

# **CITY OF ALLENTOWN**

Pennsylvania

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**ED PAWLOWSKI  
MAYOR**

**BRENT HARTZELL  
DIRECTOR OF FINANCE**

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

For the year ended  
December 31, 2016

**CITY OF ALLENTOWN, PENNSYLVANIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**



**MAYOR**

Ed Pawlowski

**CITY COUNCIL**

Ray O'Connell, President  
Daryl Hendricks, Vice President  
Candida Affa  
Julio A. Guridy  
Roger MacLean  
David McGuire  
Cynthia Y. Mota

**CITY CONTROLLER**

Jeff Glazier

**CITY SOLICITOR**

Susan Wild, Esq.

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

Zelenkofske Axelrod LLC, Certified Public Accountants

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

## PERTINENT FACTS ABOUT THE CITY OF ALLENTOWN

### GENERAL

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

### CITY GOVERNMENT

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

### INDUSTRIES/LABOR FORCE

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

### TRANSPORTATION

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

### AMENITIES

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



CITY OF ALLENTOWN, PENNSYLVANIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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**Brent Hartzell**

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June 27, 2017

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, 2016 is submitted herewith. This report was prepared by the City's Department of Finance. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

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

This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). The financial statements of the reporting entity include those of the City (the primary government) and its Component Units. The Component Units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The Component Units, in accordance with GAAP, have been included in the financial reporting entity as discretely presented Component Units.

## FINANCIAL INFORMATION

Internal Controls: Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse. The City is further responsible to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the

valuation of costs and benefits requires estimates and judgments by management. The CAFR includes Management's Discussion and Analysis (MD&A) which provides an analysis of the City's financial condition for 2016.

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

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

## OTHER INFORMATION

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

Initiatives for the Year: 2016 was a year of continued economic revitalization in Allentown's Center City. The 8,500 seat PPL Center plays host to numerous entertainment events and is home to the Lehigh Valley Phantoms, the American Hockey League affiliate of the Philadelphia Flyers. BB&T Bank, Morgan Stanley and other firms established downtown operations in 2016, and construction began on another 140 luxury apartments to supplement the 170 apartments opened during the previous year. New office towers with 12 and 24 stories are in early planning stages which will add 462,030 square feet of office space in Center City constructed in the last four years.

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

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

In 2016, Standard and Poor's maintained the City's bond rating at a A+(SPUR) with a stable outlook and Moody's affirmed the City's A3 rating with a stable outlook.

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

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

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

Sincerely,



Brent Hartzell  
Director of Finance



Debi Bowman  
Deputy Director of Finance and Treasury



Government Finance Officers Association

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

Presented to

**City of Allentown  
Pennsylvania**

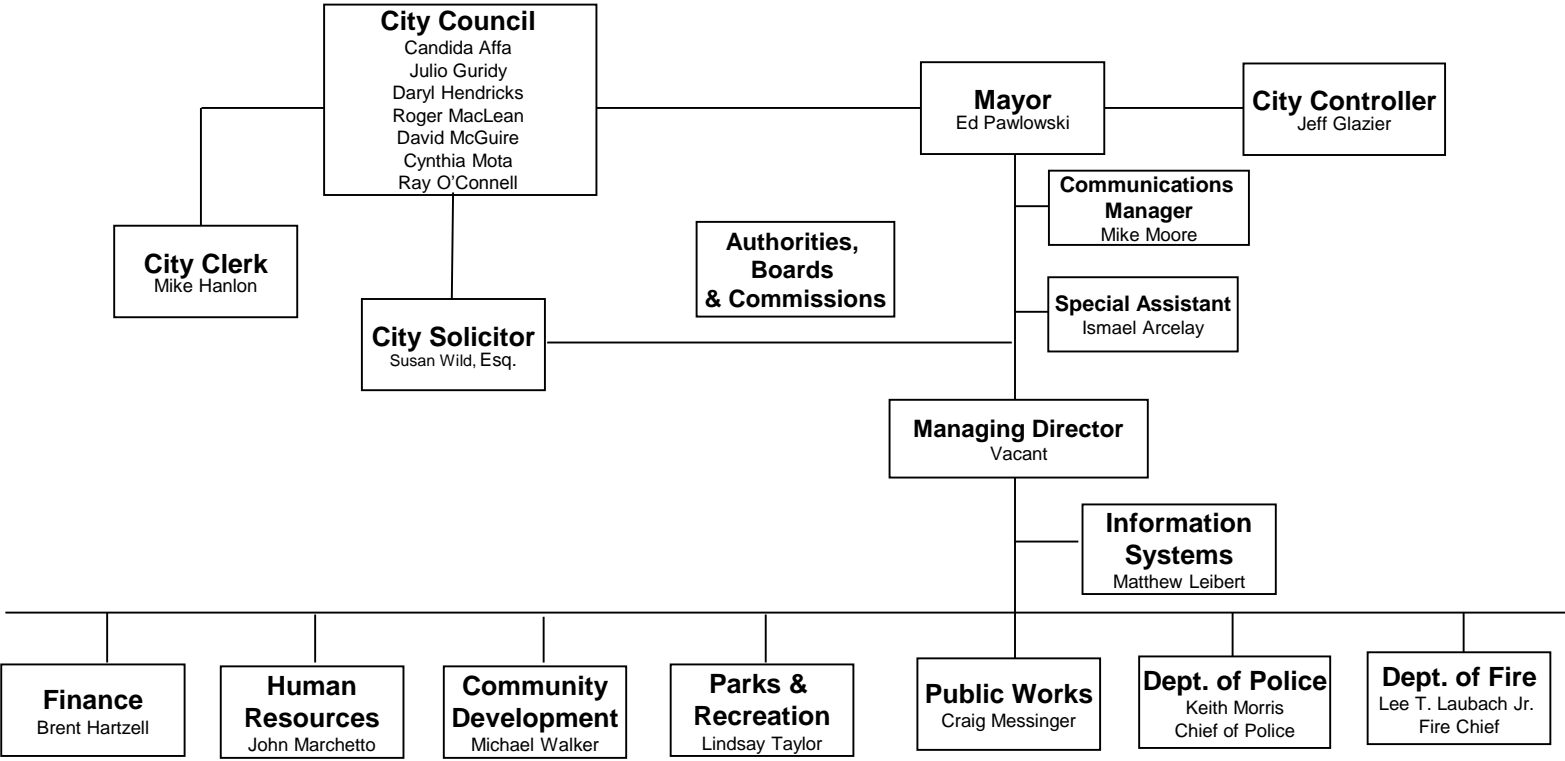
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

# City of Allentown

## 2016 Organizational Chart



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# Zelenkofske Axelrod LLC

## Independent Auditor's Report

The Honorable Ed Pawlowski, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility or the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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# Zelenkofske Axelrod LLC

The Honorable Ed Pawlowski, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2016 the City of Allentown adopted the provisions of Governmental Accounting Standards Board's Statement No. 72, "*Fair Value Measurement and Application*", the provisions of Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", the provisions of Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The provisions of Statement No. 77, "*Tax Abatement Disclosures*", the provisions of Statement No. 78, "*Pensions Provided through Certain Multiple – Employer Benefit Plans*", and the provisions of Statement No. 79, "*Certain External Investment Pools and Pool Participants*". Our opinion is not modified with respect to these matters.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other post-employment benefit information on pages 4 through 20 and 89 through 107 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

# Zelenkofske Axelrod LLC

The Honorable Ed Pawlowski, Mayor,  
and Members of City Council  
City of Allentown, Pennsylvania  
Page 3

## Other Information

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

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

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

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
June 27, 2017

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

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**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, 2016. 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, 2016. Additional information is provided in the Transmittal Letter preceding this MD&A which can be found on pages i-iii of this report. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

**FINANCIAL HIGHLIGHTS**

During 2016, the City's total net position decreased by \$14,029,221. The net position of governmental activities decreased by \$13,607,401 and the net position of business-type activities decreased by \$421,820.

The city disposed \$4.2 million of capital assets that are no longer in use. The remaining change in net position was due to the increase in pension liability related to the changes in the discount rate and mortality table.

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

Property tax rates as a composite of land and improvement assessments remained at 5.81 mills for 2016.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

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

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

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

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

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

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

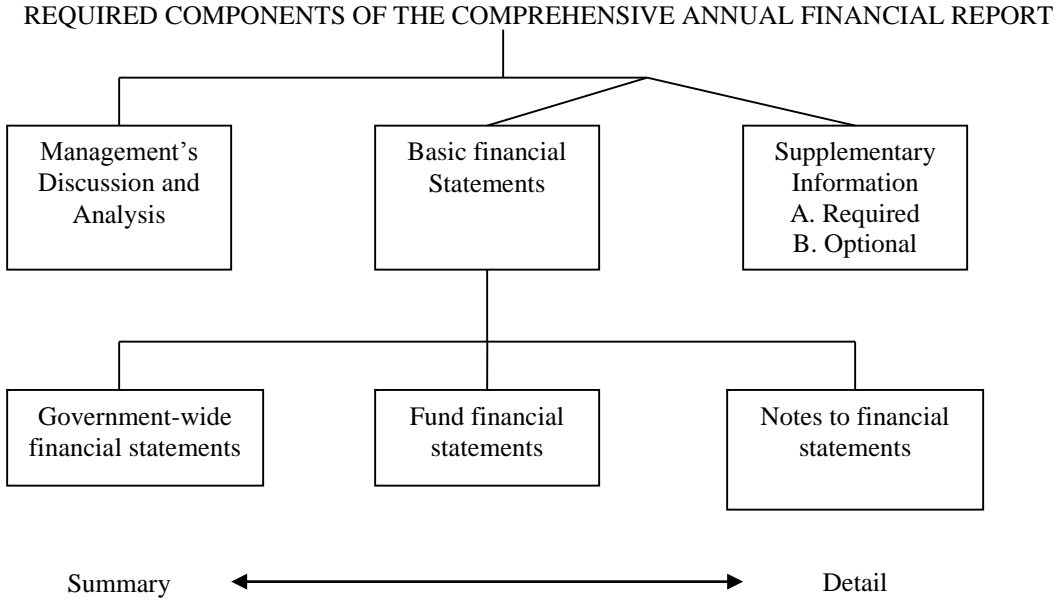


Table A-2 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

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

	<b>Government-wide statements</b>	<b>Fund financial statements</b>		
		<b>Governmental</b>	<b>Business-Type</b>	<b>Fiduciary</b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset and liability information</b>	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
<b>Type of inflow and outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

### **Government-wide financial statements**

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

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

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

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

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

There are two categories of activities for the primary government.

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

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



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

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

### **Fund financial statements**

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

The City has three kinds of funds:

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The City's total assets were \$332,730,984 at December 31, 2016. Of this amount, \$237,992,749 was capital assets, including infrastructure and construction in progress.

**Table A-3: Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 58,175,605	\$ 64,435,228	\$ 4,798,409	\$ 8,968,934	\$ 62,974,014	\$ 73,404,162
Capital assets, net	232,625,916	224,560,098	5,366,833	5,455,900	237,992,749	230,015,998
Other non-current assets	27,907,078	29,625,749	3,857,143	-	31,764,221	29,625,749
<b>Total Assets</b>	<b>318,708,599</b>	<b>318,621,075</b>	<b>14,022,385</b>	<b>14,424,834</b>	<b>332,730,984</b>	<b>333,045,909</b>
Deferred Outflows of Resources:						
Deferred outflows of resources for pensions	33,222,189	19,929,272	1,064,826	239,231	34,287,015	20,168,503
Deferred charge on refunding	147,513	128,599	-	-	147,513	128,599
<b>Total Deferred Outflows of Resources</b>	<b>33,369,702</b>	<b>20,057,871</b>	<b>1,064,826</b>	<b>239,231</b>	<b>34,434,528</b>	<b>20,297,102</b>
Current and other liabilities	25,805,574	22,603,689	2,044,191	2,323,501	27,849,765	24,927,190
Long-term liabilities	202,159,246	179,369,484	3,205,343	2,080,512	205,364,589	181,449,996
<b>Total Liabilities</b>	<b>227,964,820</b>	<b>201,973,173</b>	<b>5,249,534</b>	<b>4,404,013</b>	<b>233,214,354</b>	<b>206,377,186</b>
Deferred Inflows of Resources:						
Utility system concession lease	212,405,230	211,963,260	-	-	212,405,230	211,963,260
Deferred inflows of resources for pensions	595,710	22,571	1,872	2,427	597,582	24,998
<b>Total Deferred Inflows of Resources</b>	<b>213,000,940</b>	<b>211,985,831</b>	<b>1,872</b>	<b>2,427</b>	<b>213,002,812</b>	<b>211,988,258</b>
Net position:						
Net investment in capital assets	151,528,530	149,413,132	4,971,644	4,965,265	156,500,174	154,378,397
Restricted	8,538,881	9,560,549	-	-	8,538,881	9,560,549
Unrestricted	(248,954,870)	(234,253,739)	4,864,161	5,292,360	(244,090,709)	(228,961,379)
<b>Total Net Position</b>	<b>\$ (88,887,459)</b>	<b>\$ (75,280,058)</b>	<b>\$ 9,835,805</b>	<b>\$ 10,257,625</b>	<b>\$ (79,051,654)</b>	<b>\$ (65,022,433)</b>

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The following statement of activities represents changes in net position for the year ended December 31, 2016. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

**Table A-4: Changes in net position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Program revenues:</b>						
Charges for services	\$ 20,796,907	\$ 16,948,210	\$ 15,744,390	\$ 16,183,363	\$ 36,541,297	\$ 33,131,573
Operating grants and contributions	12,775,516	13,172,892	508,689	411,842	13,284,205	13,584,734
Capital grants	6,282,366	12,033,696	-	-	6,282,366	12,033,696
<b>General revenues:</b>						
Taxes	59,361,401	59,959,705	-	-	59,361,401	59,959,705
Investment earnings	61,158	19,919	-	-	61,158	19,919
Unrestricted grants/contributions	12,970,519	12,631,023	-	-	12,970,519	12,631,023
<b>Total revenues</b>	<b>112,247,867</b>	<b>114,765,445</b>	<b>16,253,079</b>	<b>16,595,205</b>	<b>128,500,946</b>	<b>131,360,650</b>
<b>Expenses:</b>						
General government	14,922,641	18,476,854	-	-	14,922,641	18,476,854
Public safety	65,369,233	57,643,493	-	-	65,369,233	57,643,493
Community development	9,774,957	6,521,109	-	-	9,774,957	6,521,109
Public works	21,801,546	16,755,390	-	-	21,801,546	16,755,390
Health and sanitation	3,276,428	3,201,951	-	-	3,276,428	3,201,951
Parks and recreation	6,622,705	6,267,874	-	-	6,622,705	6,267,874
Water and sewer	-	-	-	-	-	-
Interest long-term debt	4,964,746	4,822,575	-	-	4,964,746	4,822,575
Municipal golf course	-	-	1,207,239	1,180,801	1,207,239	1,180,801
Solid waste fund	-	-	14,590,672	15,027,563	14,590,672	15,027,563
<b>Total expenses</b>	<b>126,732,256</b>	<b>113,689,246</b>	<b>15,797,911</b>	<b>16,208,364</b>	<b>142,530,167</b>	<b>129,897,610</b>
Change in net position before special items and transfers	(14,484,389)	1,076,199	455,168	386,841	(14,029,221)	1,463,040
Transfers	876,988	954,004	(876,988)	(954,004)	-	-
Special items	-	-	-	-	-	-
<b>Change in net position</b>	<b>(13,607,401)</b>	<b>2,030,203</b>	<b>(421,820)</b>	<b>(567,163)</b>	<b>(14,029,221)</b>	<b>1,463,040</b>
Net position beginning	(75,280,058)	(77,310,261)	10,257,625	10,824,788	(65,022,433)	(66,485,473)
<b>Net position ending</b>	<b>\$ (88,887,459)</b>	<b>\$ (75,280,058)</b>	<b>\$ 9,835,805</b>	<b>\$ 10,257,625</b>	<b>\$ (79,051,654)</b>	<b>\$ (65,022,433)</b>

During 2016, the City's net position decreased by \$14,029,221 to (\$79,051,654). As previously stated in the financial highlights; the city disposed \$4.2 million of capital assets that are no longer in use. The remaining change in net position was due to the increase in pension liability related to the changes in the discount rate and mortality table.

Total government-wide revenues of \$128.5 million came primarily from taxes of \$59.4 million, representing 46.3 percent of the total. Charges for services at \$36.5 million made up the second largest source at 28.4 percent, followed by operating and capital grants, and contributions of \$19.6 million, or 15.2 percent, and other revenue sources made up the remaining 10.1 percent.

The decrease in revenue from 2015 to 2016 was primarily due to a \$6 million reduction of capital grants received because of the completion of a major bridge infrastructure.

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Total expenses for all programs in 2016 were \$142.5 million. The expenses cover a range of services, with the largest being public safety at \$65.3 million or 45.9 percent. The second largest program area was public works at \$21.8 million or 15.3 percent, followed by general government at \$14.9 million or 10.5 percent, then the solid waste fund at \$14.6 million or 10.2 percent, followed by community development at \$9.8 million or 6.9 percent, then by parks and recreation at \$6.6 million or 4.6 percent, followed by interest on outstanding debt at \$5 million or 3.5 percent, then health and sanitation at \$3.3 million or 2.3 percent, then golf course at \$1.2 million or 0.8 percent.

Public Safety expenses increased \$7.7 million, which was due to increase in personnel costs and professional services.

**Net cost of services**

Net cost of services indicates the amount of support required from taxes and other general revenues for a program of the government. In 2016, real estate and Act 511 taxes brought in \$59.3 million. There were \$12.9 million in grants and contributions not restricted to specific purposes. Table A-5 depicts the net program expenses for the years ended December 31, 2016 and 2015.

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

	Total cost of services		Net cost of services	
	2016	2015	2016	2015
Program:				
General government	\$ 14,922,641	\$ 18,476,854	\$ 9,678,550	\$ 10,925,871
Public safety	65,369,233	57,643,493	59,628,271	52,322,923
Community development	9,774,957	6,521,109	1,764,291	782,583
Public works	21,801,546	16,755,390	11,920,330	2,281,416
Health and sanitation	3,276,428	3,201,951	989,040	1,022,228
Parks and recreation	6,622,705	6,267,874	3,906,091	4,247,592
Water and sewer		-	(5,973,852)	(4,870,740)
Interest on long-term debt	4,964,746	4,822,575	4,964,746	4,822,575
Municipal golf course	1,207,239	1,180,801	(73,699)	(115,463)
Solid waste fund	14,590,672	15,027,563	(381,469)	(271,378)
Total expenses	\$ 142,530,167	\$ 129,897,610	\$ 86,422,299	\$ 71,147,607

The City relied on real estate tax, Act 511 taxes and other general revenues to fund 60.6 percent of its governmental and business-type activities in 2016.

Property taxes and other general revenues covered 64.9 percent of general government spending with the remainder coming from grants and fees for specific services. Nearly 91.2 percent of public safety spending came from the property tax and other general revenues with the remainder coming from grants, fines, and court costs. Community development costs were funded except for 18.0

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percent by fees, charges for service, and the balance from Community Development Block Grant (CDBG) funding.

Public works spending were covered 45.3 percent by program revenues, 26.7 percent of which was in the form of capital grants and contributions with the remainder coming from property tax and other general revenues. Health and sanitation received all but 30.2 percent of its revenue from program revenues, 57.9 percent of which was in the form of grants. Parks and recreation expenses were covered 41.0 percent by program revenues with the remainder coming from property tax and other general revenues.

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

### Capital Assets

The City's investment in capital assets at December 31, 2016, net of accumulated depreciation, was \$238 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure. Table A-6 is a summary of capital assets at December 31, 2016 and 2015.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,809,945	\$ 9,809,945	\$ 1,134,759	\$ 1,134,759	\$ 10,944,704	\$ 10,944,704
Assets under concession lease - LCA	74,643,327	67,831,222	-	-	74,643,327	67,831,222
Assets under concession lease - COA	5,005,086	-	-	-	5,005,086	-
Construction in progress	3,243,730	21,233,972	-	-	3,243,730	21,233,972
Buildings	4,420,676	4,775,427	664,688	691,830	5,085,364	5,467,257
Land and building improvements	19,135,911	18,591,445	1,363,608	1,422,616	20,499,519	20,014,061
Machinery and equipment	10,422,201	11,370,239	1,334,569	1,306,330	11,756,770	12,676,569
Vehicles	6,325,269	5,436,182	840,637	871,415	7,165,906	6,307,597
Infrastructure	99,619,771	85,511,666	-	-	99,619,771	85,511,666
Distribution and collection systems	-	-	28,572	28,950	28,572	28,950
<b>Total</b>	<b>\$ 232,625,916</b>	<b>\$ 224,560,098</b>	<b>\$ 5,366,833</b>	<b>\$ 5,455,900</b>	<b>\$ 237,992,749</b>	<b>\$ 230,015,998</b>

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

## Debt Administration

### Long-term debt:

At December 31, 2016, the City had \$99.8 million of debt outstanding, including bonds, notes, and capital leases. This was a net decrease of \$5.3 million from the previous year. Table A-7 provides a summary of outstanding debt.

**Table A-7: Summary of outstanding debt**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital lease	\$ 1,002,341	\$ 1,427,208	\$ 395,189	\$ 490,635	\$ 1,397,530	\$ 1,917,843
Bonds and notes	82,776,716	84,851,746	-	-	82,776,716	84,851,746
Pension obligation bonds	15,565,000	18,290,000	-	-	15,565,000	18,290,000
Total	\$ 99,344,057	\$ 104,568,954	\$ 395,189	\$ 490,635	\$ 99,739,246	\$ 105,059,589

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, 2016 was approximately \$229 million, and the total debt outstanding was \$99.3 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2016 was approximately \$320.6 million and the total debt outstanding was \$83.8 million. For computation purposes, the \$99.3 million has been reduced by \$15.6 million, which is the outstanding balance of the 2004 General Obligation bond issue used to finance the City's pension funding liability as allowed by statute.

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

### Bond rating

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

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**GOVERNMENTAL FUNDS**

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

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year. Governmental fund accounting was not affected by the adoption of GASB No. 34. Therefore, a schedule is presented to reconcile the fund statements to the government-wide statements.

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

**Governmental fund revenues**

Governmental fund revenues by source for the years ended December 31, 2016 and 2015 were as follows. Table A-8 also presents changes from 2015 to 2016.

**Table A-8: Revenues by source, governmental funds**

	2016	2015	Changes from 2015 to 2016	Percent change
Revenues:				
Taxes	\$ 64,853,652	\$ 59,786,702	\$ 5,066,950	8.5
Licenses and permits	5,907,269	5,845,880	61,389	1.1
Charges for services	5,422,775	6,312,663	(889,888)	(14.1)
Fines and forfeits	1,180,590	690,926	489,664	70.9
Investment earnings	61,159	19,919	41,240	207.0
Intergovernmental revenues	30,798,475	36,574,646	(5,776,171)	(15.8)
Other	2,910,028	1,610,936	1,299,092	80.6
Total revenues	\$ 111,133,948	\$ 110,841,672	\$ 292,276	0.3

Governmental fund revenues totaled \$111.1 million for the year ended December 31, 2016. This is an increase of \$0.3 million from 2015, primarily due to the increase in the resident earned income tax rate and decrease in the amount of capital grants for bridge infrastructure.



**Governmental fund expenditures**

Governmental fund expenditures by function for the years ended December 31, 2016 and 2015 were as follows. Table A-9 also presents changes from 2015 to 2016.

**Table A-9: Expenditures by function, governmental funds**

	2016	2015	Changes from 2015 to 2016	Percent change
Expenditures:				
General government	\$ 9,925,924	\$ 14,227,338	\$ (4,301,414)	(30.2)
Public safety	58,337,847	49,929,150	8,408,697	16.8
Community development	9,625,276	6,199,566	3,425,710	55.3
Public works	14,558,597	13,658,527	900,070	6.6
Health and sanitation	3,301,982	3,095,730	206,252	6.7
Parks and recreation	5,833,745	5,427,035	406,710	7.5
Debt service:				
Principal	7,933,320	14,310,040	(6,376,720)	(44.6)
Interest	3,271,606	3,841,537	(569,931)	(14.8)
Capital outlay	14,164,247	18,815,450	(4,651,203)	(24.7)
Total expenditures	<u>\$ 126,952,544</u>	<u>\$ 129,504,373</u>	<u>\$ (2,551,829)</u>	<u>(2.0)</u>

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

Governmental fund expenditures totaled \$127 million for the year ended December 31, 2016, a decrease of 2.0 percent from 2015. In 2016, from the proceeds of the utility system concession lease, an additional \$2.5 million debt payment was made on the City's pension obligation bond.

**Governmental fund balances and net position of enterprise funds**

Table A-10 reflects ending fund balances for governmental funds and the net position for enterprise funds at December 31, 2016 and 2015.

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

	2016		2015	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	\$ 19,534,349	\$ -	\$ 27,891,893	\$ -
Liquid Fuels Fund	1,878,598	-	1,602,811	-
Community Development				
Block Grant	4,292,519	-	4,942,519	-
Trexler	125,105	-	4,289	-
Capital Projects	6,816,278	-	11,131,988	-
E-911	481,012	-	689,638	-
Revolving Loan	1,327,717	-	1,327,657	-
Grants Fund	(15,948)	-	12,500	-
Lease A.O. Fund	(282,569)	-	-	-
Municipal Golf Course	-	2,105,502	-	2,081,547
Solid Waste Fund	-	7,730,303	-	8,176,078
<b>Total</b>	<b>\$ 34,157,061</b>	<b>\$ 9,835,805</b>	<b>\$ 47,603,295</b>	<b>\$ 10,257,625</b>

The City's governmental funds reported a combined fund balance of \$34.2 million at December 31, 2016. Of the total, \$4.3 million is restricted for CDBG projects, \$6.8 million is restricted for capital acquisitions, \$1.8 million is restricted for liquid fuels, \$1.3 million is restricted for the revolving loan fund, and \$0.5 million is restricted for the E-911 fund.

The General Fund balance decreased \$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.

### Budgetary highlights

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

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

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

The 2016 City general fund budget anticipated an effective operating deficit \$2.3 million net of dedicated pension obligation bond remittances. However, stable tax revenue and sharply constrained spending enabled the effective 2016 operating surplus to increase to \$0.7 million.

## **Economic Condition and Outlook**

### **LOCATION & DEMOGRAPHIC ADVANTAGES**

Allentown is the largest city in the four-county Allentown-Bethlehem-Easton Metropolitan Statistical Area and serves as the seat of Lehigh County. According to the 2010 Census the City is home to 118,032 residents, thus making it the third largest city in Pennsylvania. The City recorded one of the fastest rates of growth of any municipality in the Commonwealth between the 2000 and 2010 Censuses. Also of note, the 2010 Census reported the City's Hispanic community grew by 93.6% and now makes up 42.7% of the City's population, compared to 24.4% in 2000.

Known as "The City Without Limits", Allentown is strategically located within a 300-mile radius of the largest metropolitan areas on the eastern seaboard of the United States, 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 – including a trout hatchery located in a serene wooded topography – *and* an award winning municipal golf course that hosted 41,000 rounds of golf in 2016.

### **ECONOMIC DEVELOPMENT ACHIEVEMENTS**

The City has long served as the economic engine for the Lehigh Valley. The City is home to the corporate headquarters of utility firms PPL (a Fortune 500 company) and Talen Energy as well as major regional operations for BB&T Bank. The City has the largest employment concentration in the region and contains the Allentown School District and the government of Lehigh County within its boundaries as well as Muhlenberg College, Cedar Crest College and a branch campus of Lehigh Carbon Community College.

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

2016 was a year of continued economic revitalization in Allentown's Center City. The 8,500 seat PPL Center plays host to numerous entertainment events and is home to the Lehigh Valley Phantoms, the American Hockey League affiliate of the Philadelphia Flyers. BB&T Bank, Morgan Stanley and other firms established downtown operations in 2016, and construction began on another 140 luxury apartments to supplement the 170 apartments opened the previous year. New office towers with 12 and 24 stories are in early planning stages which will add 462,030 square feet of office space in Center City that has been constructed in the last four years.

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

Over the years, the government, corporate, education and health sector entities cited above historically provided a primary base for the City's job market. Now, as a result of the NIZ, Allentown is experiencing employment growth in such sectors as legal and financial services, banking, insurance, financial planning, tourism, entertainment, destination visiting and similar services. Along with what is noted above, the City and Lehigh County continue to seek ways to attract new businesses to the area. These new businesses stimulate the economy by providing jobs and other economic benefits derived from productive employment.

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

Beyond the NIZ, in 2016, the City continued to pursue residential and commercial development at multiple sites, including the expanded redevelopment of Hamilton Street in Center City Allentown through state and local partnerships such as Keystone Opportunity Zones (KOZ) and the availability of designated land parcels with a greatly reduced tax burden for residents and businesses. Efforts continue to further expand potential development at other such critically important sites as the former Allentown State Hospital.

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

## **SUMMARY**

The City of Allentown saw significant economic development in 2016, and City government demonstrated further accomplishment toward achieving long-term financial and community stability. Much work remains for the City to continue being effective stewards of the City's resources. While most City expenses throughout 2016 remained relatively stable due to stringent monitoring and management practices, certain costs continue to increase at rates above the Consumer Price Index, particularly in risk management. Revenue initiatives and cost control measures will continue apace to mitigate financial risk. Working with Council and the City Controller, the City Administration will lead the way to ensure that the successes of recent years are strengthened in the years to come.

## **REQUESTS FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information and complete financial statements for the discretely presented component units should be addressed to the Deputy Director of Finance, City of Allentown, 435 Hamilton Street, Allentown, Pennsylvania 18101.

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CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

Assets	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>Current assets:</b>				
Cash and cash equivalents	\$ 22,224,559	\$ 3,585,585	\$ 25,810,144	\$ 3,661,696
Cash and cash equivalents - restricted	-	-	-	-
Investments - restricted	12,705,620	-	12,705,620	735,000
Receivables (net of allowance for uncollectible):				
Taxes	12,142,110	-	12,142,110	-
Accounts	3,405,545	573,507	3,979,052	157,835
Grants	5,385,175	-	5,385,175	-
Other current assets	6,635	-	6,635	56,251
Inventory	-	12,625	12,625	18,380
Prepaid expenses	-	-	-	87,648
Prepaid debt insurance	676,023	-	676,023	-
Due from pension trust funds	1,613,773	-	1,613,773	-
Due from other governments	-	-	-	8,791
Advance to other fund, current	-	642,857	642,857	-
Internal balances	16,165	(16,165)	-	-
<b>Total current assets</b>	<b>58,175,605</b>	<b>4,798,409</b>	<b>62,974,014</b>	<b>4,725,601</b>
<b>Noncurrent assets:</b>				
Capital assets, net:				
Land	9,809,945	1,134,759	10,944,704	8,665,607
Assets under concession lease-LCA	74,643,327	-	74,643,327	-
Assets under concession lease-City	5,005,086	-	5,005,086	-
Buildings	4,420,676	664,688	5,085,364	49,418,234
Land and building improvements	19,135,910	1,363,606	20,499,516	-
Machinery and equipment	10,422,202	1,334,570	11,756,772	404,379
Vehicles	6,325,268	840,638	7,165,906	528,542
Distribution and collection systems	-	28,572	28,572	-
Construction in progress	3,243,730	-	3,243,730	45,383
Infrastructure	99,619,772	-	99,619,772	-
<b>Total capital assets, net</b>	<b>232,625,916</b>	<b>5,366,833</b>	<b>237,992,749</b>	<b>59,062,145</b>
Advance to other fund	-	3,857,143	3,857,143	-
Loans and notes receivable	5,107,078	-	5,107,078	2,718,238
Utility system concession lease receivable	22,800,000	-	22,800,000	-
Property held for development	-	-	-	61,426
<b>Total noncurrent assets</b>	<b>260,532,994</b>	<b>9,223,976</b>	<b>269,756,970</b>	<b>61,841,809</b>
<b>Total Assets</b>	<b>318,708,599</b>	<b>14,022,385</b>	<b>332,730,984</b>	<b>66,567,410</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources for pensions	33,222,189	1,064,826	34,287,015	138,092
Deferred charge on refunding	147,513	-	147,513	643,479
<b>Total Deferred Outflows of Resources</b>	<b>33,369,702</b>	<b>1,064,826</b>	<b>34,434,528</b>	<b>781,571</b>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016  
(Continued)

Liabilities	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>Current liabilities:</b>				
Accounts payable and other current liabilities	\$ 8,143,391	\$ 1,603,207	\$ 9,746,598	\$ 1,313,015
Wages payable	1,555,518	58,958	1,614,476	-
Accrued interest payable	456,884	-	456,884	-
Claims liability	742,923	-	742,923	-
Other liabilities	2,013,062	83,140	2,096,202	75,087
Due to pension trust funds	52,508	-	52,508	-
Due to other governments	1,232,492	-	1,232,492	-
Compensated absences	3,890,081	161,617	4,051,698	-
Unearned revenue	452,423	-	452,423	261,469
Facility contractual obligation	145,110	-	145,110	-
Capital leases payable	437,041	137,269	574,310	124,216
Advance from other fund, current	642,857	-	642,857	-
Notes and bonds payable, current maturities	6,041,284	-	-	75,087
<b>Total current liabilities</b>	<b>25,805,574</b>	<b>2,044,191</b>	<b>21,808,481</b>	<b>1,848,874</b>
<b>Noncurrent liabilities:</b>				
Capital leases payable	565,300	257,920	823,220	5,789
Compensated absences	76,346	944	77,290	-
Unearned revenue	-	-	-	8,579,618
Net pension liability	88,998,662	2,545,341	91,544,003	20,208
Other post-employment benefit liability	16,361,363	401,138	16,762,501	116,974
Advance from other fund	3,857,143	-	3,857,143	-
Notes and bonds payable	92,300,432	-	92,300,432	34,888,756
<b>Total noncurrent liabilities</b>	<b>202,159,246</b>	<b>3,205,343</b>	<b>205,364,589</b>	<b>43,611,345</b>
<b>Total Liabilities</b>	<b>227,964,820</b>	<b>5,249,534</b>	<b>227,173,070</b>	<b>45,460,219</b>
<b>Deferred Inflows of Resources</b>				
Utility system concession lease	212,405,230	-	212,405,230	-
Deferred inflows of resources for pensions	595,710	1,872	597,582	-
<b>Total Deferred Inflows of Resources</b>	<b>213,000,940</b>	<b>1,872</b>	<b>213,002,812</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	151,528,530	4,971,644	156,500,174	23,137,993
<b>Restricted for:</b>				
Public works	1,596,029	-	1,596,029	-
Community development	5,729,393	-	5,729,393	888,000
Public safety	481,012	-	481,012	-
Pension benefits	732,447	-	732,447	-
Unrestricted	(248,954,870)	4,864,161	(244,090,709)	(3,611,014)
<b>Total Net Position</b>	<b>\$ (88,887,459)</b>	<b>\$ 9,835,805</b>	<b>\$ (79,051,654)</b>	<b>\$ 20,414,979</b>

(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2016

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 14,922,641	\$ 4,452,307	\$ 791,784	\$ -	\$ (9,678,550)	\$ -	\$ (9,678,550)	\$ -
Public safety	65,369,233	4,772,625	658,164	310,173	(59,628,271)	-	(59,628,271)	-
Community development	9,774,957	3,539,435	4,471,131	100	(1,764,291)	-	(1,764,291)	-
Public works	21,801,546	1,139,669	2,926,428	5,815,119	(11,920,330)	-	(11,920,330)	-
Health and sanitation	3,276,428	390,794	1,896,594	-	(989,040)	-	(989,040)	-
Parks and recreation	6,622,705	528,225	2,031,415	156,974	(3,906,091)	-	(3,906,091)	-
Water and Sewer	-	5,973,852	-	-	5,973,852	-	5,973,852	-
Interest on long-term debt	4,964,746	-	-	-	(4,964,746)	-	(4,964,746)	-
Total governmental activities	<u>126,732,256</u>	<u>20,796,907</u>	<u>12,775,516</u>	<u>6,282,366</u>	<u>(86,877,467)</u>	<u>-</u>	<u>(86,877,467)</u>	<u>-</u>
Business-type activities:								
Solid Waste Fund	14,590,672	14,543,018	429,123	-	-	381,469	381,469	-
Municipal Golf Course	1,207,239	1,201,372	79,566	-	-	73,699	73,699	-
Total business-type activities	<u>15,797,911</u>	<u>15,744,390</u>	<u>508,689</u>	<u>-</u>	<u>-</u>	<u>455,168</u>	<u>455,168</u>	<u>-</u>
Total primary government	<u>\$ 142,530,167</u>	<u>\$ 36,541,297</u>	<u>\$ 13,284,205</u>	<u>\$ 6,282,366</u>	<u>(86,877,467)</u>	<u>455,168</u>	<u>(86,422,299)</u>	<u>-</u>
<b>Component units:</b>								
Redevelopment Authority of the City of Allentown	\$ 608,048	\$ 267,396	\$ 102,167	\$ -	-	-	-	(238,485)
Allentown Parking Authority	8,249,580	7,832,590	500,000	-	-	-	-	83,010
Total component units	<u>\$ 8,857,628</u>	<u>\$ 8,099,986</u>	<u>\$ 602,167</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(155,475)</u>
General revenues:								
Property taxes					29,557,966	-	29,557,966	-
Act 511					32,149,567	-	32,149,567	-
Utility realty					66,864	-	66,864	-
Deed transfer tax					1,837,096	-	1,837,096	-
Grants and contributions not restricted to specific purposes					12,970,519	-	12,970,519	-
Loss on disposal of capital assets					(4,250,092)	-	(4,250,092)	(57,078)
Investment earnings					61,158	-	61,158	36,632
Transfers					876,988	(876,988)	-	-
Total general revenues and transfers					<u>73,270,066</u>	<u>(876,988)</u>	<u>72,393,078</u>	<u>(20,446)</u>
Change in Net Position					(13,607,401)	(421,820)	(14,029,221)	(175,921)
Net Position:								
Beginning of year					<u>(75,280,058)</u>	<u>10,257,625</u>	<u>(65,022,433)</u>	<u>20,590,900</u>
End of year					<u>\$ (88,887,459)</u>	<u>\$ 9,835,805</u>	<u>\$ (79,051,654)</u>	<u>\$ 20,414,979</u>

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



CITY OF ALLENTOWN, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 14,307,698	\$ 5,000	\$ -	\$ 4,378,381	\$ 18,691,079
Investments - restricted	56,358	12,649,262	-	-	12,705,620
Receivables, net:					
Taxes	12,142,110	-	-	-	12,142,110
Loans	129,950	-	-	4,977,128	5,107,078
Accounts	2,285,870	1,048,157	-	-	3,334,027
Grants	365,666	1,864,462	-	3,155,047	5,385,175
Utility system concession lease	22,800,000	-	-	-	22,800,000
Interest	-	-	-	6,635	6,635
Due from pension trust funds	1,613,773	-	-	-	1,613,773
Due from other funds	9,005,407	-	1,040	-	9,006,447
Due from component unit	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 62,706,832</b>	<b>\$ 15,566,881</b>	<b>\$ 1,040</b>	<b>\$ 12,517,191</b>	<b>\$ 90,791,944</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
Liabilities:					
Accounts payable	\$ 2,665,342	\$ 2,208,020	\$ 1,040	\$ 1,643,012	\$ 6,517,414
Wages Payable	1,494,950	-	-	56,465	1,551,415
Due to other funds	1,069,833	6,485,472	-	2,503,770	10,059,075
Due to pension trust funds	52,508	-	-	-	52,508
Due to other governments	1,232,492	-	-	-	1,232,492
Unearned revenue	-	-	-	452,423	452,423
Advance from other fund	4,500,000	-	-	-	4,500,000
Other liabilities	1,900,864	57,111	-	55,087	2,013,062
Total Liabilities	<u>12,915,989</u>	<u>8,750,603</u>	<u>1,040</u>	<u>4,710,757</u>	<u>26,378,389</u>
Deferred Inflows of Resources:					
Unavailable revenue - taxes	7,456,494	-	-	-	7,456,494
Unavailable revenue - utilities	-	-	-	-	-
Unavailable revenue - utility system concession lease	22,800,000	-	-	-	22,800,000
Total Deferred Inflows of Resources	<u>30,256,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,256,494</u>
Fund Balance:					
Restricted	862,397	6,816,278	-	8,058,904	15,737,579
Assigned	6,434,577	-	-	46,047	6,480,624
Unassigned	12,237,375	-	-	(298,517)	11,938,858
Total Fund Balance	<u>19,534,349</u>	<u>6,816,278</u>	<u>-</u>	<u>7,806,434</u>	<u>34,157,061</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 62,706,832</b>	<b>\$ 15,566,881</b>	<b>\$ 1,040</b>	<b>\$ 12,517,191</b>	<b>\$ 90,791,944</b>

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, 2016

Total Fund Balance - Governmental Funds	\$	34,157,061
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.		232,625,916
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in governmental funds.		30,256,494
Prepaid debt insurance is reported as an asset and amortized on the statement of net position.		676,023
Utility system concession lease is required to be amortized over the life of the lease for governmental activities.		(212,405,230)
Long-term liabilities, including general obligation debt and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Accrued interest payable on general obligation debt	(456,884)	
Facility contractual obligation	(145,110)	
Notes and bonds payable	(98,341,716)	
Less: deferred charge on refunding	147,513	
Capital leases payable	(1,002,341)	
Compensated absences	(3,964,718)	
Other post-employment benefits liability	(16,361,363)	
Net pension liability, net of related deferred inflows and outflows of resources	(56,372,183)	(176,496,802)
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.		2,299,079
Total Net Position - Governmental Activities	\$	(88,887,459)

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, 2016

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 64,853,652	\$ -	\$ -	\$ -	\$ 64,853,652
Licenses and permits	5,907,269	-	-	-	5,907,269
Charges for services	5,082,845	339,930	-	-	5,422,775
Fines and forfeits	1,180,590	-	-	-	1,180,590
Investment earnings	7,759	53,196	-	204	61,159
Intergovernmental revenues	11,492,434	6,282,365	-	13,023,676	30,798,475
Other	2,196,794	2,541	-	710,693	2,910,028
Total revenues	<u>90,721,343</u>	<u>6,678,032</u>	<u>-</u>	<u>13,734,573</u>	<u>111,133,948</u>
<b>Expenditures:</b>					
Current:					
General government	9,081,217	-	7,370	837,337	9,925,924
Public safety	55,343,082	-	-	2,994,765	58,337,847
Community development	4,442,524	-	-	5,182,752	9,625,276
Public works	11,553,820	-	-	3,004,777	14,558,597
Health and sanitation	3,301,982	-	-	-	3,301,982
Parks and recreation	4,444,432	-	-	1,389,313	5,833,745
Debt service:					
Principal	-	-	7,933,320	-	7,933,320
Interest	-	-	3,271,606	-	3,271,606
Capital outlay	1,849,123	12,163,620	-	151,504	14,164,247
Total expenditures	<u>90,016,180</u>	<u>12,163,620</u>	<u>11,212,296</u>	<u>13,560,448</u>	<u>126,952,544</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>705,163</u>	<u>(5,485,588)</u>	<u>(11,212,296)</u>	<u>174,125</u>	<u>(15,818,596)</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of long-term debt	1,080,039	-	-	347,379	1,427,418
Transfers in	2,406,233	1,614,007	11,212,296	594,129	15,826,665
Transfers out	<u>(12,548,979)</u>	<u>(444,129)</u>	<u>-</u>	<u>(1,888,613)</u>	<u>(14,881,721)</u>
Total other financing sources (uses)	<u>(9,062,707)</u>	<u>1,169,878</u>	<u>11,212,296</u>	<u>(947,105)</u>	<u>2,372,362</u>
Net Change in Fund Balance	(8,357,544)	(4,315,710)	-	(772,980)	(13,446,234)
<b>Fund Balance:</b>					
Beginning of year	27,891,893	11,131,988	-	8,579,414	47,603,295
End of year	<u>\$ 19,534,349</u>	<u>\$ 6,816,278</u>	<u>\$ -</u>	<u>\$ 7,806,434</u>	<u>\$ 34,157,061</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, 2016

Net Change in Fund Balance - Governmental Funds	\$	(13,446,234)
Amounts reported for governmental activities in the statement of activities are different because:		
		14,164,247
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.		
		(8,660,442)
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.		
		(4,250,092)
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.		
		(1,242,159)
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.		
		(77,003)
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.		
		1,137,212
Activities of the internal service fund are reported as net revenue in the statement of activities.		
		(1,427,418)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds.		
		424,867
Principal payments on capital leases consumes the current financial resources of governmental funds.		
		7,933,320
The repayment of principal of long-term debt consumes the current financial resources of governmental funds.		
		(1,758,911)
The accretion of capital appreciation bonds does not consume current financial resources of governmental funds.		
		8,397
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.		
		57,374
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.		
		(9,220,360)
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.		
		(2,428,951)
Other-post employment benefits are reported in the statement of activities but not require the use of current financial resources.		
		<u>5,178,752</u>
The deferred inflow of resources from the utility system concession lease is amortized over the life of the lease in the statement of activities.		
		<u><u>(13,607,401)</u></u>
Change in Net Position - Governmental Activities	\$	<u><u>(13,607,401)</u></u>

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Solid Waste Fund</u>	<u>Non-Major Fund Municipal Golf Course</u>	<u>Total</u>	<u>Internal Service Fund</u>
<u>Assets</u>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 3,584,185	\$ 1,400	\$ 3,585,585	\$ 3,533,480
Accounts receivable:				
Refuse collection	1,767,288	-	1,767,288	-
Grants	-	-	-	-
Other	-	6,437	6,437	71,518
Total accounts receivable	<u>1,767,288</u>	<u>6,437</u>	<u>1,773,725</u>	<u>71,518</u>
Allowance for doubtful accounts	<u>1,200,218</u>	<u>-</u>	<u>1,200,218</u>	<u>-</u>
Net accounts receivable	<u>567,070</u>	<u>6,437</u>	<u>573,507</u>	<u>71,518</u>
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,068,793</u>
Advance to other funds	<u>642,857</u>	<u>-</u>	<u>642,857</u>	<u>-</u>
Inventories	<u>-</u>	<u>12,625</u>	<u>12,625</u>	<u>-</u>
Total current assets	<u>4,794,112</u>	<u>20,462</u>	<u>4,814,574</u>	<u>4,673,791</u>
<b>Noncurrent assets:</b>				
Advance to other funds	3,857,143	-	3,857,143	-
<b>Capital assets, net:</b>				
Land	-	1,134,759	1,134,759	-
Buildings	1,017,066	227,475	1,244,541	-
Land and building improvements	1,477,128	3,385,290	4,862,418	-
Machinery and equipment	3,351,599	1,224,267	4,575,866	-
Vehicles	3,807,038	239,225	4,046,263	-
Distribution and collection systems	<u>-</u>	<u>37,465</u>	<u>37,465</u>	<u>-</u>
Total capital assets	<u>9,652,831</u>	<u>6,248,481</u>	<u>15,901,312</u>	<u>-</u>
Accumulated depreciation	<u>(6,795,373)</u>	<u>(3,739,106)</u>	<u>(10,534,479)</u>	<u>-</u>
Net capital assets	<u>2,857,458</u>	<u>2,509,375</u>	<u>5,366,833</u>	<u>-</u>
Total noncurrent assets	<u>6,714,601</u>	<u>2,509,375</u>	<u>9,223,976</u>	<u>-</u>
Total assets	<u>11,508,713</u>	<u>2,529,837</u>	<u>14,038,550</u>	<u>4,673,791</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources for pensions	<u>930,195</u>	<u>134,631</u>	<u>1,064,826</u>	<u>-</u>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016  
(Continued)

Business-type Activities - Enterprise Funds				
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Total	Internal Service Fund
Liabilities				
Current liabilities:				
Accounts payable	1,599,725	3,482	1,603,207	1,625,977
Wages payable	51,428	7,530	58,958	4,103
Claims liability	-	-	-	742,923
Other liabilities	82,956	184	83,140	-
Due to other funds	-	16,165	16,165	-
Compensated absences	145,736	15,881	161,617	1,676
Capital leases payable	80,616	56,653	137,269	-
Total current liabilities	1,960,461	99,895	2,060,356	2,374,679
Noncurrent liabilities				
Capital leases payable	169,129	88,791	257,920	-
Compensated absences	851	93	944	33
Net pension liability	2,223,521	321,820	2,545,341	-
Other post-employment benefit liability	353,008	48,130	401,138	-
Total noncurrent liabilities	2,746,509	458,834	3,205,343	33
Total Liabilities	4,706,970	558,729	5,265,699	2,374,712
Deferred Inflows of Resources				
Deferred inflows of resources for pensions	1,635	237	1,872	-
Net Position				
Net investment in capital assets	2,607,713	2,363,931	4,971,644	-
Unrestricted	5,122,590	(258,429)	4,864,161	2,299,079
Total Net Position	\$ 7,730,303	\$ 2,105,502	\$ 9,835,805	\$ 2,299,079

(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  
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Totals	Internal Service Fund
<u>Operating Revenues:</u>				
<u>Charges for services:</u>				
Refuse collections	\$ 14,064,842	\$ -	\$ 14,064,842	\$ -
Recycling	182,787	-	182,787	-
Other charges	-	1,201,372	1,201,372	23,009,246
Miscellaneous	295,389	-	295,389	-
Total operating revenues	14,543,018	1,201,372	15,744,390	23,009,246
<u>Operating Expenses:</u>				
Personnel services	3,401,524	715,112	4,116,636	-
Utility Services	19,349	22,098	41,447	-
Contracted services	10,114,743	64,297	10,179,040	-
Materials and supplies	414,777	193,735	608,512	-
Claims and benefits	-	-	-	21,814,140
Depreciation expense	415,977	202,274	618,251	-
Miscellaneous	224,302	9,723	234,025	-
Total operating expenses	14,590,672	1,207,239	15,797,911	21,814,140
Operating Income (Loss)	(47,654)	(5,867)	(53,521)	1,195,106
<u>Non-Operating Revenues (Expenses):</u>				
Grants	433,744	24,061	457,805	10,062
Gain (Loss) on disposal of fixed assets	(4,621)	55,505	50,884	-
Total non-operating revenues (expenses)	429,123	79,566	508,689	10,062
Change in net position before transfers	381,469	73,699	455,168	1,205,168
Transfers out	(827,244)	(202,944)	(1,030,188)	(67,956)
Transfers in	-	153,200	153,200	-
Change in Net Position	(445,775)	23,955	(421,820)	1,137,212
<u>Net Position:</u>				
Beginning of year	8,176,078	2,081,547	10,257,625	1,161,867
End of Year	\$ 7,730,303	\$ 2,105,502	\$ 9,835,805	\$ 2,299,079

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

Business-type Activities - Enterprise Funds				
	Solid Waste Fund	Non-Major Fund Municipal Golf Course	Totals	Internal Service Fund
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 14,712,355	\$ 1,194,935	\$ 15,907,290	\$ 19,994,170
Payments to suppliers for services	(10,998,445)	(280,232)	(11,278,677)	(18,950,401)
Payments to employees	(3,100,366)	(682,291)	(3,782,657)	(167,924)
Net cash provided by (used in) operating activities	<u>613,544</u>	<u>232,412</u>	<u>845,956</u>	<u>875,845</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Operating grants received	730,091	24,061	754,152	10,062
Transfers in	-	153,200	153,200	-
Transfers out	(827,244)	(202,944)	(1,030,188)	(67,956)
Net cash used in non-capital financing activities	<u>(97,153)</u>	<u>(25,683)</u>	<u>(122,836)</u>	<u>(57,894)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(299,217)	(167,612)	(466,829)	-
Receipts on sale of capital assets	44,511	55,505	100,016	-
Advance from/to other fund	(4,500,000)	(60,283)	(4,560,283)	-
Payments of obligations under capital leases	(172,095)	(34,339)	(206,434)	-
Net cash provided by (used in) capital and related financing activities	<u>(4,926,801)</u>	<u>(206,729)</u>	<u>(5,133,530)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,410,410)</u>	<u>-</u>	<u>(4,410,410)</u>	<u>817,951</u>
<b>Cash and Cash Equivalents:</b>				
Beginning of year	7,994,585	1,400	7,995,985	2,715,529
End of year	<u>\$ 3,584,175</u>	<u>\$ 1,400</u>	<u>\$ 3,585,575</u>	<u>\$ 3,533,480</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating income (loss)	\$ (47,654)	\$ (5,867)	\$ (53,521)	\$ 1,195,106
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>				
Depreciation expense	415,977	202,274	618,251	-
<b>Changes in:</b>				
Accounts receivable	169,337	(6,437)	162,900	470,166
Due from other governments	-	-	-	927,299
Due from other funds	-	-	-	(1,068,793)
Inventories	-	3,509	3,509	-
Deferred outflows of resources for pensions	(721,211)	(104,384)	(825,595)	-
Accounts payable	(207,471)	(7,142)	(214,613)	625,229
Wages payable	9,081	(2,051)	7,030	594
Claims liability	-	-	-	(1,264,772)
Other liabilities	(17,803)	(820)	(18,623)	-
Compensated absences	(5,915)	5,061	(854)	(8,984)
Net pension liability	962,159	139,256	1,101,415	-
Other post-employment benefit liability	57,529	9,083	66,612	-
Deferred inflows of resources for pensions	(485)	(70)	(555)	-
Total adjustments	<u>661,198</u>	<u>238,279</u>	<u>899,477</u>	<u>(319,261)</u>
Net cash provided by (used in) operating activities	<u>\$ 613,544</u>	<u>\$ 232,412</u>	<u>\$ 845,956</u>	<u>\$ 875,845</u>
<b>Schedule of Noncash Investing Capital and Financing Activities</b>				
Issuance of capital lease obligations	\$ -	\$ 10,988	\$ 10,988	\$ -

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



CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ -	\$ 1,262,252
Interest receivable	193,499	-
Due from City's General Fund	52,508	-
Investments, at fair value:		
Money market funds	7,147,684	-
Equity mutual funds	176,870,842	-
Bond mutual funds	26,897,320	-
Corporate bonds	9,531,776	-
U.S. government obligations	28,501,965	-
U.S. government agency obligations	10,680,308	-
Total Assets	259,875,902	1,262,252
<u>Liabilities</u>		
Accounts payable	37,026	-
Payroll tax liability	-	1,256,905
Due to City's General Fund	1,613,774	-
Due to other governments	-	5,347
Total Liabilities	1,650,800	\$ 1,262,252
<u>Net Position</u>		
Restricted for pension benefits	\$ 258,225,102	

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	Pension Trust Fund
<u>Additions:</u>	
Contributions:	
Employer	\$ 7,331,555
Plan members	1,490,781
Total contributions	8,822,336
Investment income (loss):	
Net depreciation in fair value of investments	13,946,052
Interest and dividends	4,788,490
Less investment expenses	(251,916)
Net investment income (loss)	18,482,626
Total additions	27,304,962
<u>Deductions:</u>	
Benefits paid to recipients	20,756,339
Administrative and other fees	28,779
Total deductions	20,785,118
Change in Net Position	6,519,844
<u>Net Position:</u>	
Beginning of year	251,705,258
End of year	\$ 258,225,102

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF NET POSITION  
COMPONENT UNITS  
DECEMBER 31, 2016

	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 657,864	\$ 3,003,832	\$ 3,661,696
Certificates of deposit	-	735,000	735,000
Accounts receivable	-	157,835	157,835
Other current assets	-	56,251	56,251
Inventory	-	18,380	18,380
Prepaid expenses	3,195	84,453	87,648
Due from other governments	8,791	-	8,791
Total current assets	<u>669,850</u>	<u>4,055,751</u>	<u>4,725,601</u>
Noncurrent assets:			
Land	-	8,665,607	8,665,607
Land and building improvements	-	49,418,234	49,418,234
Machinery and equipment	-	404,379	404,379
Vehicles	-	528,542	528,542
Construction in progress	-	45,383	45,383
Total capital assets, net	<u>-</u>	<u>59,062,145</u>	<u>59,062,145</u>
Loans receivable	1,818,238	900,000	2,718,238
Property held for development	61,426	-	61,426
Total noncurrent assets	<u>1,879,664</u>	<u>59,962,145</u>	<u>61,841,809</u>
Total Assets	<u>2,549,514</u>	<u>64,017,896</u>	<u>66,567,410</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources for pensions	-	138,092	138,092
Deferred charge on refunding	-	643,479	643,479
Total Deferred Outflows of Resources	<u>-</u>	<u>781,571</u>	<u>781,571</u>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF NET POSITION  
COMPONENT UNITS  
DECEMBER 31, 2016

	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	48,404	1,264,611	1,313,015
Other liabilities	-	75,087	75,087
Unearned revenue	-	261,469	261,469
Developer escrow deposits	-	-	-
Capital lease payable	-	124,216	124,216
Notes and bonds payable, current maturities	-	75,087	75,087
Total current liabilities	<u>48,404</u>	<u>1,800,470</u>	<u>1,848,874</u>
Noncurrent liabilities:			
Capital lease payable	-	5,789	5,789
Unearned revenue	-	8,579,618	8,579,618
Net pension liability	-	20,208	20,208
Other post-employment benefit liability	-	116,974	116,974
Bonds payable	-	34,888,756	34,888,756
Total noncurrent liabilities	<u>-</u>	<u>43,611,345</u>	<u>43,611,345</u>
Total Liabilities	<u>48,404</u>	<u>45,411,815</u>	<u>45,460,219</u>
<u>Net Position</u>			
Net investment in capital assets	-	23,137,993	23,137,993
Restricted	888,000	-	888,000
Unrestricted (deficit)	1,613,110	(5,224,124)	(3,611,014)
Total Net Position	<u>\$ 2,501,110</u>	<u>\$ 17,913,869</u>	<u>\$ 20,414,979</u>
			(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
DECEMBER 31, 2016

	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	\$ 608,048	\$ 267,396	\$ 102,167	\$ (238,485)	\$ -	\$ (238,485)
Allentown Parking Authority	8,249,580	7,832,590	500,000	-	83,010	83,010
Total component units	<u>\$ 8,857,628</u>	<u>\$ 8,099,986</u>	<u>\$ 602,167</u>	<u>(238,485)</u>	<u>83,010</u>	<u>(155,475)</u>
General revenues:						
Gain (loss) on sale of capital assets				-	(57,078)	(57,078)
Investment earnings				-	36,632	36,632
Total general revenues				<u>-</u>	<u>(20,446)</u>	<u>(20,446)</u>
Change in Net Position				(238,485)	62,564	(175,921)
Net Position:						
Beginning of year				2,739,595	17,851,305	20,590,900
End of year				<u>\$ 2,501,110</u>	<u>\$ 17,913,869</u>	<u>\$ 20,414,979</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Redevelopment Authority of the City of Allentown

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

Allentown Parking Authority

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

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

Related Organizations

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

The amounts the City appropriated to these entities during the year ended December 31, 2016 were immaterial to the basic financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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 post-employment benefits, and compensated absences expenditures are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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

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

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

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

The City reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

The City reports the following major proprietary fund:

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

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

Internal Service Fund – is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis.

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

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



CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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, 2016

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, 2016 which were in violation of state statutes or applicable trust indentures.

Restricted Assets

Cash and investments of the City received from the issuance of long-term debt have been presented as restricted assets because the usage of such assets are limited to that set forth in the bond documents.

Internal Balances

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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

Internal Balances (Continued)

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

Allowance for Uncollectible Receivables

All property tax, per capita tax, curb and sidewalk, and solid waste charges for service receivables are shown net of an allowance for uncollectible amounts. All allowances have been calculated based on historical collections. The allowance for property tax and per capita tax, presented in the General Fund, was approximately \$3 million at December 31, 2016. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$365,000 at December 31, 2016. The allowance for accounts receivable presented in General Fund, was approximately \$930,000 at December 31, 2016. The allowance for doubtful accounts, presented in the Solid Waste Fund, was approximately \$1.2 million at December 31, 2016.

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, 2016.

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, 2016 are immaterial.

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

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

Capital Assets

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

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

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

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

Capital Assets (Continued)

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

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

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

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

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

Property Held for Development

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances are recorded when purchase orders are issued. But are not considered expenditures until liabilities for payment are incurred. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City reports encumbrances in its governmental funds as assigned fund balance, if the individual fund's fund balance is not presented as restricted. The General Fund encumbrances of \$528,453 and the Trexler Fund encumbrances of \$46,047 relate to contract services, operating materials, supplies, and equipment. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but is not reported on the statement of net position. The Solid Waste Fund (\$247,433), Golf Fund (\$61,607) and Internal Service Fund (\$20,834) encumbrances relate to operating supplies and equipment.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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

Fund Balance

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

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

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

Net Position

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

Compensated Absences

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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 accounts payable and other current liabilities in the statement of net position.

Unavailable/Unearned Revenues

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

Bond Discounts/Premiums

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

Deferred Inflows and Outflows of Resources for Pensions

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

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

The Parking Authority also has deferred the difference between the reacquisition price (the amount deposited into escrow to pay off the bonds) and the net carrying amount of previously refunded debt. This deferred amount on refunding is being amortized into interest expense on a straight-line basis over the shorter of the life of the new or old bonds. During the year ended December 31, 2016, such amortization amounted to \$35,915. The unamortized deferred amounts on refunding are reported as a deferred outflow of resources in the statement of net position.

Deferred Charge on Refunding

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

Conduit Debt and Related Receivable

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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

Conduit Debt and Related Receivable (Continued)

The loan is secured by a second lien mortgage on the property and the corporate and personal guarantees of the developer and the assignment of leases and rents. In November 2012, the note was converted from a variable interest rate to a fixed interest rate as a result of a public offering of the note by HUD.

The Authority has an indemnity agreement from the developer, which limits the Authority's obligation to repay the loan to amounts it receives from the developer.

The Authority treats this loan as conduit debt and, therefore, does not recognize either the loan receivable or long-term debt on its statement of net position.

The balance on this loan at December 31, 2016 is \$2.329 million.

Property Taxes

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

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

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

The 2016 tax levy was 18.6602 mills on land and 3.5301 mills on improvements.

Tax Abatement Programs

In 2016, the City adopted GASB Statement No. 77, *Tax Abatement Disclosures*. 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 2016 was approximately \$600,000.

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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

Tax Abatement Programs (Continued)

remitted to the Allentown Neighborhood Improvement Zone Development Authority (ANIZDA). The taxes collected from business and individuals within the NIZ are used to fund the various economic development projects within the NIZ. All potential NIZ projects must be geographically located within the NIZ and must go through a pre-qualification, application and, if approved, closing process. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service on the project. The types of taxes include earned income, local services, and business privilege along with the business privilege license fees. The total amount the City remitted to the ANIZDA during 2016 was approximately \$1.9 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, 2016, appropriate interfund receivables or payables have been established.

Self-Insurance

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2016, 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 \$742,923 is included in the accompanying financial statements. Claim payments based on actual claims ultimately filed could differ materially from these estimates. Settled claims from these risks have not exceeded commercial insurance coverage for the past four years.

Budgets

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

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

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



CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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

Budgets (Continued)

balance up to \$5,000 between accounts within a fund thereby lowering the legal level of budgetary control to the account level. Transfers exceeding \$5,000 must be approved by City Council.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The City adopted the provisions of GASB's Statement No. 72, *Fair Value Measurement and Application*. The adoption of this Statement had no effect on previously reported amounts, but did require additional disclosures that are reported in Note 2.

The City adopted the provisions of GASB's Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB's Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB's Statement No. 77, *Tax Abatement Disclosures*. The adoption of this Statement had no effect on previously reported amounts, but did require additional disclosures which are presented in Note 1.

The City adopted the provisions of GASB's Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The adoption of this Statement had no effect on previously reported amounts.

The City adopted the provisions of GASB's Statement No. 79, *Certain External Investment Pools and Pool Participants*. The adoption of this Statement had no effect on previously reported amounts, but did require additional disclosures which are presented in Note 3.

Pending Changes in Accounting Principles

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

The Government Accounting Standards Board has issued GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions of GASB Statement No. 75 are effective for the City's December 31, 2018 financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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

Pending Changes in Accounting Principles (Continued)

The Government Accounting Standards Board has issued GASB's Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This Statement is required to be adopted by the City for the year ending December 31, 2017.

The Government Accounting Standards Board has issued GASB's Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement is required to be adopted by the City for the year ending December 31, 2017.

The Government Accounting Standards Board has issued GASB's Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73*. This Statement is required to be adopted by the City for the year ending December 31, 2017.

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

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

The Governmental Accounting Standards Board has issued GASB's Statement No. 85, *Omnibus 2017*. This Statement is required to be adopted by the City for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement is required to be adopted by the City for the year ending December 31, 2018.

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

NOTE 2 UTILITY SYSTEM CONCESSION LEASE

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

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

The deferred inflow of resources resulting from the Agreement, in the amount of \$205,593,125, 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 \$6,812,105, 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:

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 2 UTILITY SYSTEM CONCESSION LEASE (CONTINUED)

Year Ending	Total
2017	\$ 4,571,862
2018	4,571,862
2019	4,571,862
2020	4,571,862
2021	4,571,862
Thereafter	189,545,920
Total	\$ 212,405,230

For the year ended December 31, 2016, the City recognized \$4,423,773 in charges for services – water and sewer related to the lease.

NOTE 3 DEPOSITS AND INVESTMENTS

The carrying amounts of cash and investments at December 31, 2016 consist of the following:

Petty cash	\$ 6,200
Deposits	25,803,944
Investments	272,335,515
	\$ 298,145,659

Reconciliation to Statement of Net Position

Cash and cash equivalents:	
Governmental activities	\$ 22,224,559
Business-type activities	3,585,585
	25,810,144
Investments:	
Governmental activities	12,705,620
Fiduciary funds	259,629,895
	272,335,515
	\$ 298,145,659

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.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2016, the City's book balance was \$25,803,944 and the bank balance was \$26,221,910. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$193,957 was covered by National Credit Union Administration deposit insurance, and \$25,027,963 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, 2016, the City's investments were comprised of the following:

Money market funds	\$ 19,853,304
Equity mutual funds	176,870,842
Bond mutual funds	26,897,320
Corporate bonds	9,531,776
U.S. government obligations	28,501,965
U.S. government agency obligations	<u>10,680,308</u>
 Total	 <u>\$ 272,335,515</u>

As of December 31, 2016, the City had the following investments in fixed income securities and money market funds:

Investment Type	Fair Value	Investment Maturities			Rating
		2017	2018-2022	2023-2027	
Bond mutual funds	\$ 26,897,320	\$ -	\$ -	\$ 26,897,320	AA
Corporate bonds	1,636,267	1,257,152	379,115	-	Aa2
Corporate bonds	1,273,015	-	1,273,015	-	Aa3
Corporate bonds	3,913,631	750,180	3,163,451	-	A1
Corporate bonds	931,593	-	931,593	-	A2
Corporate bonds	1,264,674	1,264,674	-	-	A3
Corporate bonds	512,596	-	512,596	-	Aaa
U.S. government obligations	27,640,589	3,661,870	23,978,719	-	Aaa
U.S. government obligations	861,376	-	861,376	-	Aa2
U.S. government agency obligations	10,680,308	4,767,540	5,912,768	-	Aaa
Money market funds	15,794,479	15,794,479	-	-	AAA <sub>m</sub>
Money market funds	<u>4,058,825</u>	<u>4,058,825</u>	<u>-</u>	<u>-</u>	A-1+
 Total fixed income securities	 <u>\$ 95,464,673</u>	 <u>\$ 31,554,720</u>	 <u>\$ 37,012,633</u>	 <u>\$ 26,897,320</u>	

Interest Rate Risk

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

Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in money market funds, equity mutual funds, and bond mutual funds are not exposed to custodial credit risk, because the investments are not evidenced by securities in book entry or paper form. The City's investments in fixed income securities, U.S. government obligations, and U.S. government agency obligations are held in the name of the City's multiple Pension Plans. The City does not have a formal policy limiting the amount of investments that can be held by counterparties.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued)

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.

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.

Fair Value Measurement

In 2016, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The City categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement (Continued)

The City has the following recurring fair value measurements as of December 31, 2016:

	<u>12/31/2016</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>
<b>Investments by fair value level</b>				
Debt securities				
Corporate bonds	\$ 9,531,776	\$ 9,531,776	\$ -	\$ -
U.S. government obligations	28,501,965	28,501,965	-	-
U.S. Government Agencies	10,680,308	10,680,308	-	-
Total debt securities	<u>48,714,049</u>	<u>48,714,049</u>	<u>-</u>	<u>-</u>
Equity securities				
Equity mutual funds	176,870,842	176,870,842	-	-
Bond mutual funds	26,897,320	26,897,320	-	-
Total equity securities	<u>203,768,162</u>	<u>203,768,162</u>	<u>-</u>	<u>-</u>
Money market funds	19,853,304	19,853,304	-	-
Total investments at fair value	<u>\$ 272,335,515</u>	<u>\$ 272,335,515</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.

Participation in External Investment Pools

The Pennsylvania Local Government Investment Trust (PLIGIT) I-Class is a 2a7-like pool. The City's investment in PLIGIT 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. PLIGIT issues separate financial statements available at [www.plgit.com](http://www.plgit.com). The carrying amount of external investment pool assets as of December 31, 2016 was \$12,705,620.

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Component Units' - Participation in External Investment Pools (Continued)

*Parking Authority (Continued)*

The fund is managed by a Board of Trustees (Trustees), who oversees, reviews, and supervises the activities of all consultants and professional advisers to PSDLAF. The Trustees also retain an Executive Director of the fund who acts as a consultant to PSDLAF and performs such consulting and advisory services with respect to matters concerning the operations and activities of PSDLAF as may from time to time be reasonably requested by the Trustees. An independent investment company has been appointed by the Trustees to act as PSDLAF's investment adviser. The fair value of the Parking Authority's position in PSDLAF is the same as the value of the pool shares and matures in less than one year. The Parking Authority's investment in PSDLAF has been rated AAAM, the highest rating available, by Standard & Poor's, an independent investment rating company. The average maturity of PSDLAF is 35 days.

As of December 31, 2016, the carrying amount of external investment pool assets was \$256,271. The fair value of external investment pool assets approximate their carrying values as of December 31, 2016. 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

*Authority*

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

The Authority's available cash is invested in demand deposit accounts. At December 31, 2016, the carrying amount of the Authority's bank deposits was \$657,864. The corresponding bank balance at December 31, 2016 was \$596,508, of which \$250,000 is covered by federal deposit insurance. The remaining \$346,508 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.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Component Units' Custodial Credit Risk – Deposits (Continued)

*Parking Authority (Continued)*

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, 2016, \$2,494,860 of the Parking Authority's bank balance of \$3,479,860 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.

*Authority*

Loans receivable as of December 31, 2016 consist of the following:

The Authority has a loan receivable of \$500,000 at 2% with a private developer for the Farr Loft Project. Repayment of the loan was to commence in May 2009 with monthly principal and interest payments through April 2022. In July 2009, the loan agreement was amended, whereby payments of interest only at a rate of 2% would be made for a period of two years. Payments of interest only under the terms of the July 2009 agreement continued through December 31, 2014. The Authority holds a third lien mortgage position on the property, furnishings, fixtures, and equipment related to the property. Effective January 1, 2015, the Authority amended the loan terms and reduced the principal amount to \$350,000. Under the new terms, the loan is payable in monthly principal and interest payments of \$1,771 through January 1, 2035. Interest on the loan remains at 2%. As of December 31, 2016, the remaining balance of the loan was \$322,187.

The Authority has an interest-free loan receivable of \$888,000 with a private developer for the Cosmopolitan Project (Project). The Authority will receive varying principal payments as set forth in the agreement starting in 2018 and continuing through 2050. A "voluntary sale" notice must be provided to the Authority for any sale or transfer of the Project prior to the maturity date of the note.



CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 4 LOANS AND NOTES RECEIVABLE (Continued)

In March 2012, the Authority conveyed three properties to ACIDA. In consideration of the transfer, the ACIDA entered into noninterest-bearing promissory notes totaling \$153,523. Principal payments are due when the properties are sold to a third party. If the properties are not sold within a 24-month period, the ACIDA shall commence monthly principal payments of \$750 each for each property until sold. As of December 31, 2016, the remaining balance is \$43,502.

In November 2014, the Authority conveyed a property to the Community Action Committee of Lehigh Valley (CACLV). In consideration of the transfer, the CACLV entered into a noninterest-bearing promissory note for \$314,999. Principal payments of the greater of (a) 50% of the excess of operating proceeds for the related property for the year ended June 30 or (b) \$700 are due annually commencing August 1, 2015 through 2029. After the initial 15-year term, no additional payments are due of the property remains in the ownership of the owner or another organization as approved by the Authority. If at the end of the 15-year term, certain conditions, as defined in the loan agreement, are not met, the remaining balance of the loan will be due upon the sale or transfer of the property over an additional 15-year term, unless the sale price is less than the remaining balance owed to the Authority, then, the remaining balance owed shall follow the ownership of the property for an additional 15 years or until August 1, 2044, whichever is sooner. If the property remains in the ownership of the CACLV as of August 1, 2044, the remaining balance of the loan will be forgiven. As of the year ending December 31, 2016, the remaining balance of the loan is \$314,999.

In October 2014, the Authority conveyed seven properties to the Housing Association and Development Corporation (HADC). In consideration of the transfer, the HADC entered into a noninterest-bearing promissory note for \$250,000, which was funded by the Authority in 2015. Principal payments are due when the properties are sold to a third party. If the properties are not sold by October 31, 2015, the HADC shall apply for additional grant funds to support the repayment of the loan for the remaining properties. If no additional grants are secured, HADC was to 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 were sold. As of December 31, 2015, the remaining balance of the loan is \$0.

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, 2016, the remaining balance of the loan is \$250,000.

*Parking Authority*

The Parking Authority received a note receivable from the sale of a parking facility during the year ended December 31, 2015. The note receivable has an outstanding balance of \$900,000 as of December 31, 2016. The note bears interest at a rate of 3% per annum, with the first payment of principal of \$500,000 and all accrued interest due eighteen months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property, but in no case later than July 31, 2018. The final payment of principal of \$400,000 and all accrued interest is due thirty-six months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property, but in no case later than January 31, 2020. The note provides the option for the buyer to transfer or assign its Neighborhood Improvement Zone credits to the Parking Authority in the amount of \$550,000 for the first payment and \$440,000 for the final payment. The note is secured by a mortgage against the property.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 5 CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2016 is as follows:

	January 1, 2016	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,809,945	\$ -	\$ -	\$ 9,809,945
Assets under concession lease - LCA	67,831,222	6,812,105	-	74,643,327
Construction in progress	21,233,972	12,779,951	(30,770,193)	3,243,730
Total capital assets not being depreciated	<u>98,875,139</u>	<u>19,592,056</u>	<u>(30,770,193)</u>	<u>87,697,002</u>
Capital assets being depreciated:				
Assets under concession lease - City	-	5,097,917	-	5,097,917
Buildings	24,063,227	19,405	-	24,082,632
Land and building improvements	35,405,149	2,043,823	-	37,448,972
Machinery and equipment	31,989,334	853,446	(81,665)	32,761,115
Vehicles	21,151,468	2,513,387	(1,549,200)	22,115,655
Infrastructure	121,722,740	17,387,081	-	139,109,821
Total capital assets being depreciated	<u>234,331,918</u>	<u>27,915,059</u>	<u>(1,630,865)</u>	<u>260,616,112</u>
Less accumulated depreciation for:				
Assets under concession lease - City	-	92,831	-	92,831
Buildings	19,287,800	374,156	-	19,661,956
Land and building improvements	16,813,704	1,499,358	-	18,313,062
Machinery and equipment	20,619,095	1,744,564	(24,746)	22,338,913
Vehicles	15,715,286	1,670,558	(1,595,457)	15,790,387
Infrastructure	36,211,074	3,278,975	-	39,490,049
Total accumulated depreciation	<u>108,646,959</u>	<u>8,660,442</u>	<u>(1,620,203)</u>	<u>115,687,198</u>
Total capital assets being depreciated, net	<u>125,684,959</u>	<u>19,254,617</u>	<u>(10,662)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 224,560,098</u>	<u>\$ 38,846,673</u>	<u>\$ (30,780,855)</u>	<u>\$ 232,625,916</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, 2016

NOTE 5 CAPITAL ASSETS (CONTINUED)

	January 1, 2016	Additions	Disposals	December 31, 2016
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	1,244,541	-	-	1,244,541
Land and building improvements	4,750,310	112,108	-	4,862,418
Machinery and equipment	4,321,165	259,916	(5,215)	4,575,866
Vehicles	4,190,025	206,293	(350,055)	4,046,263
Distribution and collection systems	37,465	-	-	37,465
Total capital assets being depreciated	<u>14,543,506</u>	<u>578,317</u>	<u>(355,270)</u>	<u>14,766,553</u>
Less accumulated depreciation for:				
Buildings	552,711	27,142	-	579,853
Land and building improvements	3,327,694	171,118	-	3,498,812
Machinery and equipment	3,014,835	227,461	(1,000)	3,241,296
Vehicles	3,318,610	192,153	(305,138)	3,205,625
Distribution and collection systems	8,515	378	-	8,893
Total accumulated depreciation	<u>10,222,365</u>	<u>618,252</u>	<u>(306,138)</u>	<u>10,534,479</u>
Total capital assets being depreciated, net	<u>4,321,141</u>	<u>(39,935)</u>	<u>(49,132)</u>	<u>4,232,074</u>
Business-type activities capital assets, net	<u>\$ 5,455,900</u>	<u>\$ (39,935)</u>	<u>\$ (49,132)</u>	<u>\$ 5,366,833</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 964,460
Public safety	1,370,180
Community development	206,541
Public works	5,337,968
Parks and recreation	781,293
Total	<u>\$ 8,660,442</u>

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

Solid Waste Fund	\$ 415,978
Municipal Golf Course Fund	202,274
Total	<u>\$ 618,252</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 5 CAPITAL ASSETS (Continued)

Component Units' Capital Assets

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2016 is as follows:

	January 1, 2016	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2016
Parking Authority:				
Capital assets not being depreciated:				
Land	\$ 8,664,159	\$ 1,448	\$ -	\$ 8,665,607
Construction in progress	55,408	-	(10,025)	45,383
Total capital assets not being depreciated	<u>8,719,567</u>	<u>1,448</u>	<u>(10,025)</u>	<u>8,710,990</u>
Capital assets being depreciated:				
Land and building improvements	66,851,890	731,969	(42,742)	67,541,117
Vehicles	2,043,031	271,844	(134,370)	2,180,505
Equipment under capital lease	683,792	-	-	683,792
Total capital assets being depreciated	<u>69,578,713</u>	<u>1,003,813</u>	<u>(177,112)</u>	<u>70,405,414</u>
Less accumulated depreciation for:				
Land and building improvements	16,289,635	1,872,799	(39,551)	18,122,883
Vehicles	1,615,515	106,594	(70,146)	1,651,963
Equipment under capital lease	211,034	68,379	-	279,413
Total accumulated depreciation	<u>18,116,184</u>	<u>2,047,772</u>	<u>(109,697)</u>	<u>20,054,259</u>
Total capital assets being depreciated, net	<u>51,462,529</u>	<u>(1,043,959)</u>	<u>(67,415)</u>	<u>50,351,155</u>
Parking Authority capital assets, net	<u>\$ 60,182,096</u>	<u>\$ (1,042,511)</u>	<u>\$ (77,440)</u>	<u>\$ 59,062,145</u>

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	Trexler	Short-term Loan/Negative cash	\$ 533,379
General	Revolving Loan	Payback funds to Commonwealth	1,320
General	E-911	Short-term Loan/Negative cash	884,084
General	A.O.	Short-term Loan/Negative cash	838,632
General	CDBG	Cash advance for payroll and A/P	246,355
General	Capital Projects	Short-term Loan/Negative cash	6,485,472
General	Municipal Golf Course	Short-term Loan/Negative cash	16,165
			<u>9,005,407</u>
Debt Service	General	Operating Transfer Due	1,040
		Total Governmental Funds	<u>9,006,447</u>
Internal Service	General	Charges for Services Due	1,068,793
		Total Interfunds	<u>\$ 10,075,240</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 7 INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2016 consisted of the following:

	Transfers in:						Total
	General	Debt Service	Capital Projects	A.O.	E-911 Fund	Municipal Golf Fund	
Transfers out:							
General	\$ -	\$ 11,165,733	\$ 1,233,246	\$ -	\$ 150,000	\$ -	\$ 12,548,979
Liquid Fuels	-	46,563	-	-	-	-	46,563
Trexler	25,328	-	268,300	-	-	153,200	446,828
A.O.	1,282,761	-	112,461	-	-	-	1,395,222
Capital Projects	-	-	-	444,129	-	-	444,129
Solid Waste	827,244	-	-	-	-	-	827,244
Golf	202,944	-	-	-	-	-	202,944
Risk	67,956	-	-	-	-	-	67,956
	<u>\$ 2,406,233</u>	<u>\$ 11,212,296</u>	<u>\$ 1,614,007</u>	<u>\$ 444,129</u>	<u>\$ 150,000</u>	<u>\$ 153,200</u>	<u>\$ 15,979,865</u>

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

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

Transfers to the Capital Projects Fund were for enhancement of park system and other capital improvements.

The remaining transfers were initiated to fulfill budgetary transfer requirements.

NOTE 8 PENSION PLANS

Plan Description and Administration

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

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

Plan Description and Administration (Continued)

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.

The Firemen Pension Plan is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to plan members and their beneficiaries. Employees of the Firemen Pension Plan are eligible if they have 20 years of service, or if hired on or after January 1, 2012, are age 50 with 20 years of service. For participants hired prior to January 1, 2012, the retirement benefit of the Firemen Pension Plan shall be determined by the rate of monthly pay of the employee at the time of retirement or the highest average annual pensionable pay during any five years of service. Pensionable pay will include base pay, longevity, holiday pay, festive pay, shift differential, and overtime. Overtime will be limited to 10% of base pay. The Firemen Pension Plan benefits are calculated at 50.5% of pension wages at 20 years of service, 54.0% of pension wages at 21 years of service, 58.0% of pension wages at 22 years of service, 62.0% of pension wages at 23 years of service, 66.0% of pension wages at 24 years of service, and 70.0% of pension wages at 25 years of service. For participants hired on or after January 1, 2012, the retirement benefit shall be 50% of pensionable pay plus a service increment of 1/40<sup>th</sup> 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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

Benefit Provisions (Continued)

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 1/40<sup>th</sup> 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. A 30% disability benefit is provided for nonservice-related disabilities for members with at least 10 years of service.

Summary of Significant Accounting Policies

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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:

Statement of Plan Net Position	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total Pension Trust Fund
<b>Assets:</b>				
Interest receivable	\$ 78,080	\$ 87,773	\$ 27,646	\$ 193,499
Due from City's General Fund	34,476	17,881	151	52,508
Investments, at fair value	<u>147,200,193</u>	<u>98,750,027</u>	<u>13,679,675</u>	<u>259,629,895</u>
Total assets	<u>147,312,749</u>	<u>98,855,681</u>	<u>13,707,472</u>	<u>259,875,902</u>
<b>Liabilities:</b>				
Accounts payable	18,590	11,064	7,372	37,026
Due to City's General Fund	<u>822,598</u>	<u>626,972</u>	<u>164,204</u>	<u>1,613,774</u>
Total liabilities	<u>841,188</u>	<u>638,036</u>	<u>171,576</u>	<u>1,650,800</u>
<b>Net Position:</b>				
Restricted for pension benefits	<u>\$ 146,471,561</u>	<u>\$ 98,217,645</u>	<u>\$ 13,535,896</u>	<u>\$ 258,225,102</u>
<b>Statement of Changes in Plan Net Position</b>				
<b>Additions:</b>				
<b>Contributions:</b>				
Employer	4,216,537	2,965,478	149,540	7,331,555
Plan members	<u>991,017</u>	<u>495,834</u>	<u>3,930</u>	<u>1,490,781</u>
Total contributions	<u>5,207,554</u>	<u>3,461,312</u>	<u>153,470</u>	<u>8,822,336</u>
<b>Investment income (loss):</b>				
Net appreciation in fair value of investments	8,041,798	5,411,004	493,250	13,946,052
Interest and dividends	2,821,146	1,755,171	212,174	4,788,491
Less investment expenses	<u>(121,357)</u>	<u>(72,950)</u>	<u>(57,609)</u>	<u>18,734,543</u>
Net investment income (loss)	<u>10,741,587</u>	<u>7,093,225</u>	<u>647,815</u>	<u>18,734,543</u>
Total additions	<u>15,949,141</u>	<u>10,554,537</u>	<u>801,285</u>	<u>27,304,963</u>
<b>Deductions:</b>				
Benefits paid to recipients	10,506,610	8,113,374	2,136,355	20,756,339
Administrative and other fees	<u>9,594</u>	<u>9,592</u>	<u>9,594</u>	<u>28,780</u>
Total deductions	<u>10,516,204</u>	<u>8,122,966</u>	<u>2,145,949</u>	<u>20,785,119</u>
Change in net position	5,432,937	2,431,571	(1,344,664)	6,519,844
<b>Net position restricted for pension benefits:</b>				
Beginning of year	<u>141,038,624</u>	<u>95,786,074</u>	<u>14,880,560</u>	<u>251,705,258</u>
End of year	<u>\$ 146,471,561</u>	<u>\$ 98,217,645</u>	<u>\$ 13,535,896</u>	<u>\$ 258,225,102</u>



CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

Plan Membership

At December 31, 2016, 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	211	120	1	410
Inactive plan members entitled to but not yet receiving benefits	-	-	-	16
Inactive plan members or beneficiaries currently receiving benefits	274	212	149	385

Contributions

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

Active members of the Police and Firemen Plans are required to contribute 5% of covered payroll to their respective pension plans. Active members of the Officers and Employees Plan are required to contribute 3.5% of covered payroll and 1% of covered payroll for survivor benefits to the plan. Active members of the PMRS Pension Plan are required to contribute 7.5% to the plan. These contributions are governed by the Plans' governing ordinances and collective bargaining agreements. During the year ended December 31, 2016, the City contributed \$4,216,537 to the Police Pension Plan, of which \$1,802,354 were Act 205 funds; \$2,965,479 to the Firemen Pension Plan, of which \$1,058,664 were Act 205 funds; \$149,450 to the Officers and Employees Plan, of which \$4,375 were Act 205 funds; and \$2,239,534 to the PMRS Pension Plan, of which \$1,819,853 were Act 205 funds. During the year ended December 31, 2016, active members contributed \$991,007 to the Police Pension Plan, \$495,834 to the Firemen Pension Plan, \$3,930 to the Officers and Employees Pension Plan, and \$1,710,952 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, 2015 actuarial valuation, updated to December 31, 2016, 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, 2016

NOTE 8 PENSION PLANS (Continued)

Contributions (Continued)

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

During the year ended December 31, 2016, the City adopted an Ordinance to change assumptions in the Police, Firemen, and Officers and Employee Pension Plans. The mortality assumption for healthy lives was updated to project mortality improvements generationally and the discount rates decreased to 7.50% for the Police and Firemen Plans and 6.5% for the Officers and Employees Plan.

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, 2016 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, 2016

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, 2016 were as follows:

Police Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 171,666,242	\$ 141,038,624	\$ 30,627,618
Changes for the year:			
Service Cost	3,039,127	-	3,039,127
Interest	13,161,554	-	13,161,554
Differences between expected and annual experience	(205,379)	-	(205,379)
Changes in assumptions	7,903,467	-	7,903,467
Contributions - employer	-	4,216,537	(4,216,537)
Contributions - member	-	991,017	(991,017)
Net investment income (loss)	-	10,741,586	(10,741,586)
Benefit payments, including refunds	(10,506,610)	(10,506,610)	-
Administrative expense	-	(9,593)	9,593
Net changes	13,392,159	5,432,937	7,959,222
Balances at December 31, 2016	<u>\$ 185,058,401</u>	<u>\$ 146,471,561</u>	<u>\$ 38,586,840</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>79.15%</u>

Firemen Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 117,978,775	\$ 95,786,074	\$ 22,192,701
Changes for the year:			
Service Cost	1,544,110	-	1,544,110
Interest	8,940,922	-	8,940,922
Differences between expected and annual experience	(502,487)	-	(502,487)
Changes in assumptions	4,219,884	-	4,219,884
Contributions - employer	-	2,965,478	(2,965,478)
Contributions - member	-	495,834	(495,834)
Net investment income (loss)	-	7,093,225	(7,093,225)
Benefit payments, including refunds	(8,113,374)	(8,113,374)	-
Administrative expense	-	(9,592)	9,592
Net changes	6,089,055	2,431,571	3,657,484
Balances at December 31, 2016	<u>\$ 124,067,830</u>	<u>\$ 98,217,645</u>	<u>\$ 25,850,185</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>79.16%</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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, 2015	\$ 15,691,909	\$ 14,880,560	\$ 811,349
Changes for the year:			
Service Cost	8,894	-	8,894
Interest	1,010,525	-	1,010,525
Differences between expected and annual experience	278,360	-	278,360
Changes in assumptions	294,664	-	294,664
Contributions - employer	-	149,540	(149,540)
Contributions - member	-	3,930	(3,930)
Net investment income (loss)	-	647,814	(647,814)
Benefit payments, including refunds	(2,136,355)	(2,136,355)	-
Administrative expense	-	(9,592)	9,592
Net changes	<u>(543,912)</u>	<u>(1,344,663)</u>	<u>800,751</u>
Balances at December 31, 2016	<u>\$ 15,147,997</u>	<u>\$ 13,535,897</u>	<u>\$ 1,612,100</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>94.83%</u>

PMRS Pension Plan:

PMRS:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	\$ 155,224,953	\$ 140,354,171	\$ 14,870,782
Changes for the year:			
Service Cost	3,121,592	-	3,121,592
Interest	8,484,310	-	8,484,310
Differences between expected and annual experience	-	-	-
Changes of assumptions	2,584,899	-	2,584,899
Contributions - employer	-	2,213,107	(2,213,107)
Contributions - member	-	1,710,952	(1,710,952)
PMRS assessment	-	17,720	(17,720)
PMRS investment income	-	7,690,713	(7,690,713)
Market value investment loss	-	(7,727,657)	7,727,657
Benefit payments, including refunds	(8,283,599)	(8,283,599)	-
PMRS administrative expense	-	(17,520)	17,520
Additional administrative expense	-	(320,610)	320,610
Net changes	<u>5,907,202</u>	<u>(4,716,894)</u>	<u>10,624,096</u>
Balances at December 31, 2016 (based on the measurement date of December 31, 2015)	<u>\$ 161,132,155</u>	<u>\$ 135,637,277</u>	<u>\$ 25,494,878</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>90.40%</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

*Investment Policy* – The policies in regard to the allocation of invested assets for the Police, Firemen, and Officers and Employees Pension Plans are established and may be amended by the respective Boards. The Boards seek to optimize the total return of these Plans’ portfolios through a policy of well diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. There were no amendments to the investment policy of the Police, Firemen, and Officers and Employees Pension Plans during the year ended December 31, 2016. At December 31, 2016, 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, 2016, the market value of assets returned 7.3% for the Police Plan, 7.1% for the Firemen Plan, and 4.8% for the Officers and Employees Plan.

PMRS Pension Plan

The net pension liability of the PMRS Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$22,949,537 and \$2,545,341, respectively, at December 31, 2016.

The total pension liability for PMRS was determined by an actuarial valuation performed on January 1, 2016, with liabilities measured at December 31, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	2.8-7.05%*
*includes inflation rate of 3%	
Cost-of-living adjustments	2.8%

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

Pre-retirement Mortality:

Males: RP-2000 Non-Annuitant Table Projected 15 years and then setback 5 years

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

Post-retirement mortality:

Males: Male Annuitant Table projected 5 Years with Scale AA

Females: Female Annuitant Table projected 10 Years with Scale AA

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

*PMRS Long-Term Expected Rate of Return*

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

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

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2016:

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic equity (large capitalized firms)	25.0%	9.9%	6.9%
Domestic equity (small capitalized firms)	15.0%	9.8%	6.8%
International equity (developed markets)	15.0%	7.0%	4.0%
International equity (emerging markets)	10.0%	10.6%	7.6%
Real estate	20.0%	10.1%	7.1%
Fixed income	15.0%	5.4%	2.4%
Total portfolio	100.0%	8.9%	5.9%

The following are the Confidence Levels for System Nominal and Real Rates of Return as of December 31, 2016:

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95.0%	3.6%	0.6%
90.0%	4.6%	1.6%
85.0%	5.3%	2.3%
80.0%	5.5%	2.5%
75.0%	5.9%	2.9%
70.0%	6.3%	3.3%
50.0%	8.2%	5.2%

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

*PMRS Long-Term Expected Rate of Return (Continued)*

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

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, 2015, this rate is equal to 5.5%.

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

*PMRS Discount Rate*

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

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

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

The PMRS Board may then adjust the regular interest rate derived from the formula due to a variety of qualitative factors such as the desire to minimize regular interest rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2015 was 5.5%.

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

*PMRS Discount Rate (Continued)*

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Police	<u>\$ 64,024,864</u>	<u>\$ 38,586,840</u>	<u>\$ 17,760,765</u>
Firemen	<u>\$ 40,673,548</u>	<u>\$ 25,850,185</u>	<u>\$ 13,506,248</u>
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Officers and Employees	<u>\$ 2,524,608</u>	<u>\$ 1,612,100</u>	<u>\$ 798,100</u>
	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
PMRS	<u>\$ 44,159,333</u>	<u>\$ 25,494,878</u>	<u>\$ 9,749,682</u>



CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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, 2016, the City recognized pension expense of \$19,068,437 in the governmental activities and \$456,416 in the business-type activities. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-Type Activities
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 678,776	\$ -
City contributions subsequent to measurement date	2,021,639	223,589
Changes in assumptions	11,823,592	206,456
Net difference between projected and actual earning on pension plan investments	18,698,181	634,782
Total deferred outflows of resources	\$ 33,222,188	\$ 1,064,827
 <u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	595,710	1,872
Total deferred inflows of resources	\$ 595,710	\$ 1,872

The effect of the differences in the City's expected and actual experience is recognized over the average expected remaining service lives of active and inactive members. The difference between the projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities	Business-Type Activities
<u>Year ending December 31,</u>		
2017	\$ 8,415,717	\$ 207,264
2018	8,415,717	207,264
2019	8,415,717	207,264
2020	4,095,816	202,126
2021	1,261,872	15,448
	\$ 30,604,839	\$ 839,366

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (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, 2016. Participant contributions are on a voluntary basis up to 10% of compensation. The Plan's provisions may be amended by resolution of the Parking Authority's Board of Directors, subject to 90 days written notice to the plan's Trustee. No modification that affects the rights, duties, and responsibilities of the Trustee may be made without the Trustee's consent.

*Allentown Parking Authority Salaried Employees' Defined Benefit Pension Plan*

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

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

At December 31, 2016, the following employees were covered by the Plan:

Active employees	7
Retirees and beneficiaries currently receiving benefits	6
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>
	<u>15</u>

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

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.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

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

*Changes in the Net Pension Liability (Asset)* – An actuarial valuation of the total pension liability (asset) is performed biennially. The total pension liability (asset) was determined as part of an actuarial valuation as of January 1, 2015. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2016.

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, 2016 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2015	\$ 3,028,708	\$ 2,982,614	\$ 46,094
Changes for the year:			
Interest	220,605	-	220,605
Net investment income (loss)	-	246,491	(246,491)
Benefit payments, including refunds	(174,612)	(174,612)	-
Net Changes	45,993	71,879	(25,886)
Balances at December 31, 2016	\$ 3,074,701	\$ 3,054,493	\$ 20,208
Plan fiduciary net position as a percentage of the total pension liability			99.34%

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

*Actuarial Assumptions* – The actuarial assumptions of the Plan include the following:

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

*Long-term Expected Rate of Return* – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pensions plan investment expense and inflation of 2.25%) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity:	
Large Cap	6.58%
Mid Cap	7.39%
Small cap	7.39%
International equity	7.34%
Fixed income	3.09%
Emerging markets	10.93%
Cash	0.75%

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Units' Pension Plan (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Parking Authority	\$ 322,114	\$ 20,208	\$ (237,563)

*Pension Expense and Deferred Outflows of Resources Related to Pensions* – For the year ended December 31, 2016, the Parking Authority recognized pension expense of \$51,444 under the defined benefit pension plan. At December 31, 2016, the Parking Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

Deferred Outflows of Resources:

Net difference between projected and actual investment earnings on pension plan investments	\$ 138,092
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Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2017	\$ 47,987
2018	47,987
2019	47,985
2020	(5,867)
	\$ 138,092

The Parking Authority's pension expense under all pension plans amounted to \$175,632 for the year ended December 31, 2016.

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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, 2016 was as follows:

Notes and Bonds	Balance Outstanding January 1, 2016	Additions	Reductions	Balance Outstanding December 31, 2016	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.	\$ 18,290,000	\$ -	\$ 2,725,000	\$ 15,565,000	\$ 550,000
2006 Guaranteed Lease Revenue Agreement, original amount of \$10,000,000, interest of 5.84% to 2016, then LIBOR plus 40 basis points capped at 9.40%, payable in annual installments of \$260,850 in 2017 to \$917,578 in 2031	8,416,278	-	512,320	7,903,958	260,850
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	25,310,204	1,758,911	-	27,069,115	-
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	7,145,000	-	905,000	6,240,000	1,230,000
2008 Taxable General Obligation Bond, original amount of \$6,665,000, 3.60% to 3.70% interest, payable in varying annual installments of \$300,000 in 2017 to \$315,000 in 2018	1,190,000	-	575,000	615,000	300,000

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 9 LONG-TERM DEBT (Continued)

Notes and Bonds	Balance Outstanding January 1, 2016	Additions	Reductions	Balance Outstanding December 31, 2016	Current Portion
2009 Tax-Exempt General Obligation Bond, original amount of \$5,310,000, 4.13% interest, serial portion payable in increasing annual installments of \$349,000 in 2017 to \$465,000 in 2024	3,570,000	-	334,000	3,236,000	349,000
2011 Series A Tax-Exempt General Obligation Bond, original amount of \$7,340,000, 3.00% to 4.75% interest, payable in varying annual installments of \$355,000 in 2017 to \$225,000 in 2036	5,080,000	-	345,000	4,735,000	355,000
2012 General Obligation Bond, original amount of \$5,910,000, 2.00% to 3.00% payable in varying annual installments of \$660,000 in 2017 to \$740,000 in 2022	4,820,000	-	645,000	4,175,000	660,000
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.	1,543,395	1,080,039	1,322,000	1,301,434	1,301,434
2015 General Obligation Bonds, Series A, original amount of \$15,360,000, 3.00% to 3.85% interest, payable in varying annual installments of \$290,000 in 2017 to \$870,000 in 2045	15,360,000	-	90,000	15,270,000	290,000
2015 General Obligation Bonds, Series B, original amount of \$11,425,000, 3.00% to 3.65% interest, payable in varying annual installments of \$740,000 in 2017 to \$545,000 in 2036	11,425,000	-	480,000	10,945,000	740,000
2016 Special Revenue Note, Series of 2016, draw down up to \$2,500,000, 2.730 - 5.000% interest, payable in varying annual installments of \$5,000 in 2017 to \$177,000 in 2036. Once the Note is fully drawn down, a revised debt service schedule will be established.	-	347,379	-	347,379	5,000
Total Governmental Activities Notes and Bonds	102,149,877	3,186,329	7,933,320	97,402,886	6,041,284
Premium on bond issuance	991,869	-	53,039	938,830	-
Total	<u>\$ 103,141,746</u>	<u>\$ 3,186,329</u>	<u>\$ 7,986,359</u>	<u>\$ 98,341,716</u>	<u>\$ 6,041,284</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

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
2017	\$ 6,041,284	\$ 3,361,548	\$ 9,402,832
2018	5,054,360	3,151,274	8,205,634
2019	5,282,190	2,925,015	8,207,205
2020	5,570,929	2,686,231	8,257,160
2021	5,179,910	2,961,909	8,141,819
2022-2026	23,798,509	16,093,288	39,891,797
2027-2031	22,304,171	16,417,378	38,721,549
2032-2036	17,406,533	22,095,262	39,501,795
2037-2041	3,475,000	1,038,208	4,513,208
2042-2045	<u>3,290,000</u>	<u>322,823</u>	<u>3,612,823</u>
Total	<u>\$ 97,402,886</u>	<u>\$ 71,052,936</u>	<u>\$ 168,455,822</u>

Defeasance of Debt

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

At December 31, 2016, \$16,535,000 of general obligation bonds, \$1,165,000 of water revenue bonds, and \$1,970,000 of sewer revenue bonds outstanding are considered defeased.

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

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Current Portion
Compensated absences:					
Governmental activities	\$ 3,887,715	\$ 4,000,451	\$ 3,921,739	\$ 3,966,427	\$ 3,890,081
Business-type activities	163,415	147,511	148,365	162,561	161,617
Total accrued compensated absences	<u>\$ 4,051,130</u>	<u>\$ 4,147,962</u>	<u>\$ 4,070,104</u>	<u>\$ 4,128,988</u>	<u>\$ 4,051,698</u>
Capital leases:					
Governmental activities	\$ 1,427,208	\$ -	\$ 424,867	\$ 1,002,341	\$ 437,041
Business-type activities	490,635	110,988	206,434	395,189	137,269
Total capital leases	<u>\$ 1,917,843</u>	<u>\$ 110,988</u>	<u>\$ 631,301</u>	<u>\$ 1,397,530</u>	<u>\$ 574,310</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, 2016

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	\$ 4,844,440	\$ 1,320,407
Less accumulated depreciation	2,687,451	746,143
	\$ 2,156,989	\$ 574,264

Debt service requirements for capital lease obligations are as follows:

	Governmental Activities	Business-Type Activities	Total
Year Ending			
2017	\$ 461,632	\$ 147,082	\$ 608,714
2018	291,760	112,538	404,298
2019	291,760	112,538	404,298
2020	-	23,855	23,855
2021	-	23,855	23,855
	1,045,152	419,868	1,465,020
Less interest	42,811	24,679	67,490
Total	\$ 1,002,341	\$ 395,189	\$ 1,397,530

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016

NOTE 9 LONG-TERM DEBT (Continued)

Discretely Presented Components Units' Long-Term Debt

*Parking Authority*

Long-term debt activity of the Parking Authority for the year ended December 31, 2016 consisted of the following:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Current Portion
2014 Parking Revenue Note, original amount of \$1,500,000, interest is payable monthly at the 30 day London Interbank Offering Rate (LIBOR) plus 1.70% (1.86% at December 31, 2016), \$1,500,000 due in 2017.	\$ 1,500,000	\$ -	\$ 951,130	\$ 548,870	\$ 548,870
2014 Parking Revenue Bond, Series A, original amount of \$16,885,000, 3.90% to 4.30% interest, serial portion payable in annual installments of \$475,000 in 2024 to \$540,000 in 2034.	16,885,000	-	-	16,885,000	-
2014 Parking Revenue Bond, Series B original amount of \$1,300,000, 4.35% interest, \$345,000 payable in 2016.	345,000	-	345,000	-	-
2014 Parking Revenue Bond, Series C, original amount of \$12,410,000, 3.90% to 4.30% interest, principal payments ranging from \$50,000 to \$1,201,231 are due annually beginning in 2024 through 2039. The Parking Authority has not drawn down the full amount of the bond.	7,447,765	3,072,763	-	10,520,528	-
2014 Parking Revenue Bond, Series D original amount of \$9,490,000, 4.35% interest, principal payments ranging from \$590,000 to \$1,300,000 are due annually beginning November 15, 2016. The Parking Authority has not drawn down the full amount of the bond.	9,015,596	57,632	590,000	8,483,228	1,000,000
	35,193,361	3,130,395	1,886,130	36,437,626	<u>\$ 1,548,870</u>
Capital Lease	269,923	-	139,918	130,005	
Unearned revenue	8,808,626	-	229,008	8,579,618	
Net pension liability (asset)	46,094	-	25,886	20,208	
OPEB liability	103,473	13,501	-	116,974	
	<u>\$ 44,421,477</u>	<u>\$ 3,143,896</u>	<u>\$ 2,280,942</u>	<u>\$ 45,284,431</u>	

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 9 LONG-TERM DEBT (Continued)

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

*Parking Authority (Continued)*

The Parking Authority has established a line of credit with a local bank in the amount of \$1,000,000. The purpose of the line of credit is to provide temporary funding for improvements to the Parking Authority's parking facilities. The interest rate on the line of credit is equal to the bank's floating taxable prime rate with a floor of 3.5%. This line of credit was terminated by the Parking Authority during 2016 and no activity occurred on the line of credit during the year.

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

<u>Year Ending December 31,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2017	\$ 1,673,086	\$ 1,433,436	\$ 3,106,522
2018	1,005,789	1,384,266	2,390,055
2018	1,000,000	1,341,352	2,341,352
2020	1,000,000	1,298,448	2,298,448
2021	1,100,000	1,255,544	2,355,544
2022-2026	7,133,228	5,763,086	12,896,314
2027-2031	9,280,000	4,284,718	13,564,718
2032-2036	9,005,000	2,168,065	11,173,065
20387-2039	5,370,528	404,455	5,774,983
Total	<u>\$ 36,567,631</u>	<u>\$ 19,333,370</u>	<u>\$ 55,901,001</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

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:

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Capital acquisitions	\$ -	\$ 6,816,278	\$ -	\$ 6,816,278
Public works	-	-	1,596,029	1,596,029
Community development	129,950	-	5,683,346	5,813,296
Public safety	-	-	481,012	481,012
Parks and recreation	-	-	-	-
Pension benefits	732,447	-	-	732,447
	<u>862,397</u>	<u>6,816,278</u>	<u>7,760,387</u>	<u>15,439,062</u>
Assigned for:				
General government	160,707	-	-	160,707
Public works	258,709	-	-	258,709
Community development	22,994	-	46,047	69,041
Public safety	85,071	-	-	85,071
Parks and recreation	972	-	-	972
Pension benefits	5,906,124	-	-	5,906,124
	<u>\$ 6,434,577</u>	<u>\$ -</u>	<u>\$ 46,047</u>	<u>\$ 6,480,624</u>
Total fund balance	<u>\$ 7,296,974</u>	<u>\$ 6,816,278</u>	<u>\$ 7,806,434</u>	<u>\$ 21,919,686</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 11 RISK MANAGEMENT, ACCRUED CLAIMS LIABILITY

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

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

	2016	2015
Accrued claims liability, January 1	\$ 2,007,695	\$ 2,028,091
Incurring claims, including estimated claims incurred but not reported as of December 31:		
Provision for current year events	1,444,272	473,357
Payments	(2,709,044)	(493,753)
Accrued claims liability, December 31	742,923	2,007,695
Current portion	742,923	2,007,695
Long-term portion	\$ -	\$ -

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

Discretely Presented Component Units' Risk Management

*Parking Authority*

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

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

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy and Annual OPEB Cost

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

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

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

Annual required contribution (ARC)	\$	6,658,352
Interest on net OPEB obligation		570,678
Adjustment to ARC		<u>(681,838)</u>
Annual OPEB cost		6,547,192
Contributions made		<u>4,051,630</u>
Increase in net OPEB obligation		2,495,562
Net OPEB obligation, beginning of year		<u>14,266,939</u>
Net OPEB obligation, end of year	\$	<u><u>16,762,501</u></u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ 5,902,516	66%	\$ 11,741,893
12/31/2015	6,203,172	59%	14,266,939
12/31/2016	6,547,192	62%	16,762,501

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016, the most recent actuarial valuation, was as follows:

<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
\$ -	\$ 82,749,584	0%	\$ 51,258,497	161%

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Remaining amortization period	22 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.0% per annum
Payroll growth rate	3.5% per year (with merit)
Ultimate rate of medical inflation	4.0%

Discretely Presented Component Units' OPEB Plan

*Parking Authority*

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

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Discretely Presented Component Units' OPEB Plan

*Parking Authority (Continued)*

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

The number of participants as of January 1, 2014, the date of the OPEB valuation, is 9 active employees and 3 retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

Funding Status and Progress

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

The funded status of the plan as of January 1, 2014, the latest actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ 124,901	\$ 704,645	\$ 579,744	17.73%	\$ 51,258,497	119.51%

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$ 70,669
Interest on net OPEB obligation	5,691
Adjustment to ARC	<u>(8,223)</u>
Annual OPEB cost	68,137
Contributions made	<u>54,636</u>
Increase in net OPEB obligation	13,501
Net OPEB obligation, beginning of year	<u>103,473</u>
Net OPEB obligation, end of year	<u>\$ 116,974</u>



CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the year ended December 31, 2016 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ 73,055	101%	\$ 85,749
12/31/2015	69,149	74%	103,473
12/31/2016	68,137	80%	116,974

Actuarial Methods and Assumptions

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

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

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

In the January 1, 2014 actuarial valuation, the liabilities were computed using the entry age normal cost method and level dollar amortization. The actuarial assumptions utilized a 5.5% discount rate and were based on partial funding of the liability. The valuation assumes a 9.5% healthcare cost trend increase for fiscal year 2015, decreasing by 0.5% per year to an ultimate level of 5%.

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, 2016 is as follows:

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2016

NOTE 13 LEASING ACTIVITIES (CONTINUED)

*Parking Authority (Continued)*

Year Ending	Total
2017	\$ 220,875
2018	220,875
2019	221,879
2020	221,879
2021	221,879
Thereafter	8,501,218
Total	\$ 9,608,605

NOTE 14 COMMITMENTS AND CONTINGENCIES

Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2016 of approximately \$3.7 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, 2016, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

Litigation

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

Discretely Presented Component Units' Commitments and Contingencies

*Parking Authority*

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

NOTE 15 SUBSEQUENT EVENT

On January 26, 2017, the City closed on a debt refunding of the 2011A and 2012 General Obligation Bonds in the amount of \$9,025,000.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Taxes:				
Real Estate:				
Real estate - current	\$ 30,900,000	\$ 30,900,000	\$ 29,373,343	\$ (1,526,657)
Real estate - prior	1,450,000	1,450,000	1,435,583	(14,417)
Real estate - Lehigh County	500	500	-	(500)
Total Real Estate Taxes	<u>32,350,500</u>	<u>32,350,500</u>	<u>30,808,926</u>	<u>(1,541,574)</u>
Act 511 Taxes:				
Earned income	22,480,000	22,480,000	23,159,359	679,359
Residence per capita	60,000	60,000	54,104	(5,896)
Amusement devices	13,000	13,000	10,304	(2,696)
Deed transfer	1,100,000	1,100,000	1,837,096	737,096
Local services	1,900,000	1,900,000	1,740,265	(159,735)
Business privilege	7,000,000	7,000,000	6,657,388	(342,612)
Total Act 511 Taxes	<u>32,553,000</u>	<u>32,553,000</u>	<u>33,458,516</u>	<u>905,516</u>
Total Taxes	<u>64,903,500</u>	<u>64,903,500</u>	<u>64,267,442</u>	<u>(636,058)</u>
Licenses and Permits:				
Business licenses	400,000	400,000	390,757	(9,243)
Billboard and sign permits/licenses	11,214	11,214	12,189	975
Building permits and licenses	784,310	784,310	572,323	(211,987)
Plumbing permits and licenses	120,716	120,716	127,268	6,552
Electrical permits and licenses	274,216	274,216	282,852	8,636
Sheet metal technician license	23,140	23,140	45,275	22,135
Liquor licenses	60,000	60,000	54,350	(5,650)
Health bureau permits and licenses	230,000	230,000	261,887	31,887
Rental inspection program	1,900,000	1,900,000	2,028,910	128,910
Presales inspection program	148,000	148,000	147,400	(600)
Zoning permits and fees	75,000	75,000	94,146	19,146
Fire department inspection fees	80,000	80,000	81,197	1,197
CATV franchise fees	1,300,000	1,300,000	1,472,096	172,096
Shade tree permits/fees	2,500	2,500	2,960	460
Other permits and licenses	354,500	354,500	334,044	(20,456)
Total Licenses and Permits	<u>5,763,596</u>	<u>5,763,596</u>	<u>5,907,654</u>	<u>144,058</u>
Fines and Forfeits:				
District court	310,000	310,000	238,052	(71,948)
Fines and restitution	145,000	145,000	119,312	(25,688)
Parking Authority transfer	1,000,000	1,000,000	1,407,836	407,836
Total Fines and Forfeits	<u>1,455,000</u>	<u>1,455,000</u>	<u>1,765,200</u>	<u>310,200</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, 2016  
 (CONTINUED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues (Continued):</b>				
Intergovernmental Revenue:				
Health grants	1,840,958	1,905,074	2,443,017	537,943
Police/fire training	200,000	200,000	210,212	10,212
State aid for pension	3,878,823	3,878,823	4,310,674	431,851
Police grants/reimbursements	1,261,784	1,574,144	1,172,183	(401,961)
Casino fee	3,900,000	3,900,000	3,867,037	(32,963)
Other grants/miscellaneous	506,000	506,000	751,467	245,467
Total Intergovernmental Revenue	11,587,565	11,964,041	12,754,590	790,549
Charges for Services:				
Departmental Earnings:				
Tax/municipal certifications	134,000	134,000	115,875	(18,125)
Police extra duty jobs	604,000	604,000	457,728	(146,272)
Health bureau services	115,050	115,050	116,937	1,887
Street excavation/restoration	75,000	75,000	82,191	7,191
Printing and copier fees	75,000	75,000	84,270	9,270
Other charges for service	50,000	50,000	92,294	42,294
Vehicle towing agreement	250,000	250,000	309,582	59,582
EMS transit fees	3,200,000	3,200,000	2,789,125	(410,875)
Warrants of survey	6,000	6,000	13,371	7,371
Stormwater	100,000	100,000	-	(100,000)
Water and sewer	500,000	500,000	483,118	(16,882)
Total Departmental Earnings	5,109,050	5,109,050	4,544,491	(564,559)
Municipal Recreation:				
Swimming pool fees	200,000	200,000	144,616	(55,384)
Recreation fees	93,000	93,000	79,755	(13,245)
Total Municipal Recreation	293,000	293,000	224,371	(68,629)
General Fund Service Charges:				
Other service charges	1,131,322	1,131,322	1,123,472	(7,850)
Total General Fund Service Charges	1,131,322	1,131,322	1,123,472	(7,850)
Total Charges for Services	6,533,372	6,533,372	5,892,334	(641,038)
Investment Income	11,000	-	7,156	7,156

(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, 2016  
 (CONTINUED)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues (Continued):</b>				
Other Income:				
Rental of city property	125,000	125,000	117,291	(7,709)
Marketing/advertising	130,000	130,000	120,368	(9,632)
Contributions	179,000	192,025	13,025	(179,000)
Damage to city property	25,000	25,000	19,758	(5,242)
Lights in parkway	175,000	175,000	197,131	22,131
Pennsylvania Utility Realty tax	70,000	70,000	66,864	(3,136)
Allentown Housing Authority	95,000	95,000	116,164	21,164
Sale of property	900,000	900,000	-	(900,000)
Recreation/special events	19,500	19,500	29,719	10,219
Miscellaneous	1,948,750	1,948,750	973,889	(974,861)
Total Other Income	<u>3,667,250</u>	<u>3,680,275</u>	<u>1,654,209</u>	<u>(2,026,066)</u>
Total Revenues	<u>93,921,283</u>	<u>94,299,784</u>	<u>92,248,585</u>	<u>(2,051,199)</u>
<b>Expenditures:</b>				
General Government:				
Nondepartmental:				
City Council	441,024	441,024	347,158	93,866
Office of the Mayor	3,740,779	3,869,355	3,308,614	560,741
City Controller	185,738	185,738	183,960	1,778
Law	703,838	711,823	620,877	90,946
General and civic	694,154	695,354	641,349	54,005
Total Nondepartmental	<u>5,765,533</u>	<u>5,903,294</u>	<u>5,101,958</u>	<u>801,336</u>
Department of Finance	<u>3,145,668</u>	<u>3,194,239</u>	<u>2,771,267</u>	<u>422,972</u>
Total Department of Finance	<u>3,145,668</u>	<u>3,194,239</u>	<u>2,771,267</u>	<u>422,972</u>
Human Resources	<u>775,023</u>	<u>797,023</u>	<u>683,535</u>	<u>113,488</u>
Total Human Resources	<u>775,023</u>	<u>797,023</u>	<u>683,535</u>	<u>113,488</u>
Total General Government	<u>9,686,224</u>	<u>9,894,556</u>	<u>8,556,760</u>	<u>1,337,796</u>

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016  
 (CONTINUED)

**Expenditures (Continued):**

Public Safety:

Department of Public Safety:

Police	31,598,417	32,532,444	31,972,750	559,694
Fire	20,348,534	20,575,024	20,672,567	(97,543)
Communications	915,109	921,380	857,007	64,373
Total Public Safety	52,862,060	54,028,848	53,502,324	526,524

Public Works:

Department of Public Works:

Director's office	479,305	479,304	460,791	18,513
Engineering	1,432,160	1,479,340	1,424,188	55,152
Building maintenance	2,159,081	2,166,865	1,989,727	177,138
Fleet maintenance operation	3,176,612	3,176,612	2,800,370	376,242
Streets	1,242,699	1,567,388	1,273,064	294,324
Traffic planning and control	1,091,590	1,122,155	1,039,200	82,955
Street lighting	692,670	722,280	681,593	40,687
Stormwater	2,044,892	2,040,082	1,811,702	228,380
Total Public Works	12,319,009	12,754,026	11,480,635	1,273,391

Health and Sanitation:

Department of Community Development:

Health	3,380,554	3,465,364	3,301,992	163,372
Total Health and Sanitation	3,380,554	3,465,364	3,301,992	163,372

Parks and Recreation:

Department of Parks and Recreation:

Park maintenance	3,626,354	3,613,972	3,557,698	56,274
Recreation	619,447	619,447	588,327	31,120
Swimming pool operation	441,805	414,408	298,412	115,996
Total Parks and Recreation	4,687,606	4,647,827	4,444,437	203,390

Community Development and Planning:

Department of Community Development:

Director's office	657,772	704,771	643,339	61,432
Planning and zoning	1,090,648	1,120,114	904,151	215,963
Building standards and safety	2,765,657	2,950,150	1,452,765	1,497,385
Total Community Development and Planning	4,514,077	4,775,035	3,000,255	1,774,780

Capital Outlays

Total Capital Outlays

770,514	3,048,978	2,395,751	653,227
770,514	3,048,978	2,395,751	653,227

Total Expenditures

87,449,530	89,565,656	84,286,403	5,279,253
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(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, 2016  
 (CONTINUED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Excess (Deficiency) of Revenues over Expenditures	\$ 6,471,753	\$ 4,734,128	\$ 7,962,182	\$ (3,228,054)
<u>Other Financing Sources (Uses):</u>				
Issuance of long-term debt	1,687,000	2,354,264	1,775,819	578,445
Transfers in:				
Equipment Fund	591,464	694,714	619,932	(74,782)
Community Development Block Grant	-	-	240	240
Solid Waste	4,500,000	4,500,000	4,500,000	-
Administrative Order Fund	-	603,761	444,129	(159,632)
Transfers out:				
Equipment Fund	(591,464)	(694,714)	(619,932)	74,782
Capital Fund	-	-	-	-
Risk Fund	(1,853,207)	(2,922,000)	(1,853,207)	1,068,793
Debt Service Fund	(10,166,972)	(10,166,972)	(10,163,936)	3,036
E-911 Fund	(150,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	<u>(7,670,179)</u>	<u>(8,135,211)</u>	<u>(7,222,774)</u>	<u>912,437</u>
Net Change in Fund Balance	<u>\$ (1,198,426)</u>	<u>\$ (3,401,083)</u>	<u>\$ 739,408</u>	<u>\$ (2,315,617)</u>
Net effect of agency fund, other income and expenditure accruals			<u>(9,096,952)</u>	
Net Change in Fund Balance			(8,357,544)	
Fund Balance (Deficit):				
Beginning of year			<u>27,891,893</u>	
End of year			<u>\$ 19,534,349</u>	

(Concluded)

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



CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2016

NOTE 1            BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

NOTE 2 COMPLIANCE

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

*Excess of Expenditures Over Appropriations*

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess %</u>
<u>General Fund:</u>			
Public Safety:			
Department of Public Safety:			
Police - Permanent Wages	\$ 16,318,540	\$ 16,430,104	0.68%
Fire\EMS - Permanent Wages	\$ 1,760,677	\$ 1,903,133	8.09%
Fire - Permanent Wages	\$ 7,575,039	\$ 7,620,517	0.60%
Parks and Recreation:			
Department of Park and Recreation:			
Ground Maintenance - Permanent Wages	\$ 1,676,588	\$ 1,702,738	1.56%
Community Development:			
Department of Community Development:			
Director\Admistration - Permanent Wages	\$ 87,569	\$ 125,398	43.20%
Building Standards - Permanent Wages	\$ 509,728	\$ 617,452	21.13%
<u>Capital Projects Fund:</u>			
Capital Outlay:			
Automatic meter reading and billing - other contract services	\$ -	\$ 13,612	100.00%
<u>Lease A.O. Fund:</u>			
Finance - A.O. Special Revenue			
Professional Service Fees	\$ -	\$ 49,043	100.00%
Interfund Transfers	\$ -	\$ 556,591	100.00%
<u>Internal Service Fund:</u>			
Finance - Risk Management			
Employee Health Benefits	\$ 18,068,793	\$ 18,420,021	1.94%

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

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

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
<b>Total Pension Liability:</b>			
Service cost	\$ 3,039,127	\$ 2,856,276	\$ 2,661,908
Interest	13,161,554	12,720,534	12,280,247
Difference between expected and actual experience	(205,379)	737,072	-
Chnges in Assumptions	7,903,467	-	-
Benefit payments, including refunds	<u>(10,506,610)</u>	<u>(10,190,293)</u>	<u>(10,194,574)</u>
 Net Changes in Total Pension Liability	 13,392,159	 6,123,589	 4,747,581
 Total Pension Liability - Beginning	 <u>171,666,242</u>	 <u>165,542,653</u>	 <u>160,795,072</u>
 Total Pension Liability - Ending (a)	 <u>\$ 185,058,401</u>	 <u>\$ 171,666,242</u>	 <u>\$ 165,542,653</u>
 <b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471
Contributions - member	991,017	914,420	825,381
Net investment income (loss)	10,741,586	(701,889)	6,419,152
Benefit payments, including refunds	(10,506,610)	(10,190,293)	(10,194,574)
Administrative expense	<u>(9,593)</u>	<u>(9,673)</u>	<u>(10,682)</u>
 Net Change in Plan Fiduciary Net Position	 5,432,937	 (7,317,676)	 (453,252)
 Plan Fiduciary Net Position - Beginning	 <u>141,038,624</u>	 <u>148,356,300</u>	 <u>148,809,552</u>
 Plan Fiduciary Net Position - Ending (b)	 <u>\$ 146,471,561</u>	 <u>\$ 141,038,624</u>	 <u>\$ 148,356,300</u>
 Net Pension Liability - Ending (a-b)	 <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>79.15%</u>	 <u>82.16%</u>	 <u>89.62%</u>
 Covered Employee Payroll	 <u>\$ 18,931,433</u>	 <u>\$ 17,794,000</u>	 <u>\$ 17,031,352</u>
 Net Pension Liability as a Percentage of Covered Employee Payroll	 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

	2016*	2015*	2014*
<b>Total Pension Liability:</b>			
Service cost	\$ 1,544,110	\$ 1,513,683	\$ 1,422,468
Interest	8,940,922	8,782,604	8,601,438
Difference between expected and actual experience	(502,487)	312,322	-
Changes in assumptions	4,219,884	-	-
Benefit payments, including refunds	<u>(8,113,374)</u>	<u>(8,104,277)</u>	<u>(8,075,886)</u>
 Net Changes in Total Pension Liability	 6,089,055	 2,504,332	 1,948,020
 Total Pension Liability - Beginning	 <u>117,978,775</u>	 <u>115,474,443</u>	 <u>113,526,423</u>
 Total Pension Liability - Ending (a)	 <u>\$ 124,067,830</u>	 <u>\$ 117,978,775</u>	 <u>\$ 115,474,443</u>
 <b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 2,965,478	\$ 1,205,379	\$ 1,355,613
Contributions - member	495,834	482,441	450,825
Net investment income (loss)	7,093,225	(374,539)	4,173,658
Benefit payments, including refunds	(8,113,274)	(8,104,277)	(8,075,886)
Administrative expense	<u>(9,592)</u>	<u>(9,673)</u>	<u>(10,682)</u>
 Net Change in Plan Fiduciary Net Position	 2,431,671	 (6,800,669)	 (2,106,472)
 Plan Fiduciary Net Position - Beginning	 <u>95,786,074</u>	 <u>102,586,743</u>	 <u>104,693,125</u>
 Plan Fiduciary Net Position - Ending (b)	 <u>\$ 98,217,745</u>	 <u>\$ 95,786,074</u>	 <u>\$ 102,586,653</u>
 Net Pension Liability - Ending (a-b)	 <u>\$ 25,850,085</u>	 <u>\$ 22,192,701</u>	 <u>\$ 12,887,790</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u>79.16%</u>	 <u>81.19%</u>	 <u>88.84%</u>
 Covered Employee Payroll	 <u>\$ 9,901,453</u>	 <u>\$ 9,544,000</u>	 <u>\$ 8,968,810</u>
 Net Pension Liability as a Percentage of Covered Employee Payroll	 261.07%	 232.53%	 143.69%

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

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

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
<b>Total Pension Liability:</b>			
Service cost	\$ 8,894	\$ 8,254	\$ 7,950
Interest	1,010,525	1,064,075	1,169,496
Difference between expected and actual experience	278,360	(434,623)	-
Chnages in assumptions	294,664	-	-
Benefit payments, including refunds	<u>(2,136,355)</u>	<u>(2,235,966)</u>	<u>(2,371,674)</u>
 Net Changes in Total Pension Liability	 (543,912)	 (1,598,260)	 (1,194,228)
 Total Pension Liability - Beginning	 <u>15,691,909</u>	 <u>17,290,169</u>	 <u>18,484,397</u>
 Total Pension Liability - Ending (a)	 <u>\$ 15,147,997</u>	 <u>\$ 15,691,909</u>	 <u>\$ 17,290,169</u>
 <b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 149,540	\$ 161,022	\$ 103,519
Contributions - member	3,930	3,851	3,573
Net investment income	647,814	50,233	940,162
Benefit payments, including refunds	(2,136,355)	(2,235,966)	(2,371,674)
Administrative expense	(9,592)	(9,673)	(10,682)
 Net Change in Plan Fiduciary Net Position	 (1,344,663)	 (2,030,533)	 (1,335,102)
 Plan Fiduciary Net Position - Beginning	 <u>14,880,560</u>	 <u>16,911,093</u>	 <u>18,246,195</u>
 Plan Fiduciary Net Position - Ending (b)	 <u>\$ 13,535,897</u>	 <u>\$ 14,880,560</u>	 <u>\$ 16,911,093</u>
 Net Pension Liability - Ending (a-b)	 <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>89.36%</u>	 <u>94.83%</u>	 <u>97.81%</u>
 Covered Employee Payroll	 <u>\$ 71,512</u>	 <u>\$ 70,000</u>	 <u>\$ 64,960</u>
 Net Pension Liability as a Percentage of Covered Employee Payroll	 2254.31%	 1159.07%	 583.55%

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

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

	2016*	2015*
<b>Total Pension Liability:</b>		
Service cost	\$ 3,121,592	\$ 3,792,600
Interest	8,484,310	8,298,621
Difference between expected and actual experience	-	(31,247)
Changes in Assumptions	2,584,899	-
Transfers	-	(42,319)
Benefit payments, including refunds	(8,283,599)	(7,706,851)
 Net Changes in Total Pension Liability	 5,907,202	 4,310,804
 Total Pension Liability - Beginning	 155,224,953	 150,914,149
 Total Pension Liability - Ending (a)	 \$ 161,132,155	 \$ 155,224,953
 <b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 2,230,827	\$ 1,558,888
Contributions - member	1,710,952	1,672,158
Net investment income	(36,944)	7,201,360
Transfers	-	(42,319)
Benefit payments, including refunds	(8,283,599)	(7,706,851)
Administrative expense	(338,130)	(304,806)
 Net Change in Plan Fiduciary Net Position	 (4,716,894)	 2,378,430
 Plan Fiduciary Net Position - Beginning	 140,354,171	 137,975,741
 Plan Fiduciary Net Position - Ending (b)	 \$ 135,637,277	 \$ 140,354,171
 Net Pension Liability - Ending (a-b)	 \$ 25,494,878	 \$ 14,870,782
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 84.18%	 90.42%
 Covered Employee Payroll	 \$ 23,067,602	 \$ 22,740,178
 Net Pension Liability as a Percentage of Covered Employee Payroll	 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

	<u>2016*</u>	<u>2015*</u>
<u>Total Pension Liability:</u>		
Interest	\$ 220,605	\$ 218,085
Benefit payments, including refunds	<u>(174,612)</u>	<u>(194,346)</u>
Net Changes in Total Pension Liability	45,993	23,739
Total Pension Liability - Beginning	<u>3,028,708</u>	<u>3,004,969</u>
Total Pension Liability - Ending (a)	<u>\$ 3,074,701</u>	<u>\$ 3,028,708</u>
<u>Plan Fiduciary Net Position:</u>		
Net investment income (loss)	\$ 246,491	\$ (35,622)
Benefit payments, including refunds	<u>(174,612)</u>	<u>(194,346)</u>
Net Change in Plan Fiduciary Net Position	71,879	(229,968)
Plan Fiduciary Net Position - Beginning	<u>2,982,614</u>	<u>3,212,582</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,054,493</u>	<u>\$ 2,982,614</u>
Net Pension Liability - Ending (a-b)	<u>\$ 20,208</u>	<u>\$ 46,094</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>0.66%</u>	<u>98.48%</u>
Covered Employee Payroll	<u>-</u>	<u>-</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	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**

	2016*	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>POLICE PENSION PLAN</b>										
<u>Schedule of City Contributions</u>										
Actuarilly determined contribution under Act 205	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471	\$ 2,276,774	\$ 7,324,133	\$ 7,338,716	\$ 5,726,720	\$ 7,115,495	\$ 6,022,935	\$ 5,841,327
Contributions in relation to the actuarially determined contribution	<u>4,216,537</u>	<u>2,669,759</u>	<u>2,507,471</u>	<u>86,776,774</u>	<u>8,248,725</u>	<u>7,597,844</u>	<u>5,276,720</u>	<u>7,115,495</u>	<u>622,935</u>	<u>5,841,328</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (84,500,000)</u>	<u>\$ (924,592)</u>	<u>\$ (259,128)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>
Covered employee payroll	<u>\$ 18,931,433</u>	<u>\$ 17,794,000</u>	<u>\$ 17,031,352</u>	<u>\$ 15,293,935</u>	<u>\$ 14,487,385</u>	<u>\$ 13,788,954</u>	<u>\$ 13,821,650</u>	<u>\$ 13,001,025</u>	<u>\$ 11,384,012</u>	<u>\$ 10,126,336</u>
Contributions as a percentage of covered employee payroll	7.82%	15.00%	14.72%	567.39%	56.94%	55.10%	41.43%	54.73%	52.91%	57.68%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	7.30%	0.44%	4.51%							
<b>FIREMEN PENSION PLAN</b>										
<u>Schedule of City Contributions</u>										
Actuarilly determined contribution under Act 205	\$ 2,965,478	\$ 1,205,379	\$ 1,345,613	\$ 1,508,323	\$ 4,069,771	\$ 4,146,949	\$ 3,133,439	\$ 3,565,384	\$ 3,106,329	\$ 3,049,326
Contributions in relation to the actuarially determined contribution	<u>2,965,478</u>	<u>1,205,379</u>	<u>1,355,613</u>	<u>62,708,409</u>	<u>4,583,476</u>	<u>4,293,176</u>	<u>3,133,439</u>	<u>3,565,384</u>	<u>3,106,329</u>	<u>3,049,327</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(61,200,086)</u>	<u>(513,705)</u>	<u>(146,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Covered employee payroll	<u>9,901,453</u>	<u>9,544,000</u>	<u>8,968,810</u>	<u>8,117,293</u>	<u>9,755,213</u>	<u>7,558,653</u>	<u>10,475,590</u>	<u>10,179,600</u>	<u>9,386,995</u>	<u>7,350,267</u>
Contributions as a percentage of covered employee payroll	29.95%	12.63%	15.11%	772.53%	46.98%	56.80%	29.91%	35.02%	33.09%	41.49%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	7.10%	-0.32%	4.29%							



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

	2016*	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>OFFICERS AND EMPLOYEES PENSION PLAN:</b>										
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 149,540	\$ 161,022	\$ 103,519	\$ 81,097	\$ 512,669	\$ 514,014	\$ 343,531	\$ 451,053	\$ 355,279	\$ 528,875
Contributions in relation to the actuarially determined contribution	<u>149,540</u>	<u>161,022</u>	<u>103,519</u>	<u>4,381,097</u>	<u>577,431</u>	<u>523,150</u>	<u>343,531</u>	<u>451,053</u>	<u>355,279</u>	<u>528,875</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,300,000)</u>	<u>(64,762)</u>	<u>(18,136)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	<u>71,512</u>	<u>70,000</u>	<u>64,960</u>	<u>62,491</u>	<u>250,856</u>	<u>250,324</u>	<u>314,909</u>	<u>386,999</u>	<u>370,644</u>	<u>370,644</u>
Contributions as a percentage of covered employee payroll	209.11%	230.03%	159.36%	7010.76%	230.18%	212.58%	109.09%	116.55%	95.85%	142.69%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	4.80%	0.67%	5.99%							
<b>PMRS PLAN:</b>										
Schedule of City Contributions**										
Actuarially determined contribution under Act 205	\$ 2,239,534	\$ 1,557,908	\$ 1,612,483	\$ 1,299,757	\$ 1,367,093	\$ 1,186,454	\$ 1,217,945	\$ 1,374,389	\$ 1,263,532	\$ 446,843
Contributions in relation to the actuarially determined contribution	<u>2,239,534</u>	<u>1,558,888</u>	<u>1,612,483</u>	<u>1,299,757</u>	<u>1,367,093</u>	<u>11,864,554</u>	<u>1,217,945</u>	<u>1,374,389</u>	<u>1,263,532</u>	<u>446,843</u>
Contribution deficiency (excess)	<u>-</u>	<u>(980)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll		<u>22,740,178</u>								
Contributions as a percentage of covered employee payroll		6.86%								

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

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

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

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

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, 2016 are as follows:

	Police	Firemen	Officers and Employees
Valuation date	1/1/2016	1/1/2016	1/1/2016
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	14 years	14 years
Asset valuation method	*	*	*
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	6.75%
Projected salary increases	3.50% - 4.50%	4.505	4.50%

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

*Changes of assumptions:* As of December 31, 2016 Measurement Date, discount rates were decreased by 25 basis points, the mortality projection was changed from a static projection to 2017 to a generational projection and, for Police only, the start date of COLA increases for active participants hired prior to 2009 decreased from 17 years after expected retirement date to 15 years after expected retirement date.

CITY OF ALLENTOWN, PENNSYLVANIA  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –  
 PENSION INFORMATION  
 YEAR ENDED DECEMBER 31, 2016

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, 2015 (presented as the subsequent year on the preceding schedules) are as follows:

Valuation date	1/1/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed period
Amortization period	Based upon amortization periods in Act 205
Asset valuation method	Based upon the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.50%
Projected salary increases	3.0% - 8.3%
Underlying inflation rate	3.00%
Cost-of-living adjustment	3.00%
Pre-retirement mortality	Males: RP 2000 with 1 year set back Females: RP 2000 with 5 year set back
Post-retirement mortality	Males and females: RP-2000 Sex-Distinct Combined Health Mortality Table

Discretely Presented Component Unit

*Parking Authority*

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

CITY OF ALLENTOWN, PENNSYLVANIA  
 REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
 YEAR ENDED DECEMBER 31, 2016

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation date	January 1, 2016
Actuarial cost method	entry age normal
Amortization method	Level percentage of payroll
Amortization period	22 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.00%
Payroll growth rate	3.50% per year (with merit)
Ultimate rate of medical inflation	4.00%

**Discretely Presented Component Unit Parking Authority**

SCHEDULE OF FUNDING PROGRESS

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

**SUPPLEMENTARY  
INFORMATION**

CITY OF ALLENTOWN, PENNSYLVANIA  
 COMBINING BALANCE SHEET  
 OTHER NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2016

Special Revenue Funds								Total Nonmajor Governmental Funds
Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	Lease/A.O.		
<b>Assets</b>								
Cash and cash equivalents	\$ 1,702,488	\$ 568,697	\$ 167,785	\$ -	\$ 1,374,710	\$ 8,638	\$ 556,063	\$ 4,378,381
<b>Receivables:</b>								
Loans	-	3,815,876	1,161,252	-	-	-	-	4,977,128
Accounts	-	-	-	-	-	-	-	-
Grants	213,253	1,804,908	-	1,136,886	-	-	-	3,155,047
Interest	-	-	-	6,635	-	-	-	6,635
Due From other funds	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,915,741</u>	<u>\$ 6,189,481</u>	<u>\$ 1,329,037</u>	<u>\$ 1,143,521</u>	<u>\$ 1,374,710</u>	<u>\$ 8,638</u>	<u>\$ 556,063</u>	<u>\$ 12,517,191</u>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ 1,595,584	\$ -	\$ 13,228	\$ 9,614	\$ 24,586	\$ -	\$ 1,643,012
Wages payable	37,143	-	-	19,322	-	-	-	56,465
Due to other funds	-	246,355	1,320	533,379	884,084	-	838,632	2,503,770
Unearned revenue	-	-	-	452,423	-	-	-	452,423
Other liabilities	-	55,023	-	64	-	-	-	55,087
Total Liabilities	<u>\$ 37,143</u>	<u>\$ 1,896,962</u>	<u>\$ 1,320</u>	<u>\$ 1,018,416</u>	<u>\$ 893,698</u>	<u>\$ 24,586</u>	<u>\$ 838,632</u>	<u>\$ 4,710,757</u>
<b>Fund Balance:</b>								
Restricted	\$ 1,878,598	\$ 4,292,519	\$ 1,327,717	\$ 79,058	\$ 481,012	\$ -	\$ -	\$ 8,058,904
Assigned	-	-	-	46,047	-	-	-	46,047
Unassigned	-	-	-	-	-	(15,948)	(282,569)	(298,517)
Total Fund Balance	1,878,598	4,292,519	1,327,717	125,105	481,012	(15,948)	(282,569)	7,806,434
Total Liabilities and Fund Balance	<u>\$ 1,915,741</u>	<u>\$ 6,189,481</u>	<u>\$ 1,329,037</u>	<u>\$ 1,143,521</u>	<u>\$ 1,374,710</u>	<u>\$ 8,638</u>	<u>\$ 556,063</u>	<u>\$ 12,517,191</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
 OTHER NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants	Lease/A.O.	
<b>Revenues:</b>								
Investment earnings	\$ -	\$ -	\$ 60	\$ -	\$ 126	\$ -	\$ 18	\$ 204
Intergovernmental revenues	3,040,169	4,486,728	-	2,083,911	2,636,013	776,855	-	13,023,676
Other	286,958	29,016	-	24,550	-	-	370,169	710,693
<b>Total revenues</b>	<b>3,327,127</b>	<b>4,515,744</b>	<b>60</b>	<b>2,108,461</b>	<b>2,636,139</b>	<b>776,855</b>	<b>370,187</b>	<b>13,734,573</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	-	-	-	-	-	788,295	49,042	837,337
Public safety	-	-	-	-	2,994,765	-	-	2,994,765
Community development	-	5,165,744	-	-	-	17,008	-	5,182,752
Public works	3,004,777	-	-	-	-	-	-	3,004,777
Parks and recreation	-	-	-	1,389,313	-	-	-	1,389,313
Capital outlay	-	-	-	151,504	-	-	-	151,504
<b>Total Expenditures</b>	<b>3,004,777</b>	<b>5,165,744</b>	<b>-</b>	<b>1,540,817</b>	<b>2,994,765</b>	<b>805,303</b>	<b>49,042</b>	<b>13,560,448</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>322,350</b>	<b>(650,000)</b>	<b>60</b>	<b>567,644</b>	<b>(358,626)</b>	<b>(28,448)</b>	<b>321,145</b>	<b>174,125</b>



CITY OF ALLENTOWN, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
 OTHER NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2016  
 (CONTINUED)

	Special Revenue Funds						Total Nonmajor Governmental Funds	
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	E-911	Grants		Lease/A.O.
<u>Other Financing Sources (Uses):</u>								
Issuance of long-term debt	-	-	-	-	-	-	347,379	347,379
Transfers in	-	-	-	-	150,000	-	444,129	594,129
Transfers Out	(46,563)	-	-	(446,828)	-	-	(1,395,222)	(1,888,613)
Total other financial sources (uses)	(46,563)	-	-	(446,828)	150,000	-	(603,714)	(947,105)
Net Change in Fund Balance	275,787	(650,000)	60	120,816	(208,626)	(28,448)	(282,569)	(772,980)
Fund Balance (Deficit):								
Beginning of year	1,602,811	4,942,519	1,327,657	4,289	689,638	12,500	-	8,579,414
End of year	<u>\$ 1,878,598</u>	<u>\$ 4,292,519</u>	<u>\$ 1,327,717</u>	<u>\$ 125,105</u>	<u>\$ 481,012</u>	<u>\$ (15,948)</u>	<u>\$ (282,569)</u>	<u>\$ 7,806,434</u>

(Concluded)

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – CAPITAL PROJECTS FUND  
 YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Charges for services	\$ -	\$ -	\$ 334,705	\$ 334,705
Intergovernmental	-	-	5,979,503	5,979,503
Other	-	999	2,988	1,989
Total revenues	<u>-</u>	<u>999</u>	<u>6,317,196</u>	<u>6,316,197</u>
<u>Expenditure:</u>				
Capital outlay	79,102,122	78,475,441	13,063,957	65,411,484
Total Expenditure	<u>79,102,122</u>	<u>78,475,441</u>	<u>13,063,957</u>	<u>65,411,484</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(79,102,122)</u>	<u>(78,474,442)</u>	<u>(6,746,761)</u>	<u>71,727,681</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	-	268,300	268,300	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>268,300</u>	<u>268,300</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (79,102,122)</u>	<u>\$ (78,206,142)</u>	(6,478,461)	<u>\$ 71,727,681</u>
Net effect of other income and expenditure accruals			<u>2,162,751</u>	
<u>Fund Balance:</u>				
Beginning of year			<u>11,131,988</u>	
End of year			<u>\$ 6,816,278</u>	

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – DEBT SERVICE FUND  
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Expenditure:</u>				
<u>Current:</u>				
General government	\$ 35,000	\$ 35,000	\$ 7,370	\$ 27,630
Debt service - principal	7,953,320	7,953,320	7,933,320	20,000
Debt service - interest	3,321,559	3,321,559	3,271,606	49,953
Total Expenditure	<u>11,309,879</u>	<u>11,309,879</u>	<u>11,212,296</u>	<u>97,583</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,309,879)</u>	<u>(11,309,879)</u>	<u>(11,212,296)</u>	<u>97,583</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	<u>11,309,879</u>	<u>11,309,879</u>	<u>11,212,296</u>	<u>(97,583)</u>
Total other financing sources (uses)	<u>11,309,879</u>	<u>11,309,879</u>	<u>11,212,296</u>	<u>(97,583)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – LIQUID FUELS FUND  
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Intergovernmental revenues:</b>				
PA Liquid Fuels Tax	\$ 2,967,609	\$ 2,967,609	\$ 2,926,428	\$ (41,181)
State aid for pension	55,756	55,756	113,741	57,985
Total intergovernmental revenues	<u>3,023,365</u>	<u>3,023,365</u>	<u>3,040,169</u>	<u>16,804</u>
<b>Other income:</b>				
Miscellaneous	70,000	70,000	73,705	3,705
Total other income	<u>70,000</u>	<u>70,000</u>	<u>73,705</u>	<u>3,705</u>
Total Revenue	<u>3,093,365</u>	<u>3,093,365</u>	<u>3,113,874</u>	<u>20,509</u>
<b>Expenditure:</b>				
<b>Public Works:</b>				
Department of Public Works:				
Streets	3,341,796	3,561,382	3,005,777	(555,605)
Total public works	<u>3,341,796</u>	<u>3,561,382</u>	<u>3,005,777</u>	<u>(555,605)</u>
Capital Outlay	45,563	45,563	45,563	-
Total Expenditure	<u>3,387,359</u>	<u>3,606,945</u>	<u>3,051,340</u>	<u>(555,605)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(293,994)</u>	<u>(513,580)</u>	<u>62,534</u>	<u>576,114</u>
Net Change in Fund Balance	<u>\$ (293,994)</u>	<u>\$ (513,580)</u>	<u>62,534</u>	<u>\$ 576,114</u>
Net effect of other income and expenditure accruals			213,253	
Net Change in Fund Balance			<u>275,787</u>	
<b>Fund Balance:</b>				
Beginning of year			<u>1,602,811</u>	
End of year			<u>\$ 1,878,598</u>	

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Intergovernmental revenues:				
CDBG Grant Revenue	\$ -	\$ -	\$ 3,611,711	\$ 3,611,711
Program Revenue	-	-	94,319	94,319
Rental\Rehab Loan Repayments	-	-	26,142	26,142
Interest on Rental\Rehab Cash Acct	-	-	(41)	(41)
State Aid	-	-	-	-
Program Income\Home	-	-	59,481	59,481
Total intergovernmental revenues	<u>-</u>	<u>-</u>	<u>3,791,612</u>	<u>3,791,612</u>
 Total Revenue	 <u>-</u>	 <u>-</u>	 <u>3,791,612</u>	 <u>\$ 3,791,612</u>
<u>Expenditure:</u>				
CDBