital assets being depreciated, net | <u>47,144,064</u> | <u>(557,129)</u> | <u>(18,835)</u> | <u>46,568,100</u> |
| Parking Authority capital assets, net | <u>\$ 55,460,222</u> | <u>\$ 220,168</u> | <u>\$ (22,582)</u> | <u>\$ 55,657,808</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2019 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Purpose for Balance</u> | <u>Amount</u> |
|------------------------|-----------------------|----------------------------------|---------------------|
| General | Revolving Loan | Reimburse funds | \$ 1,320 |
| General | Grant | Reimburse funds | 3,368 |
| General | E-911 | Reimburse funds | 395,599 |
| General | CDBG | Cash advance for payroll and A/P | 575,017 |
| General | Municipal Golf Course | Short-term Loan/Negative cash | 166,812 |
| Capital Projects | Trexler | Reimburse funds | 193,775 |
| Debt Service | General | Reimburse funds | <u>1,040</u> |
| | | Total Governmental Funds | <u>\$ 1,336,931</u> |

NOTE 7 INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019 consisted of the following:

| | <u>Transfers in:</u> | | | |
|------------------|----------------------|----------------------|-----------------------------|---------------------|
| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
| Transfers out: | | | | |
| General | \$ - | \$ 9,021,073 | \$ 1,414,500 | \$10,435,573 |
| Liquid Fuels | - | 61,760 | - | 61,760 |
| Trexler | - | - | 423,775 | 423,775 |
| Lease/A.O. | - | - | 339,529 | 339,529 |
| E-911 | 395,599 | - | - | 395,599 |
| Capital Projects | 50,000 | 12,238,211 | - | 12,288,211 |
| Stormwater | 343,232 | - | - | 343,232 |
| Solid Waste | 1,023,198 | - | - | 1,023,198 |
| Golf | 327,232 | - | - | 327,232 |
| Risk | <u>115,938</u> | <u>-</u> | <u>-</u> | <u>115,938</u> |
| | <u>\$ 2,255,199</u> | <u>\$ 21,321,044</u> | <u>\$ 2,177,804</u> | <u>\$25,754,047</u> |

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

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

The remaining transfers were initiated to fulfill budgetary transfer requirements.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS

Plan Description and Administration

The City has three single-employer defined benefit pension plans covering Police, Firemen, and certain non-uniformed employees (Officers and Employees Plan). The Plans provide for retirement, disability, vested and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the Police, Firemen, and Officers and Employees Retirement Boards. All full-time City employees hired prior to June 9, 1976 are eligible to participate in these Plans. The City's three single-employer pension plans do not issue separate financial statements.

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

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

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

The City also participates in a defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). The full-time non-uniformed City employees hired after June 8, 1976 are eligible to participate in the PMRS Plan. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR), which may be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

Benefit Provisions

Benefit provisions and their amendments are authorized by the separate Pension Boards for the Police, Firemen, and Officers and Employees Plans and by the Pennsylvania State Act 15 for the PMRS Plan.

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Plan Description and Administration (Continued)

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Plan Description and Administration (Continued)

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

Summary of Significant Accounting Policies

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

Discount Rate

The discount rate as of December 31, 2019 is 7.50% for the Police and Firemen's Pension Plans and 6.50% for the officers and Employees Pension Plan. These rates are the assumed long-term expected rate of return on Plan investments.

The projection of cash flows used to determine the discount rate assumed that the City of Allentown will contribute to the Plans based on the Minimum Municipal Obligation, as required by Act 205. Based on this policy, the Plan's Fiduciary Net Positions are expected to be available to make all projected future benefit payments for current members. Therefore, the long-term expected rates of return on Plan Investments were applied to all periods of the projected benefit payments to determine the Total Pension Liability.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Summary of Significant Accounting Policies (Continued)

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

| | Police Pension Fund | Firemen Pension Fund | Officers and Employees Pension Fund | Total Pension Trust Fund |
|--|------------------------|-------------------------|---|--------------------------------|
| <u>Statement of Plan Net Position</u> | | | | |
| Assets: | | | | |
| Interest receivable | \$ 37,516 | \$ 51,454 | \$ 16,106 | \$ 105,076 |
| Investments, at fair value | 181,105,077 | 116,238,697 | 10,830,190 | 308,173,964 |
| Total assets | <u>181,142,593</u> | <u>116,290,151</u> | <u>10,846,296</u> | <u>308,279,040</u> |
| Liabilities: | | | | |
| Accounts payable | 12,371 | 7,736 | 4,930 | 25,037 |
| Due to other funds | 431,487 | 312,601 | 70,327 | 814,415 |
| Total liabilities | <u>443,858</u> | <u>320,337</u> | <u>75,257</u> | <u>839,452</u> |
| Net Position: | | | | |
| Restricted for pension benefits | <u>\$ 180,698,735</u> | <u>\$ 115,969,814</u> | <u>\$ 10,771,039</u> | <u>\$ 307,439,588</u> |
| <u>Statement of Changes in Plan Net Position</u> | | | | |
| Additions: | | | | |
| Contributions: | | | | |
| Employer | \$ 7,046,609 | \$ 3,779,843 | \$ 203,401 | \$ 11,029,853 |
| Plan members | 1,069,615 | 600,769 | 4,336 | 1,674,720 |
| Total contributions | <u>8,116,224</u> | <u>4,380,612</u> | <u>207,737</u> | <u>12,704,573</u> |
| Investment income (loss): | | | | |
| Net appreciation in fair value of investments | 27,106,486 | 17,512,305 | 1,322,049 | 45,940,840 |
| Interest and dividends | 3,897,395 | 2,437,847 | 213,465 | 6,548,707 |
| Less investment expenses | (69,112) | (66,947) | (54,324) | (190,383) |
| Net investment income (loss) | <u>30,934,769</u> | <u>19,883,205</u> | <u>1,481,190</u> | <u>52,299,164</u> |
| Total additions | <u>39,050,993</u> | <u>24,263,817</u> | <u>1,688,927</u> | <u>65,003,737</u> |
| Deductions: | | | | |
| Benefits paid to recipients | 11,133,444 | 8,031,919 | 1,794,179 | 20,959,542 |
| Administrative and other fees | 65,707 | 11,183 | 11,278 | 88,168 |
| Total deductions | <u>11,199,151</u> | <u>8,043,102</u> | <u>1,805,457</u> | <u>21,047,710</u> |
| Change in net position | 27,851,842 | 16,220,715 | (116,530) | 43,956,027 |
| Net position restricted for pension benefits: | | | | |
| Beginning of year | <u>152,846,893</u> | <u>99,749,099</u> | <u>10,887,569</u> | <u>263,483,561</u> |
| End of year | <u>\$ 180,698,735</u> | <u>\$ 115,969,814</u> | <u>\$ 10,771,039</u> | <u>\$ 307,439,588</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Plan Membership

At December 31, 2018, 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 | 121 | 1 | 429 |
| Inactive plan members entitled to but not yet receiving benefits | 2 | - | - | 12 |
| Inactive plan members or beneficiaries currently receiving benefits | 290 | 203 | 118 | 448 |

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, 2019, the City contributed \$7,046,609 to the Police Pension Plan, of which \$2,140,369 were Act 205 funds; \$3,779,843 to the Firemen Pension Plan, of which \$1,249,402 were Act 205 funds; \$203,401 to the Officers and Employees Plan, of which \$5,121 were Act 205 funds; and \$2,629,620 to the PMRS Pension Plan, of which \$2,145,489 were Act 205 funds. During the year ended December 31, 2019, active members contributed \$1,069,615 to the Police Pension Plan, \$600,769 to the Firemen Pension Plan, \$4,336 to the Officers and Employees Pension Plan, and \$1,840,181 to the PMRS Plan.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or investment earnings.

Actuarial Assumptions – The total pension liability for the Police, Firemen, and Officers and Employees pension plans was determined as part of the January 1, 2019 actuarial valuation, updated to December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Contributions (Continued)

Actuarial Assumptions (Continued)

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

Long Term Expected Rate of Return

In order to meet its needs, the investment strategy of the Police, Firemen, and Officers and Employees Pension Plans is to responsibly and prudently maximize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class for the plans as of December 31, 2019 are summarized from the following table:

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2019 were as follows:

Police Pension Plan:

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at December 31, 2018 | \$ 203,551,999 | \$ 152,846,893 | \$ 50,705,106 |
| Changes for the year: | | | |
| Service Cost | 3,567,206 | - | 3,567,206 |
| Interest | 15,010,083 | - | 15,010,083 |
| Differences between expected and actual experience | (1,518,678) | - | (1,518,678) |
| Changes in assumptions | - | - | - |
| Contributions - employer | - | 7,046,609 | (7,046,609) |
| Contributions - member | - | 1,069,615 | (1,069,615) |
| Net investment income (loss) | - | 30,934,769 | (30,934,769) |
| Benefit payments, including refunds | (11,133,444) | (11,133,444) | - |
| Administrative expense | - | (65,707) | 65,707 |
| Net changes | 5,925,167 | 27,851,842 | (21,926,675) |
| Balances at December 31, 2019 | \$ 209,477,166 | \$ 180,698,735 | \$ 28,778,431 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 86.26% |

Firemen Pension Plan:

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at December 31, 2018 | \$ 129,105,114 | \$ 99,749,099 | \$ 29,356,015 |
| Changes for the year: | | | |
| Service Cost | 1,800,136 | - | 1,800,136 |
| Interest | 9,388,037 | - | 9,388,037 |
| Differences between expected and actual experience | (1,788,062) | - | (1,788,062) |
| Changes in assumptions | - | - | - |
| Contributions - employer | - | 3,779,843 | (3,779,843) |
| Contributions - member | - | 600,769 | (600,769) |
| Net investment income (loss) | - | 19,883,204 | (19,883,204) |
| Benefit payments, including refunds | (8,031,919) | (8,031,919) | - |
| Administrative expense | - | (11,183) | 11,183 |
| Net changes | 1,368,192 | 16,220,714 | (14,852,522) |
| Balances at December 31, 2019 | \$ 130,473,306 | \$ 115,969,813 | \$ 14,503,493 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 88.88% |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

Officers and Employees Pension Plan:

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at December 31, 2018 | \$ 12,852,167 | \$ 10,887,569 | \$ 1,964,598 |
| Changes for the year: | | | |
| Service Cost | 9,577 | - | 9,577 |
| Interest | 782,628 | - | 782,628 |
| Differences between expected and actual experience | 119,191 | - | 119,191 |
| Changes in assumptions | (57,537) | - | (57,537) |
| Contributions - employer | - | 203,401 | (203,401) |
| Contributions - member | - | 4,336 | (4,336) |
| Net investment income (loss) | - | 1,481,190 | (1,481,190) |
| Benefit payments, including refunds | (1,794,179) | (1,794,179) | - |
| Administrative expense | - | (11,278) | 11,278 |
| Net changes | <u>(940,320)</u> | <u>(116,530)</u> | <u>(823,790)</u> |
| Balances at December 31, 2019 | <u>\$ 11,911,847</u> | <u>\$ 10,771,039</u> | <u>\$ 1,140,808</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | | <u>90.42%</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

PMRS Pension Plan:

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at December 31, 2018 | <u>\$ 171,802,187</u> | <u>\$ 160,922,810</u> | <u>\$ 10,879,377</u> |
| Changes for the year: | | | |
| Service Cost | 3,247,031 | - | 3,247,031 |
| Interest | 8,949,043 | - | 8,949,043 |
| Differences between expected and actual experience | 1,588,051 | - | 1,588,051 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 2,629,620 | (2,629,620) |
| Contributions - member | - | 1,840,181 | (1,840,181) |
| PMRS assessment | - | 18,520 | (18,520) |
| PMRS investment income | - | 7,804,408 | (7,804,408) |
| Market value investment loss | - | (13,014,834) | 13,014,834 |
| Transfers | (82,469) | (82,469) | - |
| Benefit payments, including refunds | (9,219,033) | (9,219,033) | - |
| PMRS administrative expense | - | (17,580) | 17,580 |
| Additional administrative expense | - | (348,277) | 348,277 |
| Net changes | <u>4,482,623</u> | <u>(10,389,464)</u> | <u>14,872,087</u> |
| Balances at December 31, 2019 (based on the measurement date of December 31, 2018) | <u>\$ 176,284,810</u> | <u>\$ 150,533,346</u> | <u>\$ 25,751,464</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | | <u>85.39%</u> |

Investment Policy – The policies in regard to the allocation of invested assets for the Police, Firemen, and Officers and Employees Pension Plans are established and may be amended by the respective Boards. The Boards seek to optimize the total return of these Plans' portfolios through a policy of well diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. There were no amendments to the investment policy of the Police, Firemen, and Officers and Employees Pension Plans during the year ended December 31, 2019. At December 31, 2019, the Police, Firemen and Officers and Employees Plan had no investments in any one organization which represented five percent or more of each plan's respective fiduciary net position.

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

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2019, the market value of assets returned 18.55% for the Police Plan, 18.03% for the Firemen Plan, and 13.68% for the Officers and Employees Plan.

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Changes in the Net Pension Liability (Continued)

PMRS Pension Plan (Continued)

The net pension liability of the PMRS Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$22,908,969 and \$2,842,495 respectively, at December 31, 2019.

The total pension liability for PMRS was determined by an actuarial valuation performed on January 1, 2018, with liabilities measured at December 31, 2018, using the following actuarial assumptions, applied to all periods in the measurement:

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

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

Pre-retirement Mortality:

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

Post-retirement mortality:

Males: RP-2000 Male Annuitant Table projected 5 Years with Scale AA
 Females: RP-2000 Female Annuitant Table projected 10 Years with Scale AA

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

PMRS Long-Term Expected Rate of Return

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

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the PMRS Board's opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 2.2% to produce real rates of return.
3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are presented in the chart labeled "System Nominal and Real Rates of Return by Asset Class."

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

PMRS Pension Plan (Continued)

PMRS Long-Term Expected Rate of Return (Continued)

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2018:

| Asset Class | Target Allocation | Nominal Rate of Return | Long-Term Expected Real Rate of Return |
|---|-------------------|------------------------|--|
| Domestic equity (large capitalized firms) | 25.0% | 7.3% | 4.6% |
| Domestic equity (small capitalized firms) | 15.0% | 10.0% | 7.3% |
| International equity (developed markets) | 15.0% | 6.2% | 3.5% |
| International equity (emerging markets) | 10.0% | 10.6% | 8.3% |
| Real estate | 20.0% | 8.5% | 5.4% |
| Fixed income | 15.0% | 3.3% | 1.1% |
| Total portfolio | <u>100.0%</u> | <u>7.5%</u> | <u>4.8%</u> |

The following are the Confidence Levels for System Nominal and Real Rates of Return as of December 31, 2018:

| Confidence Interval | Nominal Rate of Return | Long-Term Expected Real Rate of Return |
|---------------------|------------------------|--|
| 95.0% | 2.8% | 0.1% |
| 90.0% | 3.9% | 1.2% |
| 85.0% | 4.6% | 1.9% |
| 80.0% | 5.1% | 2.4% |
| 75.0% | 5.5% | 2.8% |
| 70.0% | 5.9% | 3.2% |

Based on the three part analysis, the Board established the System's Long-Term Rate of Return at 7.0%. 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, 2018, this rate is equal to 5.25%.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

PMRS Pension Plan (Continued)

Changes in the Net Pension Liability (Continued)

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

PMRS Discount Rate

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

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

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

The PMRS Board then adjusts the Regular Interest Rate/Discount 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, 2018 was 5.25%.

The Regular Interest Rate/Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for the in law.

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

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

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

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|---------------------------|--------------------------------|--|--------------------------------|
| Police | <u>\$ 57,097,800</u> | <u>\$ 28,778,431</u> | <u>\$ 5,521,075</u> |
| Firemen | <u>\$ 29,712,714</u> | <u>\$ 14,503,492</u> | <u>\$ 1,763,557</u> |
| | | | |
| | <u>1% Decrease (5.50%)</u> | <u>Current Discount Rate (6.50%)</u> | <u>1% Increase (7.50%)</u> |
| Officers and Employees | <u>\$ 1,826,293</u> | <u>\$ 1,140,808</u> | <u>\$ 526,064</u> |
| | | | |
| | <u>1% Decrease (4.25%)</u> | <u>Current Discount Rate (5.25%)</u> | <u>1% Increase (6.25%)</u> |
| PMRS | <u>\$ 46,272,593</u> | <u>\$ 25,751,454</u> | <u>\$ 8,417,390</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

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

For the year ended December 31, 2019, the City recognized pension expense of \$17,965,639 as a whole; in the governmental activities, \$17,327,760, and \$637,879 in the business-type activities. By plan as follows: \$8,129,059 police, \$3,639,377 for fireman, \$418,362 for O&E, and \$5,778,841 for PMRS. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Police</u> | <u>Fireman</u> | <u>O&E</u> | <u>PMRS</u> | <u>Total</u> |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| Deferred Outflows of Resources: | | | | | |
| Differences between expected & actual experience | \$ 2,383,398 | \$ - | \$ - | \$ 1,499,907 | \$ 3,883,305 |
| Changes in assumptions | 2,634,487 | 843,976 | - | 1,635,513 | \$ 5,113,976 |
| City contributions subsequent to measurement date | - | - | - | 2,145,489 | 2,145,489 |
| Net difference between projected & actual earnings on pension plan investments | <u>-</u> | <u>-</u> | <u>-</u> | <u>175,247</u> | <u>\$ 175,247</u> |
| Total deferred outflows of resources | <u>\$ 5,017,885</u> | <u>\$ 843,976</u> | <u>\$ -</u> | <u>\$ 5,456,156</u> | <u>\$11,318,017</u> |
| Deferred Inflows of Resources: | | | | | |
| Differences between expected & actual experience | \$ 1,283,401 | \$ 1,841,684 | \$ - | \$ - | \$ 3,125,085 |
| Net difference between projected & actual earnings on pension plan investments | <u>8,572,822</u> | <u>5,352,670</u> | <u>159,302</u> | <u>-</u> | <u>14,084,794</u> |
| | <u>\$ 9,856,223</u> | <u>\$ 7,194,354</u> | <u>\$ 159,302</u> | <u>\$ -</u> | <u>\$17,209,879</u> |

Deferred outflows for contributions subsequent to measurement date will be recognized in pension expense in 2020 and remaining deferred outflows and inflows will be amortized to pension expense as follows:

| Schedule of amortized outflows & inflows: | | | | | |
|---|-----------------------|----------------------|---------------------|---------------------|-----------------------|
| 2020 | \$ (483,907) | \$(1,291,484) | \$ 9,707 | \$ 2,306,917 | \$ 541,233 |
| 2021 | (604,161) | (2,065,547) | (48,390) | (1,183,000) | (3,901,098) |
| 2022 | 407,573 | (485,969) | 44,303 | (416,216) | (450,309) |
| 2023 | (4,157,843) | (2,507,378) | (164,922) | 2,602,966 | (4,227,177) |
| 2024 | - | - | - | - | - |
| | <u>\$ (4,838,338)</u> | <u>\$(6,350,378)</u> | <u>\$ (159,302)</u> | <u>\$ 3,310,667</u> | <u>\$ (8,037,351)</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

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

| | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| <u>Deferred Outflows of Resources:</u> | | |
| Differences between expected and actual experience | \$ 3,717,742 | \$ 165,563 |
| City contributions subsequent to measurement date | 1,908,666 | 236,823 |
| Changes in assumptions | 4,933,445 | 180,531 |
| Net difference between projected and actual earning on pension plan investments | 155,903 | 19,344 |
| Total deferred outflows of resources | \$ 10,715,756 | \$ 602,261 |
| <u>Deferred Inflows of Resources:</u> | | |
| Differences between expected and actual experience | \$ 3,125,085 | \$ - |
| Net difference between projected and actual earning on pension plan investments | 14,084,794 | - |
| Total deferred inflows of resources | \$ 17,209,879 | \$ - |

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

The effect of the differences in the City's expected and actual experience is recognized over the average expected remaining service lives of active and inactive members. The difference between the projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Governmental Activities | Business-Type Activities |
|---------------------------------|----------------------------|-----------------------------|
| <u>Year ending December 31,</u> | | |
| 2020 | \$ 286,591 | \$ 254,642 |
| 2021 | (3,770,516) | (130,582) |
| 2022 | (404,366) | (45,943) |
| 2023 | (4,514,498) | 287,321 |
| 2024 | - | - |
| | \$ (8,402,789) | \$ 365,438 |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

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

Discretely Presented Component Units' Pension Plan

Parking Authority

Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan

The Allentown Parking Authority Union Employees' Defined Contribution Retirement Plan is designed to provide retirement benefits to the Parking Authority's eligible union employees. The plan covers all eligible employees over the age of 19 with one year of service with the Parking Authority. Employer contributions to the plan are established by the Union's collective bargaining agreement. Employer contributions were fixed at 5% by the collective bargaining agreement for the year ended December 31, 2019. Participant contributions are on a voluntary basis up to 10% of compensation. The plan's provisions may be amended by resolution of the Parking Authority's Board of Directors, subject to 90 days written notice to the plan's Trustee. No modification that affects the rights, duties, and responsibilities of the Trustee may be made without the Trustee's consent.

Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan

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

Allentown Parking Authority Salaried Employees' Defined Benefit Pension Plan

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

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

At December 31, 2019, the following employees were covered by the plan:

| | |
|---|-----------|
| Active employees | 4 |
| Retirees and beneficiaries currently receiving benefits | 8 |
| Terminated employees entitled to benefits but not yet receiving them | <u>1</u> |
| | <u>13</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Allentown Parking Authority Salaried Employees' Defined Benefit Pension Plan (Continued)

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

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

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

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

Changes in the Net Pension Liability (Asset) – An actuarial valuation of the total pension liability (asset) is performed biennially. The total pension liability (asset) was determined as part of an actuarial valuation as of January 1, 2019. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2019.

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, 2019 were as follows:

| | Increases (Decreases) | | |
|---|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances at December 31, 2018 | \$ 2,810,634 | \$ 2,766,399 | \$ 44,235 |
| Changes for the year: | | | |
| Interest | 204,066 | - | 204,066 |
| Differences between expected and actual experience | 14,591 | - | 14,591 |
| Employer contributions | - | 9,198 | (9,198) |
| Net investment income (loss) | - | 643,072 | (643,072) |
| Benefit payments, including refunds | (208,700) | (208,700) | - |
| Net Changes | 9,957 | 443,570 | (433,613) |
| Balances at December 31, 2019 | \$ 2,820,591 | \$ 3,209,969 | \$ (389,378) |
| Plan fiduciary net position as a percentage of the total pension liability | | | 113.80% |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

Allentown Parking Authority (Continued)

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

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

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pensions plan investment expense and inflation of 2.25%) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Rate of Return</u> |
|----------------------|--|
| Domestic Equity: | |
| Large Cap | 6.09% |
| Mid Cap | 7.27% |
| Small cap | 7.27% |
| International equity | 8.24% |
| Fixed income | 3.17% |
| Cash | 0.82% |

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan

Allentown Parking Authority (Continued)

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability (Asset) | \$ (142,595) | \$ (389,378) | \$ (601,948) |

Pension Expense and Deferred Outflows of Resources Related to Pensions – For the year ended December 31, 2019, the Parking Authority recognized pension expense of (\$18,357) under the defined benefit pension plan. At December 31, 2019, the Parking Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

Deferred Outflows of Resources:

| | | |
|---|----|----------|
| Changes in assumptions | \$ | - |
| Net difference between projected and actual investment earnings on pension plan investments | | 5,116 |
| | | \$ 5,116 |

As of December 31, 2019 the Authority reported deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources:

| | | |
|---|----|------------|
| Net difference between projected and actual experience | \$ | - |
| Net difference between projected and actual investment earnings on pension plan investments | | 274,151 |
| Changes in assumptions | | \$ 274,151 |

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

Year ending December 31,

| | | | |
|------|--|--------------|--|
| 2020 | | \$ (79,762) | |
| 2021 | | (79,010) | |
| 2022 | | (21,613) | |
| 2023 | | (88,650) | |
| | | \$ (269,035) | |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 9 LONG-TERM DEBT

The City issues notes and bonds payable to finance the capital projects of the City. Long-term debt activity of the City's governmental activities for the year ended December 31, 2019 was as follows:

| Notes and Bonds | Balance Outstanding January 1, 2019 | Additions | Reductions | Balance Outstanding December 31, 2019 | Current Portion |
|---|--|-----------|--------------|--|--------------------|
| 2004 Federally Taxable General Obligation Refunding Pension Bond, original amount of \$36,865,000, 4.870% to 5.250% interest, serial portion payable in increasing annual installments of \$625,000 in 2017 to \$1,460,000 in 2034. | \$12,175,000 | \$ - | \$12,175,000 | \$ - | \$ - |
| 2007 Taxable General Obligation Note, Series A, original amount of \$14,773,981, semiannual accretion to produce yields of 6.66% to 6.99%, payable in increasing installments of \$2,075,000 in 2021 to \$7,040,000 in 2036 | 30,962,225 | 2,151,804 | - | 33,114,029 | - |
| 2007 Taxable General Obligation Note, Series B, original amount of \$7,990,000, 5.670% to 5.87% interest, payable in varying annual installments of \$1,230,000 in 2017 to \$45,000 in 2021 | 3,730,000 | - | 1,670,000 | 2,060,000 | 2,015,000 |
| 2009 Tax-Exempt General Obligation Bond, original amount of \$5,310,000, 4.13% interest, serial portion payable in increasing annual installments of \$349,000 in 2017 to \$465,000 in 2024 | 2,524,000 | - | 379,000 | 2,145,000 | 394,000 |
| 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. | 1,917,566 | - | 1,917,566 | - | - |
| 2015 General Obligation Bonds, Series A, original amount of \$15,360,000, 3.00% to 3.85% interest, payable in varying annual installments of \$290,000 in 2017 to \$870,000 in 2045 | 14,670,000 | - | 330,000 | 14,340,000 | 415,000 |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 9 LONG-TERM DEBT (Continued)

| Notes and Bonds | Balance Outstanding January 1, 2019 | Additions | Reductions | Balance Outstanding December 31, 2019 | Current Portion |
|--|--|---------------------|---------------------|--|--------------------|
| 2015 General Obligation Bonds, Series B, original amount of \$11,425,000, 3.00% to 3.65% interest, payable in varying annual installments of \$740,000 in 2017 to \$545,000 in 2036 | 9,435,000 | - | 795,000 | 8,640,000 | 575,000 |
| 2016 Special Revenue Note, Series of 2016, draw down up to \$2,500,000, 2.730 - 5.000% interest, payable in varying annual installments of \$5,000 in 2017 to \$177,000 in 2036. Once the Note is fully drawn down, a revised debt service schedule will be established. | 2,069,716 | 189,529 | 121,000 | 2,138,245 | 124,000 |
| 2017 General Obligation Bonds, Series of 2017, original amount of \$9,025,000, to refund GOB Series 2011A and 2012, payable in varying installments. | 7,150,000 | - | 1,070,000 | 6,080,000 | 1,095,000 |
| 2018 General Obligation Bonds, Series A of 2018, original amount of \$3,420,000 for capital projects payable in varying installments with interest of 5.0% per annum through 2022. | 3,420,000 | - | - | 3,420,000 | 1,085,000 |
| 2018 General Obligation Bonds, Series B of 2018, original amount of \$7,900,000 to refund the 2006 Guaranteed Lease Revenue Agreement, payable in varying installments with interest of variable rates through 2031. | 7,900,000 | - | 510,000 | 7,390,000 | 495,000 |
| 2019 Federally Taxable General Obligation Refunding Bonds, Series 2019, original amount of \$12,460,000 to refund the 2004 Federally Taxable General Obligation Pension Refunding Bonds, payable in varying installments with interest of variable rates | - | 12,460,000 | - | 12,460,000 | 520,000 |
| Total Governmental Activities Notes and Bonds | 95,953,507 | 14,801,333 | 18,967,566 | 91,787,274 | 6,718,000 |
| Premium on bond issuance | 1,174,371 | - | 149,157 | 1,025,214 | - |
| Total | <u>\$97,127,878</u> | <u>\$14,801,333</u> | <u>\$19,116,723</u> | <u>\$92,812,488</u> | <u>\$6,718,000</u> |

During 2019, the City issued 2019 Series Refunding bonds in the amount of \$12,460,000 to currently refund the entire outstanding balance of the 2004 Federally Taxable General Obligation Pension Refunding Bonds. The current refunding resulted in the savings of \$985,908 on a present value basis and an economic gain of \$1,087,698.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 9 LONG-TERM DEBT (Continued)

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

| Year Ending December 31, | Principal Maturity | Interest Maturity | Total |
|-----------------------------|-----------------------|----------------------|-----------------------|
| 2020 | \$ 6,718,000 | \$ 2,241,392 | \$ 8,959,392 |
| 2021 | 6,938,477 | 2,285,117 | 9,223,594 |
| 2022 | 6,963,142 | 2,255,167 | 9,218,309 |
| 2023 | 5,631,314 | 2,396,581 | 8,027,895 |
| 2024 | 5,563,662 | 2,458,860 | 8,022,522 |
| 2025-2029 | 24,241,312 | 13,880,982 | 38,122,294 |
| 2030-2034 | 22,555,979 | 16,174,253 | 38,730,232 |
| 2035-2039 | 8,420,388 | 11,093,337 | 19,513,725 |
| 2040-2044 | 3,885,000 | 627,743 | 4,512,743 |
| 2045-2049 | 870,000 | 33,495 | 903,495 |
| Total | <u>\$ 91,787,274</u> | <u>\$ 53,446,927</u> | <u>\$ 145,234,201</u> |

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of December 31, 2019, all of the bonds defeased by the City in prior years have been redeemed.

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

| | Balance January 1, 2019 | Additions | Reductions | Balance December 31, 2019 | Current Portion |
|------------------------------------|-------------------------------|---------------------|---------------------|---------------------------------|---------------------|
| Compensated absences: | | | | | |
| Governmental activities | \$ 3,263,709 | \$ 4,287,959 | \$ 4,476,027 | \$ 3,075,641 | \$ 2,490,745 |
| Business-type activities | 210,362 | 179,346 | 188,954 | 200,754 | 190,002 |
| Total accrued compensated absences | <u>\$ 3,474,071</u> | <u>\$ 4,467,305</u> | <u>\$ 4,664,981</u> | <u>\$ 3,276,395</u> | <u>\$ 2,680,747</u> |
| Capital leases: | | | | | |
| Governmental activities | \$ 4,003,545 | \$ - | \$ 993,627 | \$ 3,009,918 | \$ 892,726 |
| Business-type activities | 704,351 | - | 268,214 | 436,137 | 276,028 |
| Total capital leases | <u>\$ 4,707,896</u> | <u>\$ -</u> | <u>\$ 1,261,841</u> | <u>\$ 3,446,055</u> | <u>\$ 1,168,754</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 9 LONG-TERM DEBT (Continued)

The capital assets acquired through capital leases are as follows:

| | Governmental Activities | Business-Type Activities |
|------------------------------------|----------------------------|-----------------------------|
| Machinery, equipment, and vehicles | \$ 7,883,949 | \$ 812,314 |
| Less accumulated depreciation | 2,896,585 | 217,803 |
| | <u>\$ 4,987,364</u> | <u>\$ 594,511</u> |

Debt service requirements for capital lease obligations are as follows:

| Year Ending | Governmental Activities | Business-Type Activities | Total |
|---------------|----------------------------|-----------------------------|---------------------|
| 2020 | \$ 941,180 | \$ 290,095 | \$ 1,231,275 |
| 2021 | 949,815 | 95,529 | 1,045,344 |
| 2022 | 844,221 | 71,673 | 915,894 |
| 2023 | 263,436 | - | 263,436 |
| 2024 | 106,838 | - | 106,838 |
| Thereafter | - | - | - |
| | <u>3,105,490</u> | <u>457,297</u> | <u>3,562,787</u> |
| Less interest | 95,572 | 21,160 | 116,732 |
| Total | <u>\$ 3,009,918</u> | <u>\$ 436,137</u> | <u>\$ 3,446,055</u> |

Discretely Presented Components Units' Long-Term Debt

Parking Authority

Long-term debt activity of the Parking Authority for the year ended December 31, 2019 consisted of the following:

| | Balance January 1, 2019 | Additions | Reductions | Balance December 31, 2019 | Current Portion |
|---|-------------------------------|-------------------|---------------------|---------------------------------|---------------------|
| 2018 Parking Revenue Bond, Series A of 2018 original amount of \$27,405,527, 3.7% interest, principal payments due quarterly beginning September 30, 2018 through 2040. | \$ 27,037,315 | \$ - | \$ 810,944 | \$ 26,226,371 | \$ 838,635 |
| 2018 Taxable Parking Revenue Bond, Series B of 2018 original amount of \$7,483,227, 4.35% interest. This Bond matures in 2033. | 7,322,590 | - | 349,644 | 6,972,946 | 364,450 |
| | 34,359,905 | - | 1,160,588 | 33,199,317 | 1,203,085 |
| Line of credit | - | 758,754 | - | 758,754 | - |
| Capital Lease | 95,559 | 173,823 | 30,879 | 238,503 | 58,163 |
| Unearned revenue | 8,386,887 | - | 205,582 | 8,181,305 | 288,711 |
| Net pension liability (asset) | 44,235 | (44,235) | - | - | - |
| OPEB liability | 944,331 | - | 416,561 | 527,770 | - |
| | <u>\$ 43,830,917</u> | <u>\$ 888,342</u> | <u>\$ 1,813,610</u> | <u>\$ 42,905,649</u> | <u>\$ 1,549,959</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 9 LONG-TERM DEBT (Continued)

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

| Year Ending December 31, | Principal Maturity | Interest Maturity | Total |
|-----------------------------|-----------------------|----------------------|----------------------|
| 2020 | \$ 1,203,085 | \$ 1,263,715 | \$ 2,466,800 |
| 2021 | 1,254,494 | 1,212,306 | 2,466,800 |
| 2022 | 1,304,353 | 1,162,447 | 2,466,800 |
| 2023 | 1,356,207 | 1,110,593 | 2,466,800 |
| 2024 | 1,407,100 | 1,059,700 | 2,466,800 |
| 2025-2029 | 7,461,658 | 6,018,042 | 13,479,700 |
| 2030-2034 | 8,937,051 | 3,914,479 | 12,851,530 |
| 2035-2040 | 8,345,802 | 1,704,198 | 10,050,000 |
| 2041-2045 | 1,929,567 | 63,427 | 1,992,994 |
| Total | <u>\$ 33,199,317</u> | <u>\$ 17,508,907</u> | <u>\$ 50,708,224</u> |

The parking Authority entered into various capital lease agreements to finance the purchase of vehicles, energy saving LED lighting for its parking garages and single space parking meter mechanisms. The following schedule presents future minimum capital lease payments as of December 31, 2019.

| Year Ending December 31, | |
|-----------------------------|-------------------|
| 2020 | \$ 70,872 |
| 2021 | 61,379 |
| 2022 | 61,378 |
| 2023 | 34,905 |
| 2024 | 32,518 |
| Thereafter | 8,128 |
| | <u>269,180</u> |
| Less interest | 30,677 |
| Total | <u>\$ 238,503</u> |

The leased capital assets under capital leases are included in capital assets at December 31, 2019 as follows:

| | |
|-------------------------------|-------------------|
| Equipment | \$ 683,792 |
| Parking garages and lots | 173,327 |
| Vehicles | 111,988 |
| Less accumulated depreciation | 533,230 |
| | <u>\$ 435,877</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 10 FUND BALANCE CLASSIFICATIONS

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

| | General | Capital Projects | Other Governmental Funds | Total |
|-----------------------|---------------------|---------------------|--------------------------------|----------------------|
| Restricted for: | | | | |
| Capital acquisitions | \$ - | \$ 3,939,299 | \$ - | \$ 3,939,299 |
| Public works | - | - | 7,046,894 | 7,046,894 |
| Community development | - | - | 5,453,267 | 5,453,267 |
| Parks and recreation | - | - | 331,137 | 331,137 |
| | <u>-</u> | <u>3,939,299</u> | <u>12,831,298</u> | <u>16,770,597</u> |
| Assigned for: | | | | |
| General government | 100,720 | - | - | 100,720 |
| Public works | 471,096 | - | - | 471,096 |
| Community development | 656,161 | - | - | 656,161 |
| Public safety | 217,415 | - | - | 217,415 |
| Parks and recreation | 189,199 | - | - | 189,199 |
| | <u>1,634,591</u> | <u>-</u> | <u>-</u> | <u>1,634,591</u> |
| Total | <u>\$ 1,634,591</u> | <u>\$ 3,939,299</u> | <u>\$ 12,831,298</u> | <u>\$ 18,405,188</u> |

NOTE 11 RISK MANAGEMENT, ACCRUED CLAIMS LIABILITY

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters for which the City has established a limited risk management program as further described in Note 1.

Changes in the accrued claims liability are as follows:

| | |
|---|------------------|
| | <u>2019</u> |
| Accrued claims liability, January 1 | \$ 383,319 |
| Incurred claims, including estimated claims incurred but not reported as of December 31: | |
| Provision for current year events | 859,817 |
| Payments | <u>(932,847)</u> |
| Accrued claims liability, December 31 | 310,289 |
| Current portion | 310,289 |
| Long-term portion | <u>\$ -</u> |

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 11 RISK MANAGEMENT, ACCRUED CLAIMS LIABILITY

Discretely Presented Component Units' Risk Management

Parking Authority

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

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City provides through a single employer defined benefit plan, 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

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

Plan Membership

At December 31, 2018, the Plan's membership consisted of the following:

| | |
|--|-------|
| Inactive participants - retired and disabled | 342 |
| Active plan members | 733 |
| Total | 1,075 |

Benefits Provided

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

The components of the total OPEB liability of the plan at December 31, 2019, were as follows:

| | |
|--|----------------------|
| Total OPEB Liability | \$ 90,921,587 |
| Plan fiduciary net position | - |
| City's total OPEB liability | <u>\$ 90,921,587</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>0.00%</u> |

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017 and update procedures were used to roll forward the plan's total OPEB liability to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | | | | |
|-------------------------|----------------------|-------|-------|-------|
| Salary Increases | 4.5 percent per year | | | |
| Discount Rate | 4.10 percent | | | |
| Per person cost trends: | 2020 | 7.47% | 2027 | 5.60% |
| | 2021 | 7.20% | 2028 | 5.33% |
| | 2022 | 6.93% | 2029 | 5.07% |
| | 2023 | 6.67% | 2030 | 4.80% |
| | 2024 | 6.40% | 2031 | 4.53% |
| | 2025 | 6.13% | 2032 | 4.27% |
| | 2026 | 5.87% | 2033+ | 4.00% |

Assumptions changes between December 31, 2017 and 2018 include the increase of the discount rate, expected future healthcare costs, and updated mortality rates.

Discount Rate

The discount rate used to measure the plan's total OPEB liability as of December 31, 2018 was 4.10%. This is based on the 20-year Bond Buyer, 20 Bond GO Index as of December 31, 2018. This is an increase from the December 31, 2017 rate of 3.44%.

Changes in the City's total OPEB liability for the plan for the year ended December 31, 2019 were as follows:

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

| <u>Changes in Total OPEB Liability</u> | <u>Increase (Decrease)</u> | | |
|---|-------------------------------------|--|---------------------------------------|
| | <u>Total OPEB Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Total OPEB Liability (a-b)</u> |
| Balances at 12/31/17 | \$94,440,960 | \$ - | \$94,440,960 |
| Changes for the Year: | | | |
| Service cost | 3,502,641 | - | 3,502,641 |
| Interest on total OPEB liability | 3,217,857 | - | 3,217,857 |
| Changes of Benefits | - | - | - |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | (4,924,689) | - | (4,924,689) |
| Contributions-employer | - | 5,315,182 | (5,315,182) |
| Contributions-member | - | - | - |
| Net investment income | - | - | - |
| Benefit payments, including employee refunds | (5,315,182) | (5,315,182) | - |
| Administrative expense | - | - | - |
| Net changes | <u>(3,519,373)</u> | <u>-</u> | <u>(3,519,373)</u> |
| Balances at 12/31/18 | <u>\$90,921,587</u> | <u>\$ -</u> | <u>\$90,921,587</u> |

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

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

| | <u>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</u> | | |
|----------------------|--|-------------------------------------|---------------------------|
| | 1% Decrease (3.10%) | Current Discount Rate (4.10%) | 1% Increase (5.10%) |
| Total OPEB Liability | \$ 95,508,747 | \$90,921,587 | \$ 84,040,475 |

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

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

| | <u>Sensitivity of the Total OPEB Liability to Changes in the Medical Inflation Rate</u> | | |
|----------------------|---|-------------------------------------|---------------------------|
| | 1% Decrease (5.73%) | Healthcare Trend Rate (6.73%) | 1% Increase (7.73%) |
| Total OPEB Liability | \$ 81,856,237 | \$90,921,587 | \$ 101,445,457 |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$3,012,950. At December 31, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between Expected and Actual Experience | \$ - | \$ 1,148,005 |
| Changes of Assumptions | 6,022,756 | 4,103,907 |
| Contributions subsequent to the Measurement Date | 4,105,453 | - |
| | \$ 10,128,209 | \$ 5,251,912 |

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

| | | |
|------------|----|-----------|
| 2020 | \$ | 397,905 |
| 2021 | | 397,905 |
| 2022 | | 397,905 |
| 2023 | | 397,908 |
| 2024 | | (820,779) |
| Thereafter | | - |
| | \$ | 770,844 |

Discretely Presented Component Units' OPEB Plan

Parking Authority

Plan Description

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

The Authority provides continuation of medical insurance coverage to employees who retire at a minimum age of 55 from a management position with at least 20 years of management service. The employee must be actively employed up to age 55 to be eligible. The benefit is not provided to employees hired after December 31, 2010.

As of December 31, 2019 there was 1 fully eligible active employee, 2 other active employees not fully eligible and 4 retirees and beneficiaries currently receiving benefits.

An actuarial valuation of the total OPEB liability was performed January 1, 2019 with update procedures were used to roll forward to the plan's fiscal year ended December 31, 2019.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

The table below shows the changes in the total OPEB liability, the plan fiduciary net position and the net OPEB liability for the year ended December 31, 2019.

| | Change in Net OPEB Liability (Asset) | | |
|--|--------------------------------------|--|---|
| | Increase (Decrease) | | |
| | Total OPEB Liability (A) | Plan Fiduciary Net Position (B) | Net OPEB Liability (Asset) (A-B) |
| Balances, December 31, 2018 | \$ 1,246,722 | \$ 302,391 | \$ 944,331 |
| Changes for the year: | | | |
| Service cost | 10,881 | - | 10,881 |
| Interest | 53,092 | - | 53,092 |
| Changes of benefit terms | (177,069) | - | (177,069) |
| Differences between expected and actual experience | (146,934) | - | (146,934) |
| Changes in assumptions and cost method | (13,625) | - | (13,625) |
| Contributions - employer | - | 25,000 | (25,000) |
| Net investment income | - | 47,673 | (47,673) |
| Benefit payments | (70,233) | - | (70,233) |
| Net changes | (343,888) | 72,673 | (416,561) |
| Balances, December 31, 2019 | \$ 902,834 | \$ 375,064 | \$ 527,770 |

Actuarial Assumptions

| | |
|----------------------------|---|
| Valuation Date: | January 1, 2019 |
| Actuarial cost method: | Entry Age, Normal |
| Discount rate: | 6% |
| Salary increases: | 5% compounded annually |
| Healthcare cost trends: | Medical - increase by 6.5% during 2020, 8% during 2021 reduced by .25% per year to an ultimate level of 5% per year Dental - increase 2% per year |
| Pre-retirement mortality: | None |
| Post-retirement mortality: | The RP-2014 at 2006, White Collar Annuitant, Scale MP-2017 |
| Termination: | None |
| Disability: | None |
| Retirement age: | Age 55 if attained a minimum of 25 years. If 25 years of service not attained by age 55, the retirement is assumed of 20 years of service and age 55 at the later |
| Participation: | 100% of management retirees. 0% spouses and dependents |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimate of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Rate of Return</u> |
|----------------------|--|
| Domestic Equity: | |
| Large Cap | 6.44% |
| Mid Cap | 7.22% |
| Small cap | 7.22% |
| International Equity | 7.26% |
| Emerging Markets | 10.68% |
| Cash | 0.75% |
| Bonds | 3.62% |

Discount Rate

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

Net OPEB Liability Sensitivity – Discount Rate

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

| | <u>1% Decrease (5.0%)</u> | <u>Current Discount Rate (6.0%)</u> | <u>1% Increase (7.0%)</u> |
|-------------------------------|-------------------------------|---|-------------------------------|
| 12/31/19 Total OPEB liability | \$ 939,816 | \$ 902,834 | \$ 868,207 |
| Fiduciary net position | <u>375,065</u> | <u>375,065</u> | <u>375,065</u> |
| 12/31/19 Net OPEB liability | <u>\$ 564,751</u> | <u>\$ 527,769</u> | <u>\$ 493,142</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

Net OPEB Liability Sensitivity – Healthcare Trend

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

| | <u>1% Decrease</u> | <u>Current Trend Rates</u> | <u>1% Increase</u> |
|-------------------------------|--------------------|--------------------------------|--------------------|
| 12/31/19 Total OPEB liability | \$ 864,202 | \$ 902,834 | \$ 943,423 |
| Fiduciary net position | <u>375,065</u> | <u>375,065</u> | <u>375,065</u> |
| 12/31/19 Net OPEB liability | <u>\$ 489,137</u> | <u>\$ 527,769</u> | <u>\$ 568,358</u> |

OPEB Expense and Deferred Outflows and Inflows of Resources

As of December 31, 2019, the Authority reported deferred inflows and deferred outflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net Differences between projected and actual experience | \$ - | \$ - |
| Net Differences between projected and actual investment earnings on OPEB plan investments | - | <u>23,324</u> |
| | <u>\$ -</u> | <u>\$ 23,324</u> |

For the year ended December 31, 2019 the Authority recognized OPEB expense (benefit) of \$(298,004).

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended December 31, | |
|----------------------------|--------------------|
| 2020 | \$ (5,831) |
| 2021 | (5,831) |
| 2022 | (5,831) |
| 2023 | (5,831) |
| 2024 | - |
| | <u>\$ (23,324)</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 13 LEASING ACTIVITIES

Parking Authority

The Parking Authority leases office space and parking facilities to third parties under operating lease agreements. The rents are determined based on the square footage being rented and are subject to periodic increases. The agreements also include various renewal options after the initial term expires. Minimum future rental income from the operating leases as of December 31, 2019 is as follows:

| <u>Year Ending</u> | <u>Total</u> |
|--------------------|---------------------|
| 2020 | \$ 223,919 |
| 2021 | 223,919 |
| 2022 | 223,919 |
| 2023 | 223,919 |
| 2024 | 223,919 |
| Thereafter | <u>7,854,993</u> |
| Total | <u>\$ 8,974,588</u> |

NOTE 14 DEFERRED COMPENSATION PLAN

Parking Authority

The Authority has established a deferred compensation plan for the benefit of its employees in accordance with Internal Revenue Code Section 457. This plan permits employees to voluntarily defer current compensation until future years. The assets of the Plan are held in trust by the International City/County Management Association Retirement Corporation. Because the assets of the Plan are held in trust for the exclusive benefit of the Plan's participants and beneficiaries, as required by the Internal Revenue Code, the assets are not recorded in the financial statements of the Authority in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Investments are managed and offered by the trustee for the benefit of the participants.

The Authority makes contributions to a deferred compensation plan through contributions to three 401(a) Money Purchase Plans. The Authority made total contributions of \$113,042 to the plans for the year ending December 31, 2019.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2019 of approximately \$7.2 million.

Other

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2019, 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

NOTE 15 COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

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

Discretely Presented Component Units' Commitments and Contingencies

Parking Authority

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

NOTE 16 SUBSEQUENT EVENT

The City has evaluated all subsequent events through the report issue date of July 30, 2020.

In April 2020, the City issued a note, Administrative Order Revenue Note Series of 2020 in the amount of \$7,090,000 to refund the 2016 Series Special Revenue Note in the amount of \$2,258,000 and the remaining amount of \$4,832,000 to pay the cost of issuance and finance the construction of certain improvements to the City's sewer system.

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the City's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the City's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the City having to curtail or eliminate some services. In addition, the pandemic had a dramatic effect on the effect on the investment markets throughout the world and the investments of the City's pension plans may be adversely affected.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Real Estate: | | | | |
| Real estate - current | \$ 37,135,000 | \$ 37,135,000 | \$ 37,285,155 | \$ 150,155 |
| Real estate - prior | 1,300,000 | 1,300,000 | 1,098,326 | (201,674) |
| Real estate - Lehigh County | - | - | - | - |
| Total Real Estate Taxes | <u>38,435,000</u> | <u>38,435,000</u> | <u>38,383,481</u> | <u>(51,519)</u> |
| Act 511 Taxes: | | | | |
| Earned income | 33,400,000 | 33,400,000 | 34,265,534 | 865,534 |
| Residence per capita | - | - | 26,741 | 26,741 |
| Amusement devices | 11,000 | 11,000 | 6,906 | (4,094) |
| Deed transfer | 1,650,000 | 1,650,000 | 1,848,766 | 198,766 |
| Local services | 1,700,000 | 1,700,000 | 1,672,564 | (27,436) |
| Business privilege | 7,800,000 | 7,800,000 | 8,240,549 | 440,549 |
| Total Act 511 Taxes | <u>44,561,000</u> | <u>44,561,000</u> | <u>46,061,060</u> | <u>1,500,060</u> |
| Total Taxes | <u>82,996,000</u> | <u>82,996,000</u> | <u>84,444,541</u> | <u>1,448,541</u> |
| Licenses and Permits: | | | | |
| Business licenses | 425,000 | 425,000 | 317,510 | (107,490) |
| Billboard and sign permits/licenses | 10,000 | 10,000 | 8,082 | (1,918) |
| Building permits and licenses | 1,250,000 | 1,250,000 | 1,437,842 | 187,842 |
| Plumbing permits and licenses | 280,000 | 280,000 | 205,520 | (74,480) |
| Electrical permits and licenses | 405,000 | 405,000 | 441,599 | 36,599 |
| Sheet metal technician license | 30,000 | 30,000 | 26,910 | (3,090) |
| Liquor licenses | 60,000 | 60,000 | 52,000 | (8,000) |
| Health bureau permits and licenses | 250,000 | 250,000 | 251,950 | 1,950 |
| Rental inspection program | 4,068,750 | 4,068,750 | 2,455,145 | (1,613,605) |
| Presales inspection program | 171,050 | 171,050 | 300,475 | 129,425 |
| Zoning permits and fees | 90,702 | 90,702 | 300,446 | 209,744 |
| Vacant Property Registration | 225,000 | 225,000 | 54,600 | (170,400) |
| Fire department inspection fees | 85,000 | 85,000 | 91,148 | 6,148 |
| Police permits | 1,500 | 1,500 | 1,100 | (400) |
| CATV franchise fees | 1,470,000 | 1,470,000 | 1,307,076 | (162,924) |
| Shade tree permits/fees | 2,000 | 2,000 | 7,452 | 5,452 |
| Other permits and licenses | 100,946 | 100,946 | 181,131 | 80,185 |
| Total Licenses and Permits | <u>8,924,948</u> | <u>8,924,948</u> | <u>7,439,986</u> | <u>(1,484,962)</u> |
| Fines and Forfeits: | | | | |
| District court | 300,000 | 300,000 | 191,123 | (108,877) |
| Fines and restitution | 145,000 | 145,000 | 129,156 | (15,844) |
| Parking Authority transfer | 750,000 | 750,000 | 57,407 | (692,593) |
| Total Fines and Forfeits | <u>1,195,000</u> | <u>1,195,000</u> | <u>377,686</u> | <u>(817,314)</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, 2019
 (CONTINUED)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues (Continued): | | | | |
| Intergovernmental Revenue: | | | | |
| Health grants | 2,022,179 | 2,022,179 | 2,023,132 | 953 |
| 3rd Party Reimbursements | 1,750 | 1,750 | - | (1,750) |
| Police/fire training | 212,000 | 308,390 | 371,300 | 62,910 |
| State aid for pension | 4,500,000 | 4,500,000 | 4,939,233 | 439,233 |
| Police grants/reimbursements | 758,900 | 1,031,998 | 1,064,244 | 32,246 |
| Casino fee | 4,550,000 | 4,550,000 | 3,813,368 | (736,632) |
| Other grants/miscellaneous | 591,780 | 839,730 | 643,732 | (195,998) |
| Total Intergovernmental Revenue | <u>12,636,609</u> | <u>13,254,047</u> | <u>12,855,009</u> | <u>(399,038)</u> |
| Charges for Services: | | | | |
| Departmental Earnings: | | | | |
| Tax/municipal certifications | 158,000 | 158,000 | 141,815 | (16,185) |
| Police extra duty jobs | 450,000 | 450,000 | 402,408 | (47,592) |
| Health bureau services | 117,080 | 117,080 | 108,693 | (8,387) |
| Street excavation/restoration | 70,000 | 70,000 | 134,011 | 64,011 |
| Printing and copier fees | 75,000 | 75,000 | 87,325 | 12,325 |
| Other charges for service | 30,000 | 30,000 | 74,031 | 44,031 |
| Vehicle towing agreement | 288,000 | 288,000 | 269,280 | (18,720) |
| EMS transit fees | 4,045,000 | 4,045,000 | 4,114,114 | 69,114 |
| Warrants of survey | 40,000 | 40,000 | 30,202 | (9,798) |
| Stormwater | - | - | - | - |
| Water and sewer | 396,000 | 396,000 | 419,349 | 23,349 |
| Total Departmental Earnings | <u>5,669,080</u> | <u>5,669,080</u> | <u>5,781,228</u> | <u>112,148</u> |
| Municipal Recreation: | | | | |
| Swimming pool fees | 355,000 | 355,000 | 243,637 | (111,363) |
| Recreation fees | 107,500 | 107,500 | 79,258 | (28,242) |
| Total Municipal Recreation | <u>462,500</u> | <u>462,500</u> | <u>322,895</u> | <u>(139,605)</u> |
| General Fund Service Charges: | | | | |
| Other service charges | 1,809,601 | 1,809,601 | 1,809,600 | (1) |
| Total General Fund Service Charges | <u>1,809,601</u> | <u>1,809,601</u> | <u>1,809,600</u> | <u>(1)</u> |
| Total Charges for Services | <u>7,941,181</u> | <u>7,941,181</u> | <u>7,913,723</u> | <u>(27,458)</u> |
| Investment Income | <u>250,600</u> | <u>250,600</u> | <u>375,696</u> | <u>125,096</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, 2019
 (CONTINUED)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| Revenues (Continued): | | | | |
| Other Income: | | | | |
| Rental of city property | 175,000 | 175,000 | 123,803 | (51,197) |
| Marketing/advertising | 175,000 | 175,000 | 200,160 | 25,160 |
| Contributions | 100,000 | 107,813 | 8,833 | (98,980) |
| Damage to City property | 25,000 | 25,000 | 18,941 | (6,059) |
| Lights in Parkway | 212,500 | 212,500 | 212,649 | 149 |
| Pennsylvania Utility Realty tax | 75,000 | 75,000 | 69,592 | (5,408) |
| Allentown Housing Authority | 129,937 | 129,937 | 145,171 | 15,234 |
| Sale of property | 200,000 | 200,000 | 173,827 | (26,173) |
| Recreation/DCED/special events | 34,000 | 34,000 | 26,593 | (7,407) |
| Miscellaneous | 1,082,711 | 1,082,711 | 1,628,590 | 545,879 |
| Total Other Income | <u>2,209,148</u> | <u>2,216,961</u> | <u>2,608,159</u> | <u>391,198</u> |
| Total Revenues | <u>116,153,486</u> | <u>116,778,737</u> | <u>116,014,800</u> | <u>(763,937)</u> |
| Expenditures: | | | | |
| General Government: | | | | |
| Nondepartmental: | | | | |
| City Council | 590,446 | 745,909 | 524,703 | 221,206 |
| Office of the Mayor | 868,099 | 865,855 | 789,317 | 76,538 |
| City Controller | 214,626 | 214,305 | 205,164 | 9,141 |
| Law | 887,093 | 884,849 | 747,066 | 137,783 |
| General and civic | 1,756,855 | 1,717,555 | 269,333 | 1,448,222 |
| Total Nondepartmental | <u>4,317,119</u> | <u>4,428,473</u> | <u>2,535,583</u> | <u>1,892,890</u> |
| Department of Finance | 3,620,914 | 3,610,208 | 3,423,304 | 186,904 |
| Total Department of Finance | <u>3,620,914</u> | <u>3,610,208</u> | <u>3,423,304</u> | <u>186,904</u> |
| Human Resources | 839,351 | 846,812 | 698,237 | 148,575 |
| Total Human Resources | <u>839,351</u> | <u>846,812</u> | <u>698,237</u> | <u>148,575</u> |
| Management Systems | | | | |
| Management Director and Information Services | 3,829,821 | 3,885,408 | 3,317,382 | 568,026 |
| Total Management Systems | <u>3,829,821</u> | <u>3,885,408</u> | <u>3,317,382</u> | <u>568,026</u> |
| Total General Government | <u>12,607,205</u> | <u>12,770,901</u> | <u>9,974,506</u> | <u>2,796,395</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, 2019
 (CONTINUED)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued): | | | | |
| Public Safety: | | | | |
| Department of Public Safety: | | | | |
| Police | 38,671,975 | 38,790,015 | 38,003,934 | 786,081 |
| Fire | 23,958,294 | 24,552,718 | 24,100,948 | 451,770 |
| Communications | 59,800 | 59,800 | 57,542 | 2,258 |
| Total Public Safety | <u>62,690,069</u> | <u>63,402,533</u> | <u>62,162,424</u> | <u>1,240,109</u> |
| Public Works: | | | | |
| Department of Public Works: | | | | |
| Director's office | 449,852 | 397,657 | 350,440 | 47,217 |
| Engineering | 1,422,160 | 1,439,205 | 1,340,879 | 98,326 |
| Building maintenance | 2,348,001 | 2,259,367 | 2,068,370 | 190,997 |
| Fleet maintenance operation | 3,352,181 | 3,296,988 | 3,109,273 | 187,715 |
| Streets | 955,251 | 921,805 | 769,342 | 152,463 |
| Traffic planning and control | 1,068,061 | 1,068,307 | 1,008,981 | 59,326 |
| Communications - Technical Service | 1,468,183 | 1,472,582 | 1,377,794 | 94,788 |
| Street lighting | 675,625 | 697,578 | 613,251 | 84,327 |
| Stormwater | - | 351 | - | 351 |
| Total Public Works | <u>11,739,314</u> | <u>11,553,840</u> | <u>10,638,330</u> | <u>915,510</u> |
| Health and Sanitation: | | | | |
| Department of Community Development: | | | | |
| Health | 4,085,287 | 4,063,008 | 3,712,214 | 350,794 |
| Total Health and Sanitation | <u>4,085,287</u> | <u>4,063,008</u> | <u>3,712,214</u> | <u>350,794</u> |
| Parks and Recreation: | | | | |
| Department of Parks and Recreation: | | | | |
| Park maintenance | 3,698,018 | 3,691,743 | 3,557,413 | 134,330 |
| Recreation | 866,229 | 862,743 | 824,812 | 37,931 |
| Swimming pool operation | 707,010 | 704,473 | 387,965 | 316,508 |
| Total Parks and Recreation | <u>5,271,257</u> | <u>5,258,959</u> | <u>4,770,190</u> | <u>488,769</u> |
| Community Development and Planning: | | | | |
| Department of Community Development: | | | | |
| Director's office | 2,499,472 | 2,632,933 | 2,015,759 | 617,174 |
| Planning and zoning | 1,397,332 | 1,562,921 | 1,198,691 | 364,230 |
| Building standards and safety | 4,171,992 | 4,292,690 | 3,887,393 | 405,297 |
| Total Community Development and Planning | <u>8,068,796</u> | <u>8,488,544</u> | <u>7,101,843</u> | <u>1,386,701</u> |
| Capital Outlays | <u>1,956,849</u> | <u>2,737,316</u> | <u>2,046,544</u> | <u>690,772</u> |
| Total Capital Outlays | <u>1,956,849</u> | <u>2,737,316</u> | <u>2,046,544</u> | <u>690,772</u> |
| Total Expenditures | <u>106,418,777</u> | <u>108,275,101</u> | <u>100,406,051</u> | <u>7,869,050</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, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|----------------|-------------------|-------------------------------|
| | Original | Final | | |
| Excess (Deficiency) of Revenues over Expenditures | \$ 9,734,709 | \$ 8,503,636 | \$ 15,608,749 | \$ 7,105,113 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Issuance of long-term debt | 1,271,772 | 1,271,772 | - | (1,271,772) |
| Transfers in: | | | | |
| Capital Fund | - | 50,000 | 50,000 | - |
| Equipment Fund | 843,699 | 849,699 | 849,699 | - |
| Housing Fund | 300,000 | 300,000 | 300,000 | - |
| Transfers out: | | | | |
| Equipment Fund | (843,699) | (849,699) | (849,699) | - |
| Capital Fund | (1,273,500) | (1,414,500) | (1,414,500) | - |
| Risk Fund | (3,589,172) | (3,589,172) | (3,589,172) | - |
| Debt Service Fund | (8,096,621) | (8,096,621) | (9,021,073) | (924,452) |
| Housing Fund | (300,000) | (300,000) | (300,000) | - |
| Stormwater Fund | - | - | - | - |
| E-911 Fund | - | - | - | - |
| Golf Fund | - | - | - | - |
| Solid Waste Fund | - | (642,857) | (642,857) | - |
| Total other financing sources (uses) | (11,687,521) | (12,421,378) | (14,617,602) | (2,196,224) |
| Net Change in Fund Balance | \$ (1,952,812) | \$ (3,917,742) | \$ 991,147 | \$ 4,908,889 |
| Net effect of agency fund, other income and expenditure accruals | | | 3,576,324 | |
| Net Change in Fund Balance | | | 4,567,471 | |
| Fund Balance (Deficit): | | | | |
| Beginning of year | | | 18,896,146 | |
| End of year | | | \$ 23,463,617 | |

(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, 2019

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO REQUIRED BUDGETARY SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

NOTE 2 COMPLIANCE

No Excess of Expenditures Over Appropriations noted throughout the General Fund Budget

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

| Measurement Date, December 31 | 2019* | 2018* | 2017* | 2016* | 2015* | 2014* |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability: | | | | | | |
| Service cost | \$ 3,567,206 | \$ 3,496,148 | \$ 3,500,391 | \$ 3,039,127 | \$ 2,856,276 | \$ 2,661,908 |
| Interest | 15,010,083 | 14,586,053 | 14,049,286 | 13,161,554 | 12,720,534 | 12,280,247 |
| Difference between expected and actual experience | (1,518,678) | 377,097 | 4,018,311 | (205,379) | 737,072 | - |
| Changes in assumptions | - | - | - | 7,903,467 | - | - |
| Benefit payments, including refunds | (11,133,444) | (10,833,661) | (10,700,027) | (10,506,610) | (10,190,293) | (10,194,574) |
| Net Changes in Total Pension Liability | 5,925,167 | 7,625,637 | 10,867,961 | 13,392,159 | 6,123,589 | 4,747,581 |
| Total Pension Liability - Beginning | 203,551,999 | 195,926,362 | 185,058,401 | 171,666,242 | 165,542,653 | 160,795,072 |
| Total Pension Liability - Ending (a) | <u>\$ 209,477,166</u> | <u>\$ 203,551,999</u> | <u>\$ 195,926,362</u> | <u>\$ 185,058,401</u> | <u>\$ 171,666,242</u> | <u>\$ 165,542,653</u> |
| Plan Fiduciary Net Position: | | | | | | |
| Contributions - employer | \$ 7,046,609 | \$ 6,924,460 | \$ 4,341,381 | \$ 4,216,537 | \$ 2,669,759 | \$ 2,507,471 |
| Contributions - member | 1,069,615 | 988,224 | 931,395 | 991,017 | 914,420 | 825,381 |
| Net investment income (loss) | 30,934,769 | (7,348,536) | 22,256,156 | 10,741,586 | (701,889) | 6,419,152 |
| Benefit payments, including refunds | (11,133,444) | (10,833,661) | (10,700,026) | (10,506,610) | (10,190,293) | (10,194,574) |
| Administrative expense | (65,707) | (98,985) | (85,076) | (9,593) | (9,673) | (10,682) |
| Net Change in Plan Fiduciary Net Position | 27,851,842 | (10,368,498) | 16,743,830 | 5,432,937 | (7,317,676) | (453,252) |
| Plan Fiduciary Net Position - Beginning | 152,846,893 | 163,215,391 | 146,471,561 | 141,038,624 | 148,356,300 | 148,809,552 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 180,698,735</u> | <u>\$ 152,846,893</u> | <u>\$ 163,215,391</u> | <u>\$ 146,471,561</u> | <u>\$ 141,038,624</u> | <u>\$ 148,356,300</u> |
| Net Pension Liability - Ending (a-b) | <u>\$ 28,778,431</u> | <u>\$ 50,705,106</u> | <u>\$ 32,710,971</u> | <u>\$ 38,586,840</u> | <u>\$ 30,627,618</u> | <u>\$ 17,186,353</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | <u>86.26%</u> | <u>75.09%</u> | <u>83.30%</u> | <u>79.15%</u> | <u>82.16%</u> | <u>89.62%</u> |
| Covered Payroll | <u>\$ 20,904,708</u> | <u>\$ 19,718,764</u> | <u>\$ 19,231,733</u> | <u>\$ 18,931,433</u> | <u>\$ 17,794,000</u> | <u>\$ 17,031,352</u> |
| Net Pension Liability as a Percentage of Covered Payroll | 137.66% | 257.14% | 170.09% | 203.82% | 172.12% | 100.91% |

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

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

| Measurement Date, December 31 | 2019* | 2018* | 2017* | 2016* | 2015* | 2014* |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability: | | | | | | |
| Service cost | \$ 1,800,136 | \$ 1,789,346 | \$ 1,735,550 | \$ 1,544,110 | \$ 1,513,683 | \$ 1,422,468 |
| Interest | 9,388,037 | 9,292,591 | 9,101,734 | 8,940,922 | 8,782,604 | 8,601,438 |
| Difference between expected and actual experience | (1,788,062) | (324,574) | (513,486) | (502,487) | 312,322 | - |
| Changes in assumptions | - | - | - | 4,219,884 | - | - |
| Benefit payments, including refunds | (8,031,919) | (8,032,161) | (8,011,716) | (8,113,374) | (8,104,277) | (8,075,886) |
| Net Changes in Total Pension Liability | 1,368,192 | 2,725,202 | 2,312,082 | 6,089,055 | 2,504,332 | 1,948,020 |
| Total Pension Liability - Beginning | 129,105,114 | 126,379,912 | 124,067,830 | 117,978,775 | 115,474,443 | 113,526,423 |
| Total Pension Liability - Ending (a) | <u>\$ 130,473,306</u> | <u>\$ 129,105,114</u> | <u>\$ 126,379,912</u> | <u>\$ 124,067,830</u> | <u>\$ 117,978,775</u> | <u>\$ 115,474,443</u> |
| Plan Fiduciary Net Position: | | | | | | |
| Contributions - employer | \$ 3,779,843 | \$ 3,714,299 | \$ 3,068,607 | \$ 2,965,478 | \$ 1,205,379 | \$ 1,355,613 |
| Contributions - member | 600,769 | 537,852 | 520,536 | 495,834 | 482,441 | 450,825 |
| Net investment income (loss) | 19,883,204 | (4,686,690) | 14,584,721 | 7,093,225 | (374,539) | 4,173,658 |
| Benefit payments, including refunds | (8,031,919) | (8,032,161) | (8,011,715) | (8,113,274) | (8,104,277) | (8,075,886) |
| Administrative expense | (11,183) | (78,361) | (85,633) | (9,592) | (9,673) | (10,682) |
| Net Change in Plan Fiduciary Net Position | 16,220,714 | (8,545,061) | 10,076,516 | 2,431,671 | (6,800,669) | (2,106,472) |
| Plan Fiduciary Net Position - Beginning | 99,749,100 | 108,294,161 | 98,217,645 | 95,785,974 | 102,586,743 | 104,693,125 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 115,969,814</u> | <u>\$ 99,749,100</u> | <u>\$ 108,294,161</u> | <u>\$ 98,217,645</u> | <u>\$ 95,785,974</u> | <u>\$ 102,586,653</u> |
| Net Pension Liability - Ending (a-b) | <u>\$ 14,503,492</u> | <u>\$ 29,356,014</u> | <u>\$ 18,085,751</u> | <u>\$ 25,850,185</u> | <u>\$ 22,192,801</u> | <u>\$ 12,887,790</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | <u>88.88%</u> | <u>77.26%</u> | <u>85.69%</u> | <u>79.16%</u> | <u>81.19%</u> | <u>88.84%</u> |
| Covered Payroll | <u>\$ 11,226,704</u> | <u>\$ 10,776,923</u> | <u>\$ 10,408,858</u> | <u>\$ 9,901,453</u> | <u>\$ 9,544,000</u> | <u>\$ 8,968,810</u> |
| Net Pension Liability as a Percentage of Covered Payroll | 129.19% | 272.40% | 173.75% | 261.07% | 232.53% | 143.70% |

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

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

| Measurement Date, December 31 | 2019* | 2018* | 2017* | 2016* | 2015* | 2014* |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability: | | | | | | |
| Service cost | \$ 9,577 | \$ 9,983 | \$ 9,614 | \$ 8,894 | \$ 8,254 | \$ 7,950 |
| Interest | 782,628 | 842,606 | 917,538 | 1,010,525 | 1,064,075 | 1,169,496 |
| Difference between expected and actual experience | 61,654 | (132,092) | (49,185) | 278,360 | (434,623) | - |
| Changes in assumptions | - | - | - | 294,664 | - | - |
| Benefit payments, including refunds | (1,794,179) | (1,877,646) | (2,016,648) | (2,136,355) | (2,235,966) | (2,371,674) |
| Net Changes in Total Pension Liability | (940,320) | (1,157,149) | (1,138,681) | (543,912) | (1,598,260) | (1,194,228) |
| Total Pension Liability - Beginning | 12,852,167 | 14,009,316 | 15,147,997 | 15,691,909 | 17,290,169 | 18,484,397 |
| Total Pension Liability - Ending (a) | <u>\$ 11,911,847</u> | <u>\$ 12,852,167</u> | <u>\$ 14,009,316</u> | <u>\$ 15,147,997</u> | <u>\$ 15,691,909</u> | <u>\$ 17,290,169</u> |
| Plan Fiduciary Net Position: | | | | | | |
| Contributions - employer | \$ 203,401 | \$ 203,427 | \$ 149,845 | \$ 149,540 | \$ 161,022 | \$ 103,519 |
| Contributions - member | 4,336 | 4,212 | 4,073 | 3,930 | 3,851 | 3,573 |
| Net investment income | 1,481,190 | (264,012) | 1,281,494 | 647,814 | 50,233 | 940,162 |
| Benefit payments, including refunds | (1,794,179) | (1,877,646) | (2,016,648) | (2,136,355) | (2,235,966) | (2,371,674) |
| Administrative expense | (11,278) | (64,142) | (68,931) | (9,592) | (9,673) | (10,682) |
| Net Change in Plan Fiduciary Net Position | (116,530) | (1,998,161) | (650,167) | (1,344,663) | (2,030,533) | (1,335,102) |
| Plan Fiduciary Net Position - Beginning | 10,887,569 | 12,885,730 | 13,535,897 | 14,880,560 | 16,911,093 | 18,246,195 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 10,771,039</u> | <u>\$ 10,887,569</u> | <u>\$ 12,885,730</u> | <u>\$ 13,535,897</u> | <u>\$ 14,880,560</u> | <u>\$ 16,911,093</u> |
| Net Pension Liability - Ending (a-b) | <u>\$ 1,140,808</u> | <u>\$ 1,964,598</u> | <u>\$ 1,123,586</u> | <u>\$ 1,612,100</u> | <u>\$ 811,349</u> | <u>\$ 379,076</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | <u>90.42%</u> | <u>84.71%</u> | <u>91.98%</u> | <u>89.36%</u> | <u>94.83%</u> | <u>97.81%</u> |
| Covered Payroll | <u>\$ 78,833</u> | <u>\$ 76,590</u> | <u>\$ 74,062</u> | <u>\$ 71,512</u> | <u>\$ 70,000</u> | <u>\$ 64,960</u> |
| Net Pension Liability as a Percentage of Covered Payroll | 1447.12% | 2565.08% | 1517.09% | 2254.31% | 1159.07% | 583.55% |

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

Note: Change of assumptions - The Plan had a change in the retirement assumptions to assume that the one active employee would retire in 2021. The prior assumption was that his one participant would retire in 2019.

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

| Measurement Date, December 31, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability: | | | | | |
| Service cost | \$ 3,247,031 | \$ 3,134,334 | \$ 2,885,308 | \$ 3,121,592 | \$ 3,792,600 |
| Interest | 8,949,043 | 8,808,742 | 8,772,091 | 8,484,310 | 8,298,621 |
| Difference between expected and actual experience | 1,588,051 | - | - | - | (31,247) |
| Changes in assumptions | - | - | 4,474,139 | 2,584,899 | - |
| Transfers | (82,469) | 79,165 | 1,235,476 | - | (42,319) |
| Benefit payments, including refunds | <u>(9,219,033)</u> | <u>(9,546,663)</u> | <u>(9,172,560)</u> | <u>(8,283,599)</u> | <u>(7,706,851)</u> |
| Net Changes in Total Pension Liability | 4,482,623 | 2,475,578 | 8,194,454 | 5,907,202 | 4,310,804 |
| Total Pension Liability - Beginning | <u>171,802,187</u> | <u>169,326,609</u> | <u>161,132,155</u> | <u>155,224,953</u> | <u>150,914,149</u> |
| Total Pension Liability - Ending (a) | <u>\$ 176,284,810</u> | <u>\$ 171,802,187</u> | <u>\$ 169,326,609</u> | <u>\$ 161,132,155</u> | <u>\$ 155,224,953</u> |
| Plan Fiduciary Net Position: | | | | | |
| Contributions - employer | \$ 2,648,140 | \$ 2,630,992 | \$ 2,240,743 | \$ 2,230,827 | \$ 1,558,888 |
| Contributions - member | 1,840,181 | 1,775,180 | 1,738,658 | 1,710,952 | 1,672,158 |
| Net investment income | (5,210,426) | 24,702,348 | 11,603,111 | (36,944) | 7,201,360 |
| Transfers | (82,469) | 79,165 | - | - | (42,319) |
| Benefit payments, including refunds | (9,219,033) | (9,546,663) | (9,172,560) | (8,283,599) | (7,706,851) |
| Administrative expense | <u>(365,857)</u> | <u>(367,920)</u> | <u>(397,521)</u> | <u>(338,130)</u> | <u>(304,806)</u> |
| Net Change in Plan Fiduciary Net Position | (10,389,464) | 19,273,102 | 6,012,431 | (4,716,894) | 2,378,430 |
| Plan Fiduciary Net Position - Beginning | <u>160,922,810</u> | <u>141,649,708</u> | <u>135,637,277</u> | <u>140,354,171</u> | <u>137,975,741</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 150,533,346</u> | <u>\$ 160,922,810</u> | <u>\$ 141,649,708</u> | <u>\$ 135,637,277</u> | <u>\$ 140,354,171</u> |
| Net Pension Liability - Ending (a-b) | <u>\$ 25,751,464</u> | <u>\$ 10,879,377</u> | <u>\$ 27,676,901</u> | <u>\$ 25,494,878</u> | <u>\$ 14,870,782</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | <u>85.39%</u> | <u>93.67%</u> | <u>83.65%</u> | <u>84.18%</u> | <u>90.42%</u> |
| Covered Payroll | \$ 24,535,775 | \$ 23,651,715 | \$ 23,169,719 | \$ 23,067,602 | \$ 22,740,178 |
| Net Pension Liability as a Percentage of Covered Payroll | 104.95% | 46.00% | 119.45% | 110.52% | 65.39% |

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

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

| | 2019* | 2018* | 2017* | 2016* | 2015* |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability: | | | | | |
| Interest | \$ 204,066 | \$ 203,074 | \$ 212,438 | \$ 220,605 | \$ 218,085 |
| Difference between expected and actual experience | 14,591 | - | (11,100) | - | - |
| Changes in assumptions | - | - | 6,096 | - | - |
| Benefit payments, including refunds | (208,700) | (200,199) | (474,376) | (174,612) | (194,346) |
| Net Changes in Total Pension Liability | 9,957 | 2,875 | (266,942) | 45,993 | 23,739 |
| Total Pension Liability - Beginning | 2,810,634 | 2,807,759 | 3,074,701 | 3,028,708 | 3,004,969 |
| Total Pension Liability - Ending (a) | \$ 2,820,591 | \$ 2,810,634 | \$ 2,807,759 | \$ 3,074,701 | \$ 3,028,708 |
| Plan Fiduciary Net Position: | | | | | |
| Net investment income (loss) | \$ 643,072 | \$ (111,811) | \$ 498,292 | \$ 246,491 | \$ (35,622) |
| Contributions-Employer | 9,198 | - | - | - | - |
| Benefit payments, including refunds | (208,700) | (200,199) | (474,376) | (174,612) | (194,346) |
| Net Change in Plan Fiduciary Net Position | 443,570 | (312,010) | 23,916 | 71,879 | (229,968) |
| Plan Fiduciary Net Position - Beginning | 2,766,399 | 3,078,409 | 3,054,493 | 2,982,614 | 3,212,582 |
| Plan Fiduciary Net Position - Ending (b) | \$ 3,209,969 | \$ 2,766,399 | \$ 3,078,409 | \$ 3,054,493 | \$ 2,982,614 |
| Net Pension Liability (Asset) - Ending (a-b) | \$ (389,378) | \$ 44,235 | \$ (270,650) | \$ 20,208 | \$ 46,094 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) | 113.80% | 98.43% | 109.64% | 99.34% | 98.48% |
| Covered Payroll | \$ - |
| Net Pension Liability as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

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

| Year Ended December 31, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| POLICE PENSION PLAN | | | | | | | | | | |
| <u>Schedule of City Contributions</u> | | | | | | | | | | |
| Actuarially determined contribution under Act 205 | \$ 7,046,609 | \$ 6,924,460 | \$ 4,341,381 | \$ 4,216,537 | \$ 2,669,759 | \$ 2,507,471 | \$ 2,276,774 | \$ 7,324,133 | \$ 7,338,716 | \$ 5,726,720 |
| Contributions in relation to the actuarially determined contribution | <u>7,046,609</u> | <u>6,924,460</u> | <u>4,341,381</u> | <u>4,216,537</u> | <u>2,669,759</u> | <u>2,507,471</u> | <u>2,276,774</u> | <u>8,248,725</u> | <u>7,597,844</u> | <u>5,726,720</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (924,592)</u> | <u>\$ (259,128)</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 20,904,708</u> | <u>\$ 19,718,764</u> | <u>\$ 19,231,733</u> | <u>\$ 18,931,433</u> | <u>\$ 17,794,000</u> | <u>\$ 17,031,352</u> | <u>\$ 15,293,935</u> | <u>\$ 14,487,385</u> | <u>\$ 13,788,954</u> | <u>\$ 13,821,650</u> |
| Contributions as a percentage of covered payroll | 33.71% | 35.12% | 22.57% | 22.27% | 15.00% | 14.72% | 14.89% | 56.94% | 55.10% | 41.43% |
| <u>Investment Returns</u> | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 18.55% | (4.65%) | 15.20% | 7.30% | 0.44% | 4.51% | N/A | N/A | N/A | N/A |
| FIREMEN PENSION PLAN | | | | | | | | | | |
| <u>Schedule of City Contributions</u> | | | | | | | | | | |
| Actuarially determined contribution under Act 205 | \$ 3,779,843 | \$ 3,714,299 | \$ 3,068,607 | \$ 2,965,478 | \$ 1,205,379 | \$ 1,345,613 | \$ 1,508,323 | \$ 4,069,771 | \$ 4,146,949 | \$ 3,133,439 |
| Contributions in relation to the actuarially determined contribution | <u>3,779,843</u> | <u>3,714,299</u> | <u>3,068,607</u> | <u>2,965,478</u> | <u>1,205,379</u> | <u>1,355,613</u> | <u>1,508,323</u> | <u>4,583,476</u> | <u>4,293,176</u> | <u>3,133,439</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (10,000)</u> | <u>\$ -</u> | <u>\$ (513,705)</u> | <u>\$ (146,227)</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 11,226,704</u> | <u>\$ 10,776,923</u> | <u>\$ 10,408,858</u> | <u>\$ 9,901,453</u> | <u>\$ 9,544,000</u> | <u>\$ 8,968,810</u> | <u>\$ 8,117,293</u> | <u>\$ 9,755,213</u> | <u>\$ 7,558,653</u> | <u>\$ 10,475,590</u> |
| Contributions as a percentage of covered payroll | 33.67% | 34.47% | 29.48% | 29.95% | 12.63% | 15.11% | 18.58% | 46.98% | 56.80% | 29.91% |
| <u>Investment Returns</u> | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 13.68% | (4.51%) | 14.80% | 7.10% | (0.32%) | 4.29% | N/A | N/A | N/A | N/A |

N/A - Information not available for these years

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

| Year Ended December 31, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| OFFICERS AND EMPLOYEES PENSION PLAN: | | | | | | | | | | |
| | <u>Schedule of City Contributions</u> | | | | | | | | | |
| Actuarially determined contribution under Act 205 | \$ 203,401 | \$ 203,427 | \$ 149,845 | \$ 149,540 | \$ 161,022 | \$ 103,519 | \$ 81,097 | \$ 512,669 | \$ 514,014 | \$ 343,531 |
| Contributions in relation to the actuarially determined contribution | 203,401 | 203,427 | 149,845 | 149,540 | 161,022 | 103,519 | 81,097 | 577,431 | 532,150 | 343,531 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (64,762) | \$ (18,136) | \$ - |
| Covered payroll | \$ 78,833 | \$ 76,590 | \$ 74,062 | \$ 71,512 | \$ 70,000 | \$ 64,960 | \$ 62,491 | \$ 250,856 | \$ 250,324 | \$ 314,909 |
| Contributions as a percentage of covered payroll | 258.02% | 265.61% | 202.32% | 209.11% | 230.03% | 159.36% | 129.77% | 230.18% | 212.58% | 109.09% |
| | <u>Investment Returns</u> | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 13.68% | (2.22%) | 9.50% | 4.80% | 0.67% | 5.99% | N/A | N/A | N/A | N/A |
| Year Ended December 31, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| PMRS PLAN: | | | | | | | | | | |
| | <u>Schedule of City Contributions</u> | | | | | | | | | |
| Actuarially determined contribution under Act 205 | \$ 3,252,315 | \$ 2,647,644 | \$ 2,629,868 | \$ 2,239,534 | \$ 2,229,106 | \$ 1,557,908 | \$ 1,612,483 | \$ 1,299,757 | \$ 1,367,093 | \$ 1,186,454 |
| Contributions in relation to the actuarially determined contribution | 3,252,315 | 2,648,140 | 2,630,992 | 2,240,743 | 2,230,827 | 1,558,888 | 1,612,483 | 1,299,757 | 1,367,093 | 1,186,454 |
| Contribution deficiency (excess) | \$ - | \$ (496) | \$ (1,124) | \$ (1,209) | \$ (1,721) | \$ (980) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 24,357,471 | \$ 24,083,542 | \$ 24,535,775 | \$ 23,651,715 | \$ 23,169,719 | \$ 23,067,602 | \$ 22,740,178 | | | |
| Contributions as a percentage of covered payroll | 13.35% | 11.00% | 10.72% | 9.47% | 9.63% | 6.76% | 7.09% | N/A | N/A | N/A |
| | <u>Investment Returns</u> | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | N/A | (8.36%) | 16.33% | 8.37% | (0.03%) | 5.17% | N/A | N/A | N/A | N/A |

N/A - Information not available for these years

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

| | 2019* | 2018* | 2017* | 2016* | 2015* |
|--|-------------------|-------------|-------------|-------------|-------------|
| PARKING AUTHORITY PENSION PLAN | | | | | |
| <u>Schedule of Parking Authority Contributions</u> | | | | | |
| Actuarially determined contribution under Act 205 | \$ 4,313 | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the actuarially determined contribution | 9,198 | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ (4,885)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| <u>Investment Returns</u> | | | | | |
| Annual money-weighted rate of return, net of investment expense | 14.17% | -3.75% | 17.69% | 8.50% | -1.14% |

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION
 YEAR ENDED DECEMBER 31, 2019

NOTE 1 ACTUARIAL METHODS AND ASSUMPTIONS

Primary Government

The information presented in the required supplementary information was determined as part of the actuarial valuation at the dates indicated. Methods and assumptions used to determine contribution rates for the Police, Firemen, and Officers and Employees Pension Plans under Act 205 for the year ended December 31, 2019 are as follows:

| | <u>Police</u> | <u>Firemen</u> | <u>Officers and Employees</u> |
|-----------------------------|--|--------------------------------|---|
| Valuation date | 1/1/2019 | 1/1/2019 | 1/1/2019 |
| Actuarial cost method | Entry age normal | Entry age normal | Entry age normal |
| Amortization method | Level dollar, closed period | Level dollar, closed period | Level dollar, closed period |
| Amortization period | 14 years | 13 years | 2 years |
| Asset valuation method | *Five-year smoothed market. 80%/20% corridor around market | | |
| Actuarial assumptions: | | | |
| Investment rate of return | 7.50% | 7.50% | 6.50% |
| Projected salary increases | 4.50% | 4.50% | 4.50% |
| Mortality - Healthy Lives: | Blue Collar Adjusted RP-2000 Combined Healthy Mortality Table | | RP-2000 Combined Healthy Mortality Table |
| Mortality - Disabled Lives: | RP-2000 Disabled Mortality Table | | |
| Cost of Living Adjustment | 2.4% per year upon eligibility to receive a COLA | | 0% |

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PMRS PENSION
 YEAR ENDED DECEMBER 31, 2019

NOTE 1 ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Primary Government (Continued)

Methods and assumptions used to determine the contribution rate required under Act 205 for the PMRS Pension Plan for the year ended December 31, 2019 (presented as the subsequent year on the preceding schedules) are as follows:

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

Discretely Presented Component Unit

Parking Authority

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

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

| | 2019* | 2018* |
|---|---------------|---------------|
| Total OPEB Liability | | |
| Service cost | \$ 3,502,641 | \$ 2,976,784 |
| Interest | 3,217,857 | 3,206,665 |
| Changes in Benefits | - | - |
| Difference between expected and actual experience | - | (1,722,009) |
| Changes in assumptions | (4,924,689) | 9,034,134 |
| Benefit payments | (5,315,182) | (4,780,529) |
| Net change in Total OPEB Liability | (3,519,373) | 8,715,045 |
| | | |
| Total OPEB Liability - Beginning | 94,440,960 | 85,725,915 |
| Total OPEB Liability - Ending | \$ 90,921,587 | \$ 94,440,960 |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - employer | \$ 5,315,182 | \$ 4,780,529 |
| Contributions - member | - | - |
| Net investment income | - | - |
| Benefit payments, including employee refunds | (5,315,182) | (4,780,529) |
| Administrative expense | - | - |
| Net changes | - | - |
| | | |
| Plan Fiduciary Net Position - Beginning | - | - |
| Plan Fiduciary Net Position - Ending | \$ - | \$ - |
| | | |
| Total OPEB Liability - Ending | \$ 90,921,587 | \$ 94,440,960 |
| | | |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 0% | 0% |
| | | |
| Covered payroll | \$ 54,980,791 | \$ 53,639,680 |
| | | |
| Total OPEB liability as a percentage of covered payroll | 165.37% | 176.07% |

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

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

| | 2019* | 2018* |
|---|--------------|------------|
| Total OPEB Liability | | |
| Service cost | \$ 10,881 | \$ 30,445 |
| Interest | 53,092 | 72,054 |
| Changes in Benefits | (177,069) | - |
| Difference between expected and actual experience | (146,934) | - |
| Changes in assumptions | (13,625) | - |
| Benefit payments | (70,233) | (52,464) |
| Net change in Total OPEB Liability | \$ (343,888) | \$ 50,035 |
| | | |
| Total OPEB Liability - Beginning | 1,246,722 | 1,196,687 |
| Total OPEB Liability - Ending | 902,834 | 1,246,722 |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - employer | 25,000 | 25,000 |
| Contributions - member | - | - |
| Net investment income | 47,673 | (13,459) |
| Benefit payments, including employee refunds | - | - |
| Administrative expense | - | - |
| Net changes | 72,673 | 11,541 |
| | | |
| Plan Fiduciary Net Position - Beginning | 302,391 | 290,850 |
| Plan Fiduciary Net Position - Ending | \$ 375,064 | \$ 302,391 |
| | | |
| Net OPEB Liability - Ending | \$ 527,770 | \$ 944,331 |
| | | |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 41.54% | 24.25% |
| | | |
| Covered payroll | \$ 184,970 | \$ 308,966 |
| | | |
| Net OPEB liability as a percentage of covered payroll | 285.33% | 305.64% |

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN
 YEAR ENDED DECEMBER 31, 2019

Note 1 Actuarial Methods and Assumptions

Primary Government Actuarial Assumptions:

Valuation Date: December 31, 2017

Measurement Date: December 31, 2018

Methods and assumptions used to determine contribution rates:

Discount rate: 4.10% per annum

Expected return on assets: Not applicable

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

Healthcare cost trends:

| | |
|------------|--------------|
| 2019 7.73% | 2027 5.60% |
| 2020 7.47% | 2028 5.33% |
| 2021 7.20% | 2029 5.07% |
| 2022 6.93% | 2030 4.80% |
| 2023 6.67% | 2031 4.53% |
| 2024 6.40% | 2032 4.27% |
| 2025 6.13% | 2033 + 4.00% |
| 2026 5.87% | |

Retirement rates:

Police: Age 53 and 25 years of service

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

Rates of Mortality:

Police, Fire and Non-PMRS O&E

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

Disabled Mortality: RP 2000 disabled mortality table

PMRS

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

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

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

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

Note 1 Actuarial Methods and Assumptions

Parking Authority Actuarial Assumptions:

| | |
|----------------------------|---|
| Valuation Date: | January 1, 2019 |
| Actuarial cost method: | Entry Age, Normal |
| Discount rate: | 6% |
| Salary increases: | 5% compounded annually |
| Healthcare cost trends: | Medical - increase by 6.5% during 2020, 8% during 2021, reduced by .25% per year. Thereafter to an ultimate level of 5% per year Dental - increase 2% per year |
| Pre-retirement mortality: | None |
| Post-retirement mortality: | The RP-2014 at 2006, White Collar Annuitant, Scale MP-2017 |
| Termination: | None |
| Disability: | None |
| Retirement age: | Age 55 if attained a minimum of 25 years. If 25 years of service not attained by age 55, the retirement is assumed of 20 years of service and age 55 at the later |
| Participation: | 100% of management retirees. 0% spouses and dependents |

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CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

| | Special Revenue Funds | | | | | | | Total Nonmajor Governmental Funds | |
|---|-----------------------|---|---------------------|-------------------|-------------------|-------------------|---------------------|---|----------------------|
| | Liquid Fuels | Community Development Block Grant | Revolving Loan | Trexler | E-911 | Grants | Lease/A.O. | | Stormwater |
| Assets | | | | | | | | | |
| Cash and cash equivalents | \$ 2,414,606 | \$ 933,532 | \$ 710,330 | \$ 239,777 | \$ 474,258 | \$ 203,368 | \$ 1,003,357 | \$ 3,545,713 | \$ 9,524,941 |
| Receivables: | | | | | | | | | |
| Loans | - | 3,399,869 | 626,096 | - | - | - | - | - | 4,025,965 |
| Accounts | - | - | - | - | - | - | 8,621 | 414,950 | 423,571 |
| Grants | - | 1,168,119 | - | 352,964 | - | - | - | - | 1,521,083 |
| Interest | - | - | - | 8,242 | - | - | - | - | 8,242 |
| Total Assets | \$ 2,414,606 | \$ 5,501,520 | \$ 1,336,426 | \$ 600,983 | \$ 474,258 | \$ 203,368 | \$ 1,011,978 | \$ 3,960,663 | \$ 15,503,802 |
| Liabilities and Fund Balance | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 1,293 | \$ 709,137 | \$ - | \$ 53,264 | \$ - | \$ - | \$ - | \$ 237,975 | \$ 1,001,669 |
| Wages payable | 47,713 | - | - | 22,807 | - | - | - | 54,412 | 124,932 |
| Due to other funds | - | 575,017 | 1,320 | 193,775 | 395,599 | 3,368 | - | - | 1,169,079 |
| Due to other governments | - | - | - | - | - | 200,000 | - | - | 200,000 |
| Other liabilities | - | 99,205 | - | - | 78,659 | - | - | - | 177,864 |
| Total Liabilities | \$ 49,006 | \$ 1,383,359 | \$ 1,320 | \$ 269,846 | \$ 474,258 | \$ 203,368 | \$ - | \$ 292,387 | \$ 2,673,544 |
| Fund Balance: | | | | | | | | | |
| Restricted | \$ 2,365,600 | \$ 4,118,161 | \$ 1,335,106 | \$ 331,137 | \$ - | \$ - | \$ 1,011,978 | \$ 3,668,276 | \$ 12,830,258 |
| Unassigned | - | - | - | - | - | - | - | - | - |
| Total Fund Balance (Deficit) | 2,365,600 | 4,118,161 | 1,335,106 | 331,137 | - | - | 1,011,978 | 3,668,276 | 12,830,258 |
| Total Liabilities and Fund Balance | \$ 2,414,606 | \$ 5,501,520 | \$ 1,336,426 | \$ 600,983 | \$ 474,258 | \$ 203,368 | \$ 1,011,978 | \$ 3,960,663 | \$ 15,503,802 |

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019

| | Special Revenue Funds | | | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---|----------------|------------------|------------------|------------------|------------------|------------------|---|
| | Liquid Fuels | Community Development Block Grant | Revolving Loan | Trexler | E-911 | Grants | Lease/A.O. | Stormwater | |
| Revenues: | | | | | | | | | |
| Investment earnings | \$ 34,897 | \$ 7,799 | \$ 6,529 | \$ - | \$ 3,847 | \$ - | \$ 18,595 | \$ 42,889 | \$ 114,556 |
| Intergovernmental revenues | 3,455,696 | 3,740,166 | - | 1,725,653 | 1,906,796 | 1,734,292 | - | 135,181 | 12,697,784 |
| Other | 84,381 | 270,076 | - | 30,222 | - | - | 180,156 | 5,771,415 | 6,336,250 |
| Total Revenues | 3,574,974 | 4,018,041 | 6,529 | 1,755,875 | 1,910,643 | 1,734,292 | 198,751 | 5,949,485 | 19,148,590 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | - | - | - | - | 1,650,116 | 780 | - | 1,650,896 |
| Public safety | - | - | - | - | 1,268,810 | - | - | - | 1,268,810 |
| Community development | - | 4,050,530 | - | - | - | 84,176 | - | - | 4,134,706 |
| Public works | 3,129,266 | - | - | - | - | - | - | 3,077,629 | 6,206,895 |
| Parks and recreation | - | - | - | 1,467,156 | - | - | - | - | 1,467,156 |
| Debt Service | | | | | | | | | |
| Principal | - | - | - | - | - | - | 121,000 | - | 121,000 |
| Interest | - | - | - | - | - | - | 54,700 | - | 54,700 |
| Capital outlay | 105,551 | - | - | 148,626 | - | - | - | 724,739 | 978,916 |
| Total Expenditures | 3,234,817 | 4,050,530 | - | 1,615,782 | 1,268,810 | 1,734,292 | 176,480 | 3,802,368 | 15,883,079 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 340,157 | (32,489) | 6,529 | 140,093 | 641,833 | - | 22,271 | 2,147,117 | 3,265,511 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Issuance of long-term debt | - | - | - | - | - | - | 189,529 | - | 189,529 |
| Transfers Out | (61,760) | - | - | (423,775) | (395,599) | - | (339,529) | (343,232) | (1,563,895) |
| Total other financial sources (uses) | (61,760) | - | - | (423,775) | (395,599) | - | (150,000) | (343,232) | (1,374,366) |
| Net Change in Fund Balance | 278,397 | (32,489) | 6,529 | (283,682) | 246,234 | - | (127,729) | 1,803,885 | 1,891,145 |
| Fund Balance (Deficit): | | | | | | | | | |
| Beginning of year | 2,087,203 | 4,150,650 | 1,328,577 | 614,819 | (246,234) | - | 1,139,707 | 1,864,391 | 10,939,113 |
| End of year | \$ 2,365,600 | \$ 4,118,161 | \$ 1,335,106 | \$ 331,137 | \$ - | \$ - | \$ 1,011,978 | \$ 3,668,276 | \$ 12,830,258 |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - CAPITAL PROJECTS FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------------|------------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 2,734,378 | 207,480 | (2,526,898) |
| Other | - | 1,816,608 | 617,689 | (1,198,919) |
| Total revenues | <u>-</u> | <u>4,550,986</u> | <u>825,169</u> | <u>(3,725,817)</u> |
| Expenditures: | | | | |
| Capital outlay | 60,064,105 | 65,329,591 | 4,337,464 | 60,992,127 |
| Total Expenditures | <u>60,064,105</u> | <u>65,329,591</u> | <u>4,337,464</u> | <u>60,992,127</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(60,064,105)</u> | <u>(60,778,605)</u> | <u>(3,512,295)</u> | <u>57,266,310</u> |
| Other Financing Sources (Uses): | | | | |
| Issuance of long-term debt | - | - | 12,649,529 | 12,649,529 |
| Transfers in | - | 141,000 | 1,794,500 | 1,653,500 |
| Transfers out | - | - | (12,288,211) | (12,288,211) |
| Total other financing sources (uses) | <u>-</u> | <u>141,000</u> | <u>2,155,818</u> | <u>2,014,818</u> |
| Net Change in Fund Balance | <u>\$ (60,064,105)</u> | <u>\$ (60,637,605)</u> | <u>(1,356,477)</u> | <u>\$ 59,281,128</u> |
| Net effect of other income and expenditure accruals | | | <u>321,870</u> | |
| Net Change in Fund Balance | | | <u>(1,034,607)</u> | |
| Fund Balance: | | | | |
| Beginning of year | | | <u>4,973,906</u> | |
| End of year | | | <u>\$ 3,939,299</u> | |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|--------------------|--------------------|---------------------|-------------------------------|
| | Original | Final | | |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General government | \$ 44,600 | \$ 44,600 | \$ 4,850 | \$ 39,750 |
| Debt service - principal | 6,988,830 | 7,186,894 | 18,846,566 | (11,659,672) |
| Debt service - interest | 2,214,902 | 2,556,838 | 2,468,588 | 88,250 |
| Total Expenditures | <u>9,248,332</u> | <u>9,788,332</u> | <u>21,320,004</u> | <u>(11,531,672)</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(9,248,332)</u> | <u>(9,788,332)</u> | <u>(21,320,004)</u> | <u>(11,531,672)</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers in | 9,248,332 | 9,788,332 | 21,321,044 | 11,532,712 |
| Total other financing sources (uses) | <u>9,248,332</u> | <u>9,788,332</u> | <u>21,321,044</u> | <u>11,532,712</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,040</u> | <u>\$ 1,040</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - LIQUID FUELS FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Intergovernmental revenues: | | | | |
| PA Liquid Fuels Tax | \$ 3,216,209 | \$ 3,216,209 | \$ 3,302,081 | \$ 85,872 |
| State aid for pension | 135,847 | 135,847 | 153,615 | 17,768 |
| Total intergovernmental revenues | <u>3,352,056</u> | <u>3,352,056</u> | <u>3,455,696</u> | <u>103,640</u> |
| Other income: | | | | |
| Interest income | 20,000 | 20,000 | 34,897 | 14,897 |
| Miscellaneous | <u>69,720</u> | <u>69,720</u> | <u>84,381</u> | <u>14,661</u> |
| Total other income | <u>89,720</u> | <u>89,720</u> | <u>119,278</u> | <u>29,558</u> |
| Total Revenues | <u>3,441,776</u> | <u>3,441,776</u> | <u>3,574,974</u> | <u>133,198</u> |
| <u>Expenditures:</u> | | | | |
| Public Works: | | | | |
| Department of Public Works: | | | | |
| Streets | <u>3,775,067</u> | <u>3,775,067</u> | <u>3,129,266</u> | <u>645,801</u> |
| Total public works | <u>3,775,067</u> | <u>3,775,067</u> | <u>3,129,266</u> | <u>645,801</u> |
| Capital Outlay | <u>215,740</u> | <u>215,740</u> | <u>105,551</u> | <u>110,189</u> |
| Total Expenditures | <u>3,990,807</u> | <u>3,990,807</u> | <u>3,234,817</u> | <u>755,990</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(549,031)</u> | <u>(549,031)</u> | <u>340,157</u> | <u>889,188</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>(61,760)</u> | <u>(61,760)</u> | <u>(61,760)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(61,760)</u> | <u>(61,760)</u> | <u>(61,760)</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ (610,791)</u> | <u>\$ (549,031)</u> | 278,397 | <u>\$ 889,188</u> |
| Net effect of other income and expenditure accruals | | | | |
| Net Change in Fund Balance | | | <u>278,397</u> | |
| Fund Balance: | | | | |
| Beginning of year | | | <u>2,087,203</u> | |
| End of year | | | <u>\$ 2,365,600</u> | |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|-----------------|-------------------|-------------------------------|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Intergovernmental revenues: | | | | |
| CDBG Grant Revenue | \$ - | \$ - | \$ 3,270,242 | \$ 3,270,242 |
| Program Revenue | - | - | 97,962 | 97,962 |
| Rental\Rehab Loan Repayments | - | - | 46,503 | 46,503 |
| Interest on Rental\Rehab Cash Acct | - | - | 7,798 | 7,798 |
| State Aid | - | - | - | - |
| Program Income\Home | - | - | 6,300 | 6,300 |
| Total intergovernmental revenues | - | - | 3,428,805 | 3,428,805 |
| Total Revenues | - | - | 3,428,805 | 3,428,805 |
| <u>Expenditures:</u> | | | | |
| CDBG | | | | |
| Community Development | | | | |
| CDBG, Home & Esg | 7,403,008 | 12,508,896 | 3,768,158 | 8,740,738 |
| Total CDBG | 7,403,008 | 12,508,896 | 3,768,158 | 8,740,738 |
| Total Expenditures | 7,403,008 | 12,508,896 | 3,768,158 | 8,740,738 |
| Excess (Deficiency) of Revenues over Expenditures | (7,403,008) | (12,508,896) | (339,353) | 12,169,543 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net Change in Fund Balance | \$ (7,403,008) | \$ (12,508,896) | (339,353) | \$ 12,169,543 |
| Net effect of other income and expenditure accruals | | | 306,864 | |
| Net Change in Fund Balance | | | (32,489) | |
| Beginning of year | | | 4,150,650 | |
| End of year | | | \$ 4,118,161 | |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - TREXLER FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental revenues: | | | | |
| Trexler Maintenance Grant | \$ 1,800,000 | \$ 1,937,750 | \$ 1,717,202 | \$ (220,548) |
| Springwood Trust | 22,000 | 22,000 | 29,738 | 7,738 |
| State aid for pension | 70,266 | 70,266 | 57,606 | (12,660) |
| Rental Fees\Misc | - | - | - | - |
| Total intergovernmental revenues | <u>1,892,266</u> | <u>2,030,016</u> | <u>1,804,546</u> | <u>(225,470)</u> |
| Total Revenues | <u>1,892,266</u> | <u>2,030,016</u> | <u>1,804,546</u> | <u>(225,470)</u> |
| Expenditures: | | | | |
| Parks & Recreation | | | | |
| Department of Parks & Recreation | | | | |
| Grounds Maintenance | 1,637,624 | 1,770,440 | 1,615,782 | 154,658 |
| Total Parks & Recreation | <u>1,637,624</u> | <u>1,770,440</u> | <u>1,615,782</u> | <u>154,658</u> |
| Total Expenditures | <u>1,637,624</u> | <u>1,770,440</u> | <u>1,615,782</u> | <u>154,658</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>254,642</u> | <u>259,576</u> | <u>188,764</u> | <u>(70,812)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(180,000)</u> | <u>(423,775)</u> | <u>(230,000)</u> | <u>193,775</u> |
| Total other financing sources (uses) | <u>(180,000)</u> | <u>(423,775)</u> | <u>(230,000)</u> | <u>193,775</u> |
| Net Change in Fund Balance | <u>\$ 74,642</u> | <u>\$ (164,199)</u> | <u>(41,236)</u> | <u>\$ 122,963</u> |
| Net effect of other income and expenditure accruals | | | <u>(242,446)</u> | |
| Net Change in Fund Balance | | | <u>(283,682)</u> | |
| Fund Balance: | | | | |
| Beginning of year | | | <u>614,819</u> | |
| End of year | | | <u>\$ 331,137</u> | |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - E-911 FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Investment earnings | \$ 300 | \$ 300 | \$ 3,848 | \$ 3,548 |
| Intergovernmental revenues: | 1,200,000 | 1,200,000 | 1,985,455 | 785,455 |
| Total Revenues | <u>1,200,300</u> | <u>1,200,300</u> | <u>1,989,303</u> | <u>789,003</u> |
| Expenditures: | | | | |
| Public Safety | | | | |
| Department of Police | | | | |
| Emergency Communications | 1,199,152 | 1,202,588 | 1,275,821 | (73,233) |
| Total Public Safety | <u>1,199,152</u> | <u>1,202,588</u> | <u>1,275,821</u> | <u>(73,233)</u> |
| Total Expenditures | <u>1,199,152</u> | <u>1,202,588</u> | <u>1,275,821</u> | <u>(73,233)</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>1,148</u> | <u>(2,288)</u> | <u>713,482</u> | <u>715,770</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ 1,148</u> | <u>\$ (2,288)</u> | 713,482 | <u>\$ 715,770</u> |
| Net effect of other income and expenditure accruals | | | (467,248) | |
| Net Change in Fund Balance | | | <u>246,234</u> | |
| Fund Balance (Deficit): | | | | |
| Beginning of year | | | (246,234) | |
| End of year | | | <u>\$ -</u> | |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - GRANTS FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------------|---------------------------|--------------------|-------------------------------|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Intergovernmental revenues: | | | | |
| Other Grants | \$ - | \$ 200,000 | \$ 1,593,343 | \$ 1,393,343 |
| Federal Grants | - | - | 71,044 | 71,044 |
| State Funds | - | 146,784 | 73,273 | (73,511) |
| Total intergovernmental revenues | - | 346,784 | 1,737,660 | 1,390,876 |
| Total Revenues | - | 346,784 | 1,737,660 | 1,390,876 |
| <u>Expenditures:</u> | | | | |
| Non-Departmental | 4,024,364 | 4,024,364 | 1,546,013 | 2,478,351 |
| Police | 11,868 | 158,652 | 104,103 | 54,549 |
| Community Development | 510,555 | 710,555 | 84,176 | 626,379 |
| Total Expenditures | 4,546,787 | 4,893,571 | 1,734,292 | 3,159,279 |
| Excess (Deficiency) of Revenues over Expenditures | (4,546,787) | (4,546,787) | 3,368 | 4,550,155 |
| Net Change in Fund Balance | <u>\$ (4,546,787)</u> | <u>\$ (4,546,787)</u> | 3,368 | <u>\$ 4,550,155</u> |
| Net effect of other income and expenditure accruals | | | <u>(3,368)</u> | |
| Net Change in Fund Balance | | | - | |
| Fund Balance: | | | | |
| Beginning of year | | | - | |
| End of year | | | <u>\$ -</u> | |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - STORMWATER FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Interest | \$ 5,000 | \$ 5,000 | \$ 42,889 | \$ 37,889 |
| State aid for pension | 123,668 | 123,668 | 135,181 | 11,513 |
| Stormwater Fee | 5,778,000 | 5,778,000 | 5,592,880 | (185,120) |
| Total Revenues | <u>5,906,668</u> | <u>5,906,668</u> | <u>5,770,950</u> | <u>(135,718)</u> |
| <u>Expenditures:</u> | | | | |
| Stormwater: | | | | |
| Department of Public Works: | | | | |
| General expenditures | 4,775,415 | 4,892,339 | 3,828,333 | 1,064,006 |
| Total stormwater | 4,775,415 | 4,892,339 | 3,828,333 | 1,064,006 |
| Capital Outlay | 392,000 | 392,000 | 317,267 | 74,733 |
| Total Expenditures | <u>5,167,415</u> | <u>5,284,339</u> | <u>4,145,600</u> | <u>1,138,739</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>739,253</u> | <u>622,329</u> | <u>1,625,350</u> | <u>1,003,021</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net Change in Fund Balance | <u>\$ 739,253</u> | <u>\$ 622,329</u> | 1,625,350 | <u>\$ 1,003,021</u> |
| Net effect of other income and expenditure accruals | | | 178,535 | |
| Net Change in Fund Balance | | | <u>1,803,885</u> | |
| Fund Balance: | | | | |
| Beginning of year | | | 1,864,391 | |
| End of year | | | <u>\$ 3,668,276</u> | |

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - A.O. FUND
 YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Investment Earnings | \$ 2,500 | \$ 2,500 | \$ 18,595 | \$ 16,095 |
| Other | 850,000 | 850,000 | 178,785 | (671,215) |
| Total revenues | <u>852,500</u> | <u>852,500</u> | <u>197,380</u> | <u>(655,120)</u> |
| Expenditures: | | | | |
| General Government | 500 | 780 | 780 | - |
| Debt service - principal | 125,000 | 125,000 | 121,000 | 4,000 |
| Debt service - interest | 217,239 | 193,576 | 54,700 | 138,876 |
| Total Expenditures | <u>342,739</u> | <u>319,356</u> | <u>176,480</u> | <u>142,876</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>509,761</u> | <u>533,144</u> | <u>20,900</u> | <u>(512,244)</u> |
| Other Financing Sources (Uses): | | | | |
| Issuance of long-term debt | - | - | - | - |
| Transfers in Capital | 316,146 | 316,146 | 189,529 | (126,617) |
| Transfers out | (316,146) | (339,529) | (339,529) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(150,000)</u> | <u>(126,617)</u> |
| Net Change in Fund Balance | <u>\$ 509,761</u> | <u>\$ 533,144</u> | (129,100) | <u>\$ (638,861)</u> |
| Net effect of other income and expenditure accruals | | | 1,371 | |
| Net Change in Fund Balance | | | <u>(127,729)</u> | |
| Fund Balance: | | | | |
| Beginning of year | | | 1,139,707 | |
| End of year | | | <u>\$ 1,011,978</u> | |

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2019

| | Police Pension Fund | Firemen Pension Fund | Officers and Employees Pension Fund | Total |
|------------------------------------|------------------------|-------------------------|---|-----------------------|
| <u>Assets</u> | | | | |
| Interest Receivable | \$ 37,516 | \$ 51,454 | \$ 16,106 | \$ 105,076 |
| Investments, at fair value | | | | |
| Money market funds | 2,445,057 | 1,487,215 | 934,521 | 4,866,793 |
| Equity mutual funds | 121,743,834 | 80,554,870 | 5,766,963 | 208,065,667 |
| Bond mutual funds | 30,192,323 | 9,480,190 | - | 39,672,513 |
| Collective investment trust | 17,192,428 | 11,601,861 | - | 28,794,289 |
| Corporate bonds | 1,635,977 | 2,324,644 | 766,914 | 4,727,535 |
| U.S. government obligations | 7,026,302 | 9,071,895 | 2,582,324 | 18,680,521 |
| U.S. government agency obligations | 869,156 | 1,718,022 | 779,468 | 3,366,646 |
| Total Assets | <u>181,142,593</u> | <u>116,290,151</u> | <u>10,846,296</u> | <u>308,279,040</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 12,371 | 7,736 | 4,930 | 25,037 |
| Due to Other Funds | 431,487 | 312,601 | 70,327 | 814,415 |
| Total Liabilities | <u>443,858</u> | <u>320,337</u> | <u>75,257</u> | <u>839,452</u> |
| <u>Net Position</u> | | | | |
| Retricted for pension benefits | <u>\$ 180,698,735</u> | <u>\$ 115,969,814</u> | <u>\$ 10,771,039</u> | <u>\$ 307,439,588</u> |

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2019

| | Balance January 1, 2019 | Additions | Deductions | Balance December 31, 2019 |
|---------------------------------|-------------------------------|----------------------|----------------------|---------------------------------|
| <u>Earned Income Tax Escrow</u> | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Due to Other Governments | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Payroll Withholding Fund</u> | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,398,669 | \$ 16,286,339 | \$ 16,213,628 | \$ 1,471,380 |
| Due from Other Funds | 10,818 | - | - | 10,818 |
| Total Assets | <u>\$ 1,409,487</u> | <u>\$ 16,286,339</u> | <u>\$ 16,213,628</u> | <u>\$ 1,482,198</u> |
| Liabilities: | | | | |
| Payroll Tax Liability | \$ 1,402,794 | \$ 16,262,817 | \$ 16,189,519 | \$ 1,476,092 |
| Due to Other Governments | 6,693 | 23,522 | 24,109 | 6,106 |
| Total Liabilities | <u>\$ 1,409,487</u> | <u>\$ 16,286,339</u> | <u>\$ 16,213,628</u> | <u>\$ 1,482,198</u> |
| <u>Tax Collection Fund</u> | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Due to Other Governments | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Total All Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,398,669 | \$ 16,286,339 | \$ 16,213,628 | \$ 1,471,380 |
| Due from Other Funds | 10,818 | - | - | 10,818 |
| Total Assets | <u>\$ 1,409,487</u> | <u>\$ 16,286,339</u> | <u>\$ 16,213,628</u> | <u>\$ 1,482,198</u> |
| Liabilities: | | | | |
| Payroll Tax Liability | \$ 1,402,794 | \$ 16,262,817 | \$ 16,189,519 | \$ 1,476,092 |
| Due to Other Governments | 6,693 | 23,522 | 24,109 | 6,106 |
| Total Liabilities | <u>\$ 1,409,487</u> | <u>\$ 16,286,339</u> | <u>\$ 16,213,628</u> | <u>\$ 1,482,198</u> |

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CITY OF ALLENTOWN, PENNSYLVANIA

STATISTICAL SECTION

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

Contents **Table**

Financial Trends **1 – 5**

These tables contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.

Revenue Capacity **6 – 9**

These tables contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.

Debt Capacity **10 – 13**

These tables offer present information that may assist the reader in analyzing the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Economic & Demographic Information **14 – 15**

These tables offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information **16 – 18**

These tables contain service and infrastructure indicators to help the reader understand how the information in the government's financial statements relate to the services the government provides and the activities it performs.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 1

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Governmental activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 25,370,253 | \$ 30,108,596 | \$ 32,494,392 | \$ 126,410,580 | \$ 143,512,599 | \$ 149,413,132 | \$ 151,528,530 | \$ 189,628,005 | \$ 192,129,736 | \$ 200,846,817 |
| Restricted | 6,107,402 | 6,648,978 | 12,274,999 | 162,936,167 | 159,837,021 | 9,560,549 | 8,538,881 | 10,117,790 | 16,159,253 | 16,770,597 |
| Unrestricted | (22,257,663) | (26,754,250) | (33,811,444) | (182,008,900) | (189,614,176) | (234,253,739) | (248,954,870) | (298,573,683) | (363,578,871) | (362,037,301) |
| Total governmental activities net position | <u>9,219,992</u> | <u>10,003,324</u> | <u>10,957,947</u> | <u>107,337,847</u> | <u>113,735,444</u> | <u>(75,280,058)</u> | <u>(68,887,459)</u> | <u>(98,827,888)</u> | <u>(155,289,882)</u> | <u>(144,419,887)</u> |
| Business - type activities | | | | | | | | | | |
| Net Investment in Capital Assets | 62,390,291 | 63,445,317 | 64,695,490 | 68,128,410 | 5,551,723 | 5,267,292 | 4,965,265 | 4,971,644 | 5,512,206 | 5,202,335 |
| Unrestricted | 15,462,445 | 17,482,965 | 18,313,389 | 17,236,205 | 6,693,350 | 6,662,427 | 5,292,360 | 4,864,161 | 5,388,229 | (822,631) |
| Total business - type activities net position | <u>77,852,736</u> | <u>80,928,282</u> | <u>83,008,879</u> | <u>85,364,615</u> | <u>12,245,073</u> | <u>11,929,719</u> | <u>10,257,625</u> | <u>9,835,805</u> | <u>10,900,435</u> | <u>4,379,704</u> |
| Primary government | | | | | | | | | | |
| Net Investment in Capital Assets | 87,760,544 | 93,553,913 | 97,189,882 | 194,538,990 | 149,064,322 | 154,680,424 | 156,493,795 | 194,599,649 | 197,641,942 | 206,049,152 |
| Restricted | 6,107,402 | 6,648,978 | 12,274,999 | 162,936,167 | 159,837,021 | 9,560,549 | 8,538,881 | 10,117,790 | 16,159,253 | 16,770,597 |
| Unrestricted | (6,795,218) | (9,271,285) | (15,498,055) | (164,772,695) | (182,920,826) | (227,591,312) | (243,662,510) | (293,709,522) | (358,190,642) | (362,859,932) |
| Total primary government activities net position | <u>\$ 87,072,728</u> | <u>\$ 90,931,606</u> | <u>\$ 93,966,826</u> | <u>\$ 192,702,462</u> | <u>\$ 125,980,517</u> | <u>\$ (63,350,339)</u> | <u>\$ (78,629,834)</u> | <u>\$ (88,992,083)</u> | <u>\$ (144,389,447)</u> | <u>\$ (140,040,183)</u> |

Note:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 7,932,586 | \$ 13,916,289 | \$ 16,164,160 | \$ 16,865,074 | \$ 19,866,840 | \$ 18,476,854 | \$ 14,922,641 | \$ 14,870,717 | \$ 17,862,356 | \$ 16,641,885 |
| Public safety | 54,309,067 | 52,607,308 | 54,635,907 | 48,764,915 | 53,806,692 | 57,643,493 | 65,369,233 | 67,712,399 | 70,750,446 | 65,999,897 |
| Community development | 13,845,854 | 9,773,209 | 8,126,929 | 7,909,900 | 7,443,093 | 6,521,109 | 9,774,957 | 8,735,099 | 11,768,151 | 11,243,886 |
| Public works | 12,617,569 | 11,920,300 | 12,066,315 | 13,962,846 | 19,032,550 | 16,755,390 | 21,801,546 | 21,464,580 | 21,858,634 | 20,916,551 |
| Health and sanitation | 2,547,999 | 3,373,570 | 2,763,477 | 3,116,962 | 2,944,949 | 3,201,951 | 3,276,428 | 3,527,955 | 3,374,484 | 3,814,779 |
| Parks and recreation | 2,014,847 | 3,038,880 | 2,910,615 | 3,938,834 | 5,687,877 | 6,267,874 | 6,622,705 | 6,806,202 | 6,623,619 | 7,411,353 |
| Other | - | - | - | - | 1,033,067 | - | - | - | - | - |
| Interest on long-term debt | 5,071,431 | 5,481,742 | 5,331,070 | 4,997,583 | 4,419,672 | 4,822,575 | 4,964,746 | 4,601,557 | 4,341,979 | 4,812,958 |
| Total governmental activities expenses | 98,339,353 | 100,111,298 | 101,998,473 | 99,556,114 | 114,234,740 | 113,689,246 | 126,732,256 | 127,718,509 | 136,579,669 | 130,841,309 |
| Business - type activities: | | | | | | | | | | |
| Water fund | 11,410,407 | 11,308,214 | 10,999,925 | 8,718,973 | - | - | - | - | - | - |
| Sewer fund | 13,034,825 | 13,533,543 | 14,242,086 | 9,673,907 | - | - | - | - | - | - |
| Solid waste fund | 12,584,872 | 13,170,266 | 14,549,004 | 14,529,054 | 14,599,155 | 15,027,563 | 14,590,672 | 14,377,533 | 14,389,435 | 15,701,270 |
| Municipal golf course | 1,027,292 | 1,152,872 | 1,167,107 | 1,204,675 | 1,220,773 | 1,180,801 | 1,207,239 | 1,259,924 | 1,230,685 | 1,225,306 |
| Total business - type activities expenses | 38,057,396 | 39,164,895 | 40,958,122 | 34,126,609 | 15,819,928 | 16,208,364 | 15,797,911 | 15,637,457 | 15,620,120 | 16,926,576 |
| Total primary government expenses | \$ 136,396,749 | \$ 139,276,193 | \$ 142,956,595 | \$ 133,682,723 | \$ 130,054,668 | \$ 129,897,610 | \$ 142,530,167 | \$ 143,355,966 | \$ 152,199,789 | \$ 147,767,885 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 2,209,673 | \$ 4,680,342 | \$ 4,131,189 | \$ 4,080,763 | \$ 4,087,754 | \$ 3,761,333 | \$ 4,452,307 | \$ 4,333,343 | \$ 5,252,229 | \$ 5,468,069 |
| Public safety | 7,202,889 | 3,792,692 | 3,627,974 | 3,820,867 | 3,935,055 | 3,889,699 | 4,772,625 | 4,890,164 | 4,623,068 | 4,407,864 |
| Community development | 3,174,152 | 3,249,126 | 3,325,198 | 3,839,739 | 3,996,649 | 3,409,113 | 3,539,435 | 3,893,058 | 6,514,071 | 5,411,553 |
| Public works | 183,134 | 192,673 | 189,821 | 277,561 | 236,424 | 358,278 | 1,139,669 | 1,053,964 | 6,508,377 | 6,595,548 |
| Health and sanitation | 180,922 | 192,961 | 436,682 | 309,931 | 329,332 | 344,749 | 390,794 | 379,396 | 397,593 | 374,413 |
| Parks and recreation | 411,409 | 424,910 | 418,634 | 461,267 | 505,205 | 314,298 | 528,225 | 530,315 | 589,419 | 634,297 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Water and sewer | - | - | - | 3,430,049 | 6,227,905 | 4,870,740 | 5,973,852 | 4,292,734 | 4,967,803 | 5,190,913 |
| Operating grants and contributions | 14,153,060 | 13,696,509 | 13,496,058 | 17,010,242 | 16,149,411 | 13,172,892 | 12,775,516 | 8,285,549 | 19,945,131 | 13,527,175 |
| Capital grants and contributions | 4,350,695 | 5,335,856 | 5,654,879 | 24,157,607 | 14,981,948 | 12,033,696 | 6,282,366 | 698,555 | 802,464 | 340,703 |
| Total governmental activities program revenues | 31,865,934 | 31,565,069 | 31,280,435 | 57,388,026 | 50,449,683 | 42,154,798 | 39,854,789 | 28,357,078 | 49,600,155 | 41,950,535 |
| Business - type activities: | | | | | | | | | | |
| Changes for services: | | | | | | | | | | |
| Water fund | 15,220,117 | 14,878,781 | 15,525,790 | 8,782,028 | - | - | - | - | - | - |
| Sewer fund | 14,480,766 | 15,595,169 | 14,331,640 | 8,798,348 | - | - | - | - | - | - |
| Solid waste fund | 13,467,648 | 13,692,905 | 14,837,965 | 14,935,518 | 14,675,253 | 14,901,702 | 14,543,018 | 16,052,450 | 14,461,730 | 14,590,321 |
| Municipal golf course | 1,316,067 | 1,321,422 | 1,383,066 | 1,279,247 | 1,237,609 | 1,281,661 | 1,201,372 | 1,248,675 | 1,219,555 | 1,523,123 |
| Operating grants and contributions | 1,280,326 | 828,291 | 1,630,127 | 887,428 | 621,636 | 411,842 | 508,689 | 555,724 | 1,060,856 | 552,475 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | 45,764,924 | 46,316,568 | 47,708,588 | 34,682,569 | 16,534,498 | 16,595,205 | 16,253,079 | 17,856,849 | 16,742,141 | 16,665,919 |
| Total primary government program revenues | \$ 77,630,858 | \$ 77,881,637 | \$ 78,989,023 | \$ 92,070,595 | \$ 66,984,181 | \$ 58,750,003 | \$ 56,107,868 | \$ 46,213,927 | \$ 66,342,296 | \$ 58,616,454 |
| Net (expense)/revenue: | | | | | | | | | | |
| Governmental activities | \$ (66,473,419) | \$ (68,546,229) | \$ (70,718,038) | \$ (42,168,088) | \$ (63,785,057) | \$ (71,534,448) | \$ (86,877,467) | \$ (99,361,431) | \$ (86,979,514) | \$ (88,690,774) |
| Business - type activities | 7,707,528 | 7,151,673 | 6,750,466 | 555,960 | 714,570 | 386,841 | 455,168 | 2,219,392 | 1,122,021 | (260,657) |
| Total primary government net expense | \$ (58,765,891) | \$ (61,394,556) | \$ (63,967,572) | \$ (41,612,128) | \$ (63,070,487) | \$ (71,147,607) | \$ (86,422,299) | \$ (97,142,039) | \$ (85,857,493) | \$ (88,951,431) |

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| General Revenue and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes and other taxes | \$ 45,476,784 | \$ 51,955,525 | \$ 57,041,497 | \$ 58,031,788 | \$ 58,012,491 | \$ 59,959,705 | \$ 63,611,493 | \$ 73,585,762 | \$ 78,881,070 | \$ 85,451,237 |
| Grants and charges not restricted to specific purposes | 14,121,087 | 12,298,352 | 10,216,783 | 10,290,239 | 11,484,314 | 12,631,023 | 12,970,519 | 14,592,416 | 11,798,217 | 12,294,357 |
| Investment earnings | 212,979 | 4,608 | 19,651 | 69,236 | 28,820 | 19,919 | 61,158 | 88,062 | 609,832 | 579,507 |
| Gain on sale of asset | - | - | - | - | - | - | - | - | - | 85,238 |
| Transfers | 4,813,116 | 5,071,076 | 4,394,730 | 71,674,238 | 1,029,924 | 954,004 | 876,988 | 1,154,762 | 1,364,031 | 1,350,430 |
| Total governmental activities | <u>64,623,966</u> | <u>69,329,561</u> | <u>71,672,661</u> | <u>140,065,501</u> | <u>70,555,549</u> | <u>73,564,651</u> | <u>77,520,158</u> | <u>89,421,002</u> | <u>92,653,150</u> | <u>99,760,769</u> |
| Business - type activities: | | | | | | | | | | |
| Investment earnings | 128,545 | - | - | 132,218 | - | - | - | - | - | 74,784 |
| Transfers | (4,813,116) | (5,071,076) | (4,394,730) | (71,674,238) | (1,029,924) | (954,004) | (876,988) | (1,154,762) | (1,364,031) | (1,350,430) |
| Total business - type activities | <u>(4,684,571)</u> | <u>(5,071,076)</u> | <u>(4,394,730)</u> | <u>(71,542,020)</u> | <u>(1,029,924)</u> | <u>(954,004)</u> | <u>(876,988)</u> | <u>(1,154,762)</u> | <u>(1,364,031)</u> | <u>(1,275,646)</u> |
| Total primary government | <u>\$ 59,939,395</u> | <u>\$ 64,258,485</u> | <u>\$ 67,277,931</u> | <u>\$ 68,523,481</u> | <u>\$ 69,525,625</u> | <u>\$ 72,610,647</u> | <u>\$ 76,643,170</u> | <u>\$ 88,266,240</u> | <u>\$ 91,289,119</u> | <u>\$ 98,485,123</u> |
| Special items: | | | | | | | | | | |
| Gain on cancellation of post-employment benefits | \$ - | \$ - | \$ - | \$ 660,819 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Loss on on disposal of capital assets | - | - | - | (1,959,898) | - | - | (4,250,092) | - | - | - |
| Tax settlement | - | - | - | - | (372,895) | - | - | - | - | - |
| Total special items | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,299,079)</u> | <u>\$ (372,895)</u> | <u>\$ -</u> | <u>\$ (4,250,092)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 783,332 | \$ 954,623 | \$ 97,897,413 | \$ 6,770,492 | \$ 2,030,203 | \$ (9,357,309) | \$ (9,940,429) | \$ 5,673,636 | \$ 5,673,636 | \$ 11,069,995 |
| Business - type activities | 2,080,597 | 2,355,736 | (70,986,060) | (688,249) | (567,163) | (421,820) | 1,064,630 | (242,010) | (242,010) | (1,536,303) |
| Total primary government | <u>\$ 2,863,929</u> | <u>\$ 3,310,359</u> | <u>\$ 26,911,353</u> | <u>\$ 6,082,243</u> | <u>\$ 1,463,040</u> | <u>\$ (9,779,129)</u> | <u>\$ (8,875,799)</u> | <u>\$ 5,431,626</u> | <u>\$ 5,431,626</u> | <u>\$ 9,533,692</u> |

Notes:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 3

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

| <u>Year</u> | <u>Total</u> <u>Taxes</u> | <u>General</u> <u>Property</u> <u>Tax</u> | <u>Earned</u> <u>Income</u> <u>Tax</u> | <u>Business</u> <u>Privilege</u> <u>Tax</u> | <u>Other</u> <u>Local</u> <u>Taxes</u> |
|-------------|------------------------------|---|--|---|--|
| 2010 | \$ 45,476,784 | \$ 29,591,030 | \$ 7,506,990 | \$ 6,063,934 | \$ 2,314,830 |
| 2011 | 51,955,525 | 29,310,491 | 12,744,483 | 6,795,191 | 3,105,360 |
| 2012 | 57,041,497 | 29,823,087 | 17,731,754 | 6,636,744 | 2,849,912 |
| 2013 | 58,031,788 | 29,711,628 | 19,148,315 | 6,307,675 | 2,864,170 |
| 2014 | 58,012,491 | 29,604,712 | 18,411,370 | 6,805,224 | 3,191,185 |
| 2015 | 59,959,705 | 30,121,707 | 19,429,021 | 6,939,406 | 3,469,571 |
| 2016 | 64,969,817 | 30,800,125 | 23,840,629 | 6,571,105 | 3,757,958 |
| 2017 | 73,709,271 | 32,519,646 | 29,802,821 | 7,483,984 | 3,902,820 |
| 2018 | 76,648,713 | 31,353,086 | 33,789,071 | 7,904,804 | 3,601,752 |
| 2019 | 84,529,132 | 36,860,819 | 35,592,554 | 8,082,551 | 3,993,208 |

CITY OF ALLENTOWN, PENNSYLVANIA

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 1,428,755 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 1,687,909 | - | - | - | - | - | - | - | - | - |
| Restricted | - | 147,000 | 704,228 | 794,058 | 769,097 | 981,135 | 862,397 | - | - | - |
| Assigned | - | 1,771,079 | - | 21,588,122 | 15,534,027 | 8,872,191 | 6,434,577 | - | 800,480 | 1,634,591 |
| Unassigned | - | 2,467 | (1,445,400) | 24,022,470 | 17,715,206 | 18,038,567 | 12,237,375 | 13,251,806 | 18,095,666 | 21,829,026 |
| Total general fund | <u>3,116,664</u> | <u>1,920,546</u> | <u>(741,172)</u> | <u>46,404,650</u> | <u>34,018,330</u> | <u>27,891,893</u> | <u>19,534,349</u> | <u>13,251,806</u> | <u>18,896,146</u> | <u>23,463,617</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | 7,243,969 | - | - | - | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | (95,108) | - | - | - | - | - | - | - | - | - |
| Capital projects funds | 404,985 | - | - | - | - | - | - | - | - | - |
| Restricted | - | 14,228,537 | 10,880,822 | 9,484,961 | 8,749,937 | 19,711,402 | 14,875,182 | 14,155,933 | 16,159,253 | 16,770,597 |
| Assigned | - | - | - | - | - | - | 46,047 | - | - | - |
| Unassigned | - | (96,134) | (29,306) | (151,609) | (44,940) | - | (298,517) | (118,840) | (246,234) | - |
| Total all other governmental funds | <u>7,553,846</u> | <u>14,132,403</u> | <u>10,851,516</u> | <u>9,333,352</u> | <u>8,704,997</u> | <u>19,711,402</u> | <u>14,622,712</u> | <u>14,037,093</u> | <u>15,913,019</u> | <u>16,770,597</u> |
| TOTAL | <u>\$ 10,670,510</u> | <u>\$ 16,052,949</u> | <u>\$ 10,110,344</u> | <u>\$ 55,738,002</u> | <u>\$ 42,723,327</u> | <u>\$ 47,603,295</u> | <u>\$ 34,157,061</u> | <u>\$ 27,288,899</u> | <u>\$ 34,809,165</u> | <u>\$ 40,234,214</u> |

Notes:

Effective for the year ended December 31, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, that changed the classifications and definitions of fund balances in the governmental funds. Consequently, the classifications noted as Reserved and Unreserved are no longer applicable and have been replaced with Nonspendable, Restricted, Assigned, Committed, and Unassigned. Please see Note 1 Summary of Significant Accounting Policies, Fund Balance, for a further explanation.

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

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

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

The increase in fund balance from 2018 to 2019 is due primarily to a \$3 million increase in cash due to the 2019 Real Estate Tax increase and \$1.3 million in Receivables.

CITY OF ALLENTOWN, PENNSYLVANIA
 Changes in Fund Balances of Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-----------------------|---------------------|-----------------------|----------------------|------------------------|---------------------|------------------------|-----------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 45,438,333 | \$ 52,770,021 | \$ 55,787,638 | \$ 57,865,676 | \$ 57,874,403 | \$ 59,786,702 | \$ 64,853,652 | \$ 71,512,921 | \$ 76,085,821 | \$ 86,200,830 |
| Licenses and permits | 4,874,549 | 5,030,946 | 5,250,576 | 5,781,973 | 6,309,428 | 5,845,880 | 5,907,269 | 6,095,884 | 8,768,619 | 7,648,361 |
| Charges for services | 4,853,162 | 4,824,140 | 4,898,943 | 6,615,357 | 8,271,223 | 6,312,663 | 5,422,775 | 4,450,086 | 6,094,400 | 6,582,276 |
| Fines and forfeits | 500,334 | 518,350 | 634,724 | 672,105 | 748,687 | 690,926 | 1,180,590 | 593,368 | 623,181 | 377,686 |
| Investment earnings | 212,979 | 4,608 | 19,686 | 69,236 | 28,820 | 19,919 | 61,159 | 87,816 | 609,832 | 579,507 |
| Intergovernmental revenues | 30,437,462 | 28,695,423 | 26,927,447 | 49,185,888 | 39,416,740 | 36,574,646 | 30,798,475 | 24,512,139 | 32,875,745 | 26,192,040 |
| Other | 5,437,568 | 4,906,361 | 3,945,339 | 3,961,421 | 3,766,919 | 1,610,936 | 2,910,028 | 2,989,734 | 8,842,875 | 9,348,091 |
| Total revenues | 91,754,387 | 96,749,849 | 97,464,353 | 124,151,656 | 116,416,220 | 110,841,672 | 111,133,948 | 110,241,948 | 133,900,473 | 136,928,791 |
| Expenditures | | | | | | | | | | |
| General government | 7,507,262 | 13,765,436 | 14,417,230 | 18,108,503 | 16,352,843 | 14,227,338 | 9,925,924 | 10,073,023 | 17,015,637 | 12,330,677 |
| Public safety | 50,100,384 | 50,839,312 | 53,491,745 | 196,455,831 | 47,934,281 | 49,929,150 | 58,337,847 | 61,595,723 | 64,725,057 | 65,667,143 |
| Community development | 14,171,165 | 9,731,882 | 7,835,133 | 7,669,312 | 7,047,296 | 6,199,566 | 9,625,276 | 8,523,967 | 11,500,007 | 11,194,135 |
| Public works | 9,740,759 | 9,631,143 | 9,658,216 | 12,262,727 | 12,413,386 | 13,658,527 | 14,558,597 | 15,009,623 | 16,589,541 | 14,469,632 |
| Health and sanitation | 2,738,801 | 2,809,068 | 2,673,529 | 3,420,443 | 2,877,343 | 3,095,730 | 3,301,982 | 3,543,585 | 3,489,864 | 3,712,218 |
| Parks and recreation | 2,503,318 | 2,467,866 | 2,467,730 | 3,963,487 | 5,008,229 | 5,427,035 | 5,833,745 | 5,939,343 | 5,889,408 | 6,225,680 |
| Other | - | - | - | - | 1,033,067 | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | 3,131,400 | 6,514,100 | 3,395,750 | 3,874,400 | 8,898,300 | 14,310,040 | 7,933,320 | 17,121,284 | 13,686,108 | 18,967,566 |
| Interest | 3,942,027 | 4,423,008 | 4,180,843 | 3,827,906 | 3,733,786 | 3,841,537 | 3,271,606 | 2,899,745 | 2,459,911 | 2,523,288 |
| Payment of loan issuance costs | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | 10,009,124 | 9,912,486 | 10,610,482 | 28,386,348 | 24,851,039 | 18,815,450 | 14,164,247 | 10,728,546 | 5,834,064 | 10,421,825 |
| Total expenditures | 103,844,240 | 110,094,301 | 108,730,658 | 277,968,957 | 130,149,570 | 129,504,373 | 126,952,544 | 135,434,839 | 141,189,597 | 145,512,164 |
| Excess (deficiency) of revenues over (under) expenditures | (12,089,853) | (13,344,452) | (11,266,305) | (153,817,301) | (13,733,350) | (18,662,701) | (15,818,596) | (25,192,891) | (7,289,124) | (8,583,373) |
| Other Financing Sources (uses): | | | | | | | | | | |
| Issuance of long term debt | 258,976 | 13,690,000 | 5,910,000 | - | - | 17,003,395 | 1,427,418 | 13,491,272 | 11,973,631 | 12,649,529 |
| Refunding bonds issued | - | - | - | - | - | 11,425,000 | - | - | - | - |
| Premium on refunded bonds | - | - | - | - | - | 745,551 | - | - | - | - |
| Payment to refunded bonds escrow agent | - | - | (5,828,246) | - | - | (6,634,456) | - | - | - | - |
| Bond premium | - | 38,630 | - | - | - | - | - | 232,667 | 184,212 | - |
| Bond discount | - | (126,066) | (16,111) | - | - | - | - | - | - | - |
| Capital lease | - | - | - | 102,950 | - | - | - | 3,295,820 | 1,174,098 | - |
| Sale of capital asset | - | - | - | - | - | - | - | - | - | 92,525 |
| Transfers in | 12,749,243 | 13,793,454 | 13,651,068 | 213,779,083 | 19,680,797 | 20,551,091 | 15,826,665 | 26,303,545 | 20,508,704 | 25,754,047 |
| Transfers out | (7,885,411) | (8,669,127) | (8,393,011) | (14,437,074) | (18,589,227) | (19,547,912) | (14,881,721) | (24,998,575) | (19,031,255) | (24,287,679) |
| Total other financing sources and uses | 5,122,808 | 18,726,891 | 5,323,700 | 199,444,959 | 1,091,570 | 23,542,669 | 2,372,362 | 18,324,729 | 14,809,390 | 14,208,422 |
| Special Item | - | - | - | - | - | (372,895) | - | - | - | - |
| Net change in fund balances | \$ (6,967,045) | \$ 5,382,439 | \$ (5,942,605) | \$ 45,627,658 | \$ (12,641,780) | \$ 4,507,073 | \$ (13,446,234) | \$ (6,868,162) | \$ 7,520,266 | \$ 5,625,049 |
| Debt service as a percentage of noncapital expenditures | 7.5% | 10.9% | 7.7% | 3.1% | 12.0% | 16.3% | 9.9% | 16.1% | 11.9% | 15.9% |

Notes:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 6

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

| Fiscal Year Ended December 31 | Real Property | | | | | Total Taxable Assessed Value | Tax Exempt Real Property | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value (1) |
|--|-------------------------|------------------------|--------------------------|-------------------------|----------------|------------------------------------|-----------------------------|-----------------------------|---|---|
| | Residential Property | Commercial Property | Multi-Family Property | Combination Property | Vacant Lots | | | | | |
| 2010 | \$ 1,050,521,900 | \$ 352,885,300 | \$ 229,726,000 | \$ 52,937,100 | \$ 16,665,650 | \$ 1,702,735,950 | \$ 471,422,500 | 0.01753 | \$ 3,405,471,900 | 50% |
| 2011 | 1,053,338,550 | 351,299,450 | 230,313,050 | 53,052,000 | 15,463,150 | 1,703,466,200 | 484,513,100 | 0.01753 | 3,406,932,400 | 50% |
| 2012 | 1,051,702,800 | 351,225,450 | 230,099,250 | 53,044,800 | 16,477,600 | 1,702,549,900 | 476,375,100 | 0.01753 | 3,405,099,800 | 50% |
| 2013 | 3,000,528,700 | 1,137,984,800 | 772,716,200 | 177,743,400 | 43,352,100 | 5,132,325,200 | 1,503,378,200 | 0.00580 | 5,132,325,200 | 100% |
| 2014 | 2,992,534,800 | 1,167,818,000 | 771,111,300 | 176,876,300 | 47,110,300 | 5,155,450,700 | 1,518,849,200 | 0.00581 | 5,155,450,700 | 100% |
| 2015 | 2,989,816,700 | 1,409,920,500 | 772,448,100 | 178,204,100 | 47,602,100 | 5,397,991,500 | 1,526,983,200 | 0.00581 | 5,397,991,500 | 100% |
| 2016 | 2,988,820,300 | 1,282,432,100 | 775,529,400 | 175,946,800 | 50,594,800 | 5,273,323,400 | 1,663,243,900 | 0.00581 | 5,273,323,400 | 100% |
| 2017 | 2,989,073,100 | 1,233,981,000 | 785,079,000 | 181,837,400 | 51,656,800 | 5,241,627,300 | 1,699,800,400 | 0.00581 | 5,241,627,300 | 100% |
| 2018 | 2,990,553,500 | 1,281,765,900 | 782,654,900 | 185,016,600 | 58,322,200 | 5,298,313,100 | 1,707,931,600 | 0.00581 | 5,298,313,100 | 100% |
| 2019 | 2,871,421,345 | 1,445,225,744 | 686,999,649 | 173,009,480 | 112,139,182 | 5,288,795,400 | 1,696,212,500 | 0.00731 | 5,288,795,400 | 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).

(2) In 2019 the Total Real Estate Tax Rate was increased from .00581 to .00731. The new millage assessment on land was 23.5376 and 4.4528 on improvements.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 7

Property Tax Rates
Direct and Overlapping Governments
Last Ten Years

| | <u>Direct Rates</u> | <u>Overlapping Rates</u> | | Total Direct & Overlapping Rates |
|----------------|-----------------------------|----------------------------|----------------------------|---|
| | <u>Allentown City</u> | <u>School District</u> | <u>County</u> | |
| Fiscal Year | Total City Millage(1) | Total School Millage | Total County Millage | |
| 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 | 17.3155 | 3.79 | 26.92 |
| 2014 | 5.81 | 18.329 | 3.750 | 27.89 |
| 2015 | 5.81 | 18.329 | 3.680 | 27.82 |
| 2016 | 5.81 | 18.329 | 3.640 | 27.78 |
| 2017 | 5.81 | 19.025 | 3.640 | 28.48 |
| 2018 | 5.81 | 19.729 | 3.640 | 29.18 |
| 2019 | 7.31 | 20.074 | 3.780 | 31.16 |

Notes:

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

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

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

(1) 7.3075 is the base on which the land value tax is calculated (123.5376 - land and 4.4528 - improvements).

CITY OF ALLENTOWN, PENNSYLVANIA

Principal Property Taxpayers
Current Year and Nine Years Ago

| Taxpayer | 2019 | | | 2010 | | |
|-------------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total taxable Assessed Valuation | Taxable Assessed Value | Rank | Percentage of Total taxable Assessed Valuation |
| Two City Center OP LP | \$ 45,000,000 | 1 | 0.86% | \$ 10,411,550 | 1 | 0.62% |
| Home Properties Trexler Park LLC | 34,614,100 | 2 | 0.66% | | | |
| Somera Road - 835 W Hamilton St LLC | 29,027,600 | 3 | 0.55% | | | |
| One City Center OP LP | 29,000,000 | 4 | 0.55% | | | |
| Three City Center OP LP | 25,529,300 | 5 | 0.49% | 6,575,850 | 2 | 0.39% |
| Congress Associates | 25,200,000 | 6 | 0.48% | 3,914,350 | 9 | 0.23% |
| EPC-Allentown LLC | 22,354,200 | 7 | 0.43% | 5,961,050 | 3 | 0.36% |
| IPX MF Lakes Apartment Assoc. LLC | 21,834,500 | 8 | 0.42% | | | |
| Pennsylvania Power & Light Co. | 21,509,700 | 9 | 0.41% | | | |
| Tower Six OP LP | 21,474,000 | 10 | 0.41% | | | |
| Lehigh Valley Hospital Inc. | - | | 0.00% | 5,372,750 | 5 | 0.32% |
| Morris Allentown Associates LP ET | - | | 0.00% | 5,535,000 | 4 | 0.33% |
| The Morning Call | - | | 0.00% | 3,728,700 | 10 | 0.22% |
| Westmont LP | - | | 0.00% | 5,156,050 | 6 | 0.31% |
| Allentown Commerce Park Corp. | - | | 0.00% | 4,900,000 | 7 | 0.29% |
| 230 Riverbend Apartments LLC | - | | 0.00% | 4,290,000 | 8 | 0.26% |
| Total | <u>\$ 275,543,400</u> | | <u>5.24%</u> | <u>\$ 55,845,300</u> | | <u>3.33%</u> |

Source:
City of Allentown Property Tax File

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 9

Property Tax Levies and Collections
Last Ten Years

| Fiscal Year Ended December 31 | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------------------------------|--------------------------------------|---|--------------------|---------------------------------------|---------------------------|--------------------|
| | | Fiscal Year | Percentage of Levy | | Amount | Percentage of Levy |
| 2010 | \$ 29,349,230 | \$ 28,331,648 | 96.5% | \$ 590,048 | \$ 28,881,819 | 98.4% |
| 2011 | 29,481,538 | 28,274,829 | 95.9% | 635,667 | 28,865,348 | 97.9% |
| 2012 | 29,700,657 | 28,426,793 | 95.7% | 671,334 | 29,019,943 | 97.7% |
| 2013 | 29,788,671 | 28,335,558 | 95.1% | 737,560 | 28,928,610 | 97.1% |
| 2014 | 29,614,100 | 28,313,759 | 95.6% | 314,373 | 28,601,125 | 96.6% |
| 2015 | 30,427,086 | 28,803,546 | 94.7% | 125,147 | 28,910,350 | 95.0% |
| 2016 | 31,040,343 | 29,551,096 | 95.2% | 58,396 | 29,601,096 | 95.4% |
| 2017 | 30,594,033 | 29,187,108 | 95.4% | 44,796 | 29,211,063 | 95.5% |
| 2018 | 30,465,047 | 29,346,327 | 96.3% | 32,633 | 29,346,327 | 96.3% |
| 2019 | 38,647,946 | 37,285,155 | 96.5% | - | 37,285,155 | 96.5% |

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 10

Ratios of Outstanding Debt By Type
Last Ten Years

| Fiscal Year | Governmental Activities | | Business-Type Activities | | | | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|----------------|--------------------------------|-------------------|------------------------------|--------------------------------|-----------|------------------|--------------------------------|-------------------|--------------------------------|-------------------------------------|---------------|
| | General Obligation Bonds | Capital Leases | Water | | | Sewer | | | | | |
| | | | Revenue Bonds and Note | General Obligation Bonds | Other | Revenue Bonds | General Obligation Bonds | Capital Leases | | | |
| 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 | 0 | - | - | 0 | - | 411,604 | 101,527,242 | 2.01% | 860 |
| 2014 | 92,923,268 | 1,855,031 | - | - | - | - | - | 691,887 | 95,470,186 | 1.85% | 809 |
| 2015 | 103,141,746 | 1,427,208 | - | - | - | - | - | 490,635 | 105,059,589 | 1.97% | 890 |
| 2016 | 98,341,716 | 1,002,341 | - | - | - | - | - | 395,189 | 99,739,246 | 1.77% | 845 |
| 2017 | 96,708,953 | 3,756,786 | - | - | - | - | - | 499,495 | 100,965,234 | 1.75% | 855 |
| 2018 | 97,127,878 | 4,003,545 | - | - | - | - | - | 704,351 | 101,835,774 | 1.68% | 863 |
| 2019 | 92,812,488 | 3,009,918 | - | - | - | - | - | 436,137 | 96,258,543 | 1.51% | 816 |

Notes:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 11

Ratios of General Bonded Debt Outstanding
Last Ten Years

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Percentage of Estimated Actual Taxable Value of Property</u> | <u>Per Capita</u> |
|--------------------|---------------------------------|---|-------------------|
| 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 |
| 2016 | 98,341,716 | 1.86% | 833 |
| 2017 | 96,708,953 | 1.85% | 819 |
| 2018 | 97,127,878 | 1.83% | 823 |
| 2019 | 92,812,488 | 1.75% | 786 |

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, 2019

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Allentown School District | \$ 214,886,043 | 100.0% | \$ 214,886,043 |
| Lehigh County General Obligation Bonds | 104,215,956 | 19.5% | <u>20,322,111</u> |
| Subtotal, overlapping debt | | | 235,208,154 |
| City of Allentown Direct Debt | | | <u>95,822,406</u> |
| Total direct and overlapping debt | | | <u><u>\$ 331,030,560</u></u> |

Notes:

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

Overlapping debt is calculated by using Allentown's percentage of Lehigh County's Total Assessments. This percentage is used to determine Allentown's percent of the debt. The debt for Allentown School District is included at 100%.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 13

Legal Debt Margin Information
Last Ten Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt limit | \$ 259,225,834 | \$ 274,575,453 | \$ 290,328,835 | \$ 307,220,837 | \$ 320,307,425 | \$ 320,424,234 | \$ 321,470,730 | \$ 237,373,525 | \$ 263,781,372 | \$ 299,037,302 |
| Total net debt applicable to limit | 63,528,046 | 72,730,937 | 73,124,883 | 71,670,638 | 70,648,299 | 86,278,954 | 83,779,057 | 87,805,739 | 88,956,423 | 83,647,406 |
| Legal debt margin | <u>\$ 195,697,788</u> | <u>\$ 201,844,516</u> | <u>\$ 217,203,952</u> | <u>\$ 235,550,199</u> | <u>\$ 249,659,126</u> | <u>\$ 234,145,280</u> | <u>\$ 237,691,673</u> | <u>\$ 149,567,786</u> | <u>\$ 174,824,949</u> | <u>\$ 215,389,896</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 24.51% | 26.49% | 25.19% | 23.33% | 22.06% | 26.93% | 26.06% | 36.99% | 33.72% | 27.97% |

Legal Debt Margin Calculation for Fiscal year 2019

| | |
|--|-----------------------|
| Borrowing base (1) | \$ 109,338,488 |
| Percentage limitation | 350% |
| Net debt limit | 382,684,708 |
| Debt applicable to limit: | |
| General obligation debt (2) | 95,822,406 |
| Less: Amount set aside for pension funding liability | - |
| | <u>95,822,406</u> |
| | <u>\$ 286,862,302</u> |

Notes:

(1) The Commonwealth of Pennsylvania has enacted the "Local Government Unit Debt Act: which limits debt to revenues. Briefly, revenues of the last three years are adjusted for various nonrecurring and excludable items. The average of the adjusted revenues for the respective years is then the borrowing base. Certain percentages are applied to the borrowing base to determine the debt limitations.

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 14

Demographic and Economic Statistics
Last Ten Years

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Personal Income</u> | <u>Per Capita Personal Income (2)</u> | <u>School Enrollment (3)</u> | <u>Unemployment Rate (4)</u> |
|--------------------|-----------------------|------------------------|---------------------------------------|------------------------------|------------------------------|
| 2010 | 118,032 | \$ 4,544,822,160 | \$ 38,505 | 17,753 | 12.7% |
| 2011 | 118,032 | 4,582,946,496 | 38,828 | 17,748 | 11.7% |
| 2012 | 118,032 | 4,732,493,040 | 40,095 | 17,239 | 11.5% |
| 2013 | 118,032 | 5,059,441,680 | 42,865 | 17,362 | 6.5% |
| 2014 | 118,032 | 5,171,808,144 | 43,817 | 19,974 | 4.8% |
| 2015 | 118,032 | 5,334,220,176 | 45,193 | 20,287 | 3.9% |
| 2016 | 118,032 | 5,638,388,640 | 47,770 | 20,804 | 4.6% |
| 2017 | 118,032 | 5,766,807,456 | 48,858 | 20,939 | 4.3% |
| 2018 | 118,032 | 6,075,579,168 | 51,474 | 21,813 | 3.9% |
| 2019 | 118,032 | 6,387,891,840 | 54,120 | 20,725 | 4.5% |

Source:

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

CITY OF ALLENTOWN, PENNSYLVANIA

Principal Employers
Current Year and Nine Years Ago

| <u>Employer</u> | <u>2019</u> | | | <u>2010</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 | 2,918 | 1 | 4.02% | 1,318 | 9 | 1.75% |
| Allentown School District | 2,623 | 2 | 3.61% | 2,979 | 1 | 3.95% |
| St Lukes Hospital/Health Care | 2,357 | 3 | 3.25% | | | |
| Muhlenberg College | 2,173 | 4 | 2.99% | | | |
| Lehigh County & Institutions | 1,703 | 5 | 2.35% | 1,779 | 3 | 2.36% |
| Integrity Staffing Solutions | 1,636 | 6 | 2.25% | | | |
| Allied Personnel Services | 1,479 | 7 | 2.04% | 1,493 | 6 | 1.98% |
| Good Shepherd Rehabilitation Network | 1,082 | 8 | 1.49% | | | |
| City of Allentown | 1,058 | 9 | 1.46% | 1,432 | 8 | 1.90% |
| Cedar Crest College | 976 | 10 | 1.35% | | | |
| PPL Co. | | | | 1,810 | 2 | 2.40% |
| Sacred Heart Hospital/Health Care | | | | 1,220 | 10 | 1.62% |
| Breckenridge Enterprises | | | | 1,526 | 4 | 2.02% |
| Commonwealth of Pennsylvania | | | | 1,455 | 7 | 1.93% |
| Performance Personnel | | | | 1,514 | 5 | 2.01% |
| | <u>18,005</u> | | <u>24.81%</u> | <u>16,526</u> | | <u>21.92%</u> |

Source:
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.

In 2018, St. Luke's Hospital and Sacred Heart Hospital combined to form one entity.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 16

Full-Time Equivalent Employees By Function
Last Ten Years

| Function | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | 93 | 93 | 101.5 | 96 | 96 | 97 | 95 | 88 | 93 | 106 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 205 | 209 | 219 | 214 | 216 | 222 | 222 | 222 | 222 | 222 |
| Civilians | 28 | 27 | 25 | 21 | 27 | 28 | 26.7 | 22 | 22 | 22 |
| E-911 | 32 | 32 | 33 | 33 | 33 | 33 | 33.3 | 31 | 30 | 0 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 143 | 143 | 144 | 126 | 125 | 125 | 125 | 126 | 126 | 125 |
| Civilians | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| EMS | 31 | 32 | 41 | 32 | 32 | 32 | 34 | 34 | 34 | 34 |
| Highways and Streets | 48 | 46 | 46 | 86 | 82 | 80 | 79.1 | 83 | 63 | 62 |
| Sanitation/Recycling | 32 | 33 | 33 | 34 | 36 | 38 | 38 | 41 | 42 | 43 |
| Building Maintenance | 12 | 12 | 13 | 16 | 15 | 15 | 15 | 15 | 15 | 15 |
| Building Standards & Safety | 39 | 38 | 47.6 | 36 | 33 | 31 | 31.3 | 34 | 38 | 41 |
| Culture and Recreation | 25 | 22 | 24 | 50 | 56 | 55 | 55.5 | 56 | 56 | 58 |
| Golf | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 |
| Health | 35 | 35 | 35 | 35 | 32 | 35 | 35 | 35 | 36 | 36 |
| Water | 84 | 85 | 84 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sewer | 97 | 96 | 93 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stormwater | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26 | 26 |
| Total | 910 | 910 | 946 | 786 | 790 | 798 | 797 | 793 | 809 | 797 |

Notes:

Source - The data above are listed in the City's approved budget and reflected in the restructuring due to the Water/Sewer concession lease and the setting up of the Stormwater fund. Full-time equivalent numbers are obtained from City of Allentown Human Resources reports.

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

| Function | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Law violations | 14,433 | 13,794 | 13,801 | 13,844 | 13,022 | 11,269 | 11,742 | 11,839 | 10,406 | 10,068 |
| Traffic violations (5) | 9,949 | 10,560 | 10,182 | 10,466 | 11,225 | 8,258 | 8,500 | 9,000 | 4,768 | 2,403 |
| Fire | | | | | | | | | | |
| Number of calls answered | 11,383 | 11,719 | 9,409 | 11,685 | 11,606 | 12,036 | 11,497 | 10,445 | 9,930 | 10,982 |
| Inspections and investigations (1) | 2,668 | 2,351 | 1,149 | 950 | 901 | 1364 | 954 | 862 | 836 | 940 |
| Highways and Streets | | | | | | | | | | |
| Street reconstruction (miles) | 0.02 | 0.00 | 0.10 | 0.28 | 1.83 | 0.16 | 0.09 | 0.80 | 0.18 | 0.13 |
| Overlays (miles) | 5.4 | 4.9 | 3.7 | 2.1 | 3.2 | 4.3 | 2.8 | 1.7 | 0.8 | 1.9 |
| Potholes repaired | 10,488 | 9,673 | 4,355 | 6,236 | 10,923 | 14,186 | 7,223 | 11,286 | 18,971 | 9,566 |
| Sanitation | | | | | | | | | | |
| Refuse collected (tons/year) | 35,401 | 36,174 | 37,274 | 33,143 | 37,355 | 35,511 | 35,780 | 40,536 | 39,461 | 39,860 |
| Recyclables collected (tons/year) | 9,043 | 9,267 | 11,603 | 10,104 | 9,735 | 10,510 | 10,730 | 12,177 | 10,277 | 12,532 |
| Sweep tickets issued | 6,891 | 6,854 | 7,514 | 6,997 | 4,809 | 6,877 | 5,719 | 5,317 | 8,025 | 9,706 |
| Animal related complaints | 1,193 | 1,268 | 1,441 | 1,286 | 1,378 | 1,482 | 1,556 | 1,706 | 1,638 | 1,680 |
| Health | | | | | | | | | | |
| Home hazard surveys (7) | 439 | 311 | 274 | 277 | 443 | 215 | 173 | 37 | 231 | 19 |
| Food service inspections | 1,765 | 1,306 | 1,613 | 1,712 | 1,615 | 1,853 | 1,693 | 1,675 | 1,703 | 1,875 |
| Number of home visits | 303 | 428 | 478 | 593 | 393 | 284 | 437 | 379 | 336 | 295 |
| Total lead screenings/Healthy home visits (2) | 945 | 916 | 788 | 227 | 0 | 17 | 5 | 240 | 207 | 219 |
| Persons tested & counseled for HIV infection | 2,656 | 2,624 | 2,517 | 2,290 | 2,036 | 2,077 | 2,032 | 2,071 | 2,009 | 2,085 |
| Recreation | | | | | | | | | | |
| Pavilion permits | 382 | 294 | 297 | 523 | 648 | 629 | 503 | 703 | 678 | 373 |
| Swimming pool season passes | 211 | 159 | 253 | 680 | 263 | 294 | 256 | 355 | 1,019 | 112 |
| Swimming pool patrons (non season pass) | 64,932 | 47,365 | 36,584 | 50,895 | 31,509 | 33,081 | 25,458 | 32,449 | 37,488 | 45,383 |
| Water (3) | | | | | | | | | | |
| Water connection permits | 17 | 47 | 8 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Water main breaks | 22 | 23 | 13 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Average daily consumption (millions of gallons) | 14.75 | 14.39 | 16.00 | 18.36 | 0.00 | 0 | 0 | 0 | 0 | 0 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (millions of gallons) | 31.64 | 31.64 | 30.91 | 31.17 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 |

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--------|
| Golf | | | | | | | | | | |
| Number of patrons (4) | 50,562 | 45,799 | 48,500 | 45,600 | 64,396 | 64,956 | 61,500 | 59,500 | 50,000 | 66,053 |
| Number of days of service | 293 | 285 | 310 | 285 | 251 | 266 | 270 | 256 | 247 | 250 |
| E-911 (6) | | | | | | | | | | |
| Number of calls: | | | | | | | | | | |
| Police | 112,639 | 127,315 | 119,686 | 120,355 | 123,840 | 119,647 | 110,260 | 113,749 | 98,063 | 0 |
| EMS | 13,843 | 14,628 | 14,528 | 13,998 | 14,583 | 15,542 | 15,595 | 15,531 | 15,814 | 0 |
| Fire | 11,393 | 11,753 | 9,409 | 11,685 | 11,607 | 12,036 | 11,497 | 10,452 | 9,930 | 0 |
| Other | 8,572 | 9,653 | 7,901 | 7,843 | 8,630 | 9,455 | 11,497 | 11,397 | 10,366 | 0 |

Source:
Various city departments.

- Notes:
- (1) Prior to 2012, Inspections and Investigations included follow up visits.
 - (2) The Lead Screening part of the program ended in June 2013. The focus has shifted to assessing the homes of children with lead poisoning.
 - (3) Reflects activity up to August 7, 2013.
 - (4) Starting 2014 number includes golf course and driving range patrons
 - (5) 2015 number changed to actual, originally used estimate, 2016 is also estimated
 - (6) As of January 1, 2019, the 911 responsibility was transferred to Lehigh County
 - (7) The 2018 amount included 207 Home Healthy Visits in error

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Capital Asset Statistics By Function
Last Ten Years

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Police officers | 199 | 197 | 209 | 200 | 208 | 211 | 218 | 210 | 208 | 210 |
| Patrol units | 87 | 90 | 108 | 114 | 114 | 107 | 108 | 124 | 120 | 123 |
| Fire: | | | | | | | | | | |
| Stations | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Fire fighters | 141 | 102 | 120 | 123 | 120 | 118 | 122 | 121 | 121 | 123 |
| Sanitation | | | | | | | | | | |
| Collection trucks | 3 | 3 | 4 | 4 | 4 | 3 | 3 | 5 | 3 | 5 |
| Highways and Streets | | | | | | | | | | |
| Streets (miles) | 427.5 | 427.5 | 427.5 | 427.5 | 427.5 | 427.5 | 427.5 | 433.9 | 433.9 | 433.9 |
| Streetlights | 7995 | 8097 | 8097 | 8106 | 8106 | 8136 | 8461 | 8461 | 8476 | 8622 |
| Traffic signals (1) | 1622 | 1622 | 1622 | 1622 | 195 | 198 | 196 | 196 | 196 | 196 |
| Recreation | | | | | | | | | | |
| Parks acreage | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 |
| Parks (2) | 32 | 32 | 32 | 32 | 32 | 45 | 45 | 45 | 45 | 45 |
| Swimming pools | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Playgrounds | 19 | 19 | 19 | 19 | 19 | 19 | 21 | 21 | 21 | 21 |
| Water | | | | | | | | | | |
| Water mains (miles) | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 | 310 |
| Fire hydrants | 1818 | 1820 | 1817 | 1817 | 1817 | 1817 | 1817 | 1817 | 1817 | 1817 |
| Maximum daily capacity (millions of gallons) | 30 | 30 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 | 283 |
| Storm sewers (miles) | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Maximum daily treatment capacity (millions of gallons) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Golf | | | | | | | | | | |
| Number of courses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source:
Various city departments.

Notes:
(1) Prior to 2014 the number included any type of traffic signals, starting 2014, the number only includes traffic light signals
(2) Starting 2015, the number also includes pocket parks

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

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**CITY OF ALLENTOWN
FINANCIAL MANAGEMENT POLICIES**

OPERATING MANAGEMENT

- General Fund revenues are sensitive to local and regional economic activity. Accordingly, revenue estimates prepared by the Administration and adopted by City Council should be conservative.
- The annual budget should continue to show fiscal restraint. An integral part of this restraint is the creation of a positive cash balance (surplus) in the General Fund at the end of the fiscal year. If necessary, spending during the fiscal year should be reduced sufficiently to create such a cash surplus.
- The annual budget should continue to be prepared, adopted and maintained in such a manner as to avoid the following situations:
 - 1) Two consecutive years of operating fund deficits.
 - 2) A current operating fund deficit greater than the previous year.
 - 3) An operating fund deficit in two or more of the last five years.
 - 4) An abnormally large deficit in any one year of more than 5 to 10 percent of net operating revenues.
- The City liquidity position (the extent to which cash and other assets are available to pay short-term obligations) should show a working capital surplus; i.e., cash and short-term investments should exceed current liabilities.
- When deficits appear to be forthcoming, the City should avoid the use of "fiscal mirrors" in order to balance the budget. Only three alternatives are available: reduce appropriations, increase revenues, or a combination of the two techniques.
- The City will pursue a prudent cash management and investment program in order to meet daily cash requirements. Investment program guidelines will follow this order of priority: preservation of principal; maintain and meet liquidity as needed; and within the parameters of these first two guidelines, investment growth.
- All retirement plans should continue to be funded and administered in accordance with the City's Pension Recovery Ordinance and State Act 205 of 1984.
- Contingency reserves should be maintained at a level sufficient to provide for unanticipated expenditures of a nonrecurring nature. The City will strive to maintain a fund balance at a level at least equal to five percent (5%) of budgeted expenditures.
- Insurance reserves should be maintained at a level which, together with purchased insurance policies, adequately indemnifies the City's assets and officers/employees against loss.
- The City should minimize the financial burden on the City's taxpayers through periodic systematic program reviews and evaluations aimed at improving the efficiency and effectiveness of City programs. These periodic reviews should consider past trends and experiences elsewhere, and revisions to annual policy guidelines should be based on current need and program efficiency. Such information should be crucial to the preparation of the annual budget.

- The City should maintain a budget that provides for adequate maintenance of the City's infrastructure and equipment stock and for their timely repair and/or replacement.
- Grant applications to fund new service programs with State or Federal funds should be reviewed by the City, with significant consideration given to whether locally-generated funds will be required to support these programs when original funding is no longer available.
- The City will continually oppose and discourage programs and actions by the State Legislature which would mandate cost increases to City government without providing an equal amount of state supplied revenue to offset such mandated increases.
- All fee schedules and enterprise/user charges should be reviewed and adjusted periodically to ensure that rates are equitable and cover the total cost of the service or that portion of the total cost deemed appropriate by the City.
- The Allentown Parking Authority should prepare an annual budget that is self-supporting. An integral part of that budget is the payment of debt service by current revenues, and the establishment of a revenue structure that ensures such payment without the assistance of City funds.

CAPITAL AND DEBT MANAGEMENT

- Any capital project financed through the issuance of general obligation bonds should be financed for a period not to exceed the expected life of the project up to a maximum of twenty years.
- The Comprehensive Plan of the City of Allentown should be used to help evaluate the projects in the Capital Improvements Program.
- The Capital Improvements Program should reflect the relationship between the City's planning and budgeting processes, wherein the planning effort defines the City's anticipated capital facility needs and the budgeting effort defines the financial parameters of sound capital expenditure policies to meet those needs.
- Bond sales should be planned and structured in order to maintain or improve the City's bond rating and to obtain interest rates at or below the published bond yield averages for bonds of similar ratings.
- The schedule of capital facility improvements should be developed in such a manner as to level the City's annual debt service payments to the maximum extent possible and to minimize fluctuations in tax rates caused by debt-financed capital improvements.
- The City should use short-term financing such as revenue and bond anticipation notes to provide temporary financing for improvement projects or land acquisition, only when market conditions warrant such action. Short-term debt outstanding at the end of the fiscal year should not exceed five percent (5%) of operating revenues
- Net direct debt of the General Fund should be maintained below \$1,000 per capita.
- Net direct debt per capita for the General Fund should not exceed ten percent (10%) of per capita personal income.

- The level of net direct debt should not exceed fifty percent (50%) of the State mandated legal debt limit for the City.
- Debt service payments should not exceed ten percent (10%) of governmental fund expenditures, in order to minimize the impact on tax rates while providing for the normal replacement of public facilities.
- A portion of the Capital Improvements Program should be supplemented with City provided services ("IN-KIND").

ACCOUNTING, AUDITING AND FINANCIAL PLANNING

- The City should maintain the highest level accounting practices. Accounting systems should be maintained in order to facilitate financial reporting in conformance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and the Financial Accounting Standards Board (FASB).
- An annual audit should be performed as required by various bond indentures by an independent public accounting firm in accordance with generally accepted auditing standards.
- Full disclosure should be provided in the Comprehensive Annual Financial Report, Official Statements and all other financial reports.
- Financial systems should be maintained to monitor expenditures, revenues and performance of all municipal programs on an ongoing basis.
- Operating expenditures should be programmed to include the cost of implementing capital improvements.
- The City should institute a "trained-observer" Capital Plant Assessment process, in order to evaluate and monitor the condition of its major physical assets.

COMMUNITY NEEDS AND RESOURCES

- The City should continue to diversify and stabilize its economic base in order to protect the community against economic downturns and to take advantage of economic upswings.
- The City should continue its joint private/public economic development efforts to "market" Allentown as a desirable place to do business.
- The City should continue to encourage economic development activities that provide growth in the City's tax base and employment opportunities for City residents. In those cases where it is not realistic to locate the activity within Allentown, the City will work with other economic development organizations to find an appropriate location in Lehigh County or the Lehigh Valley.

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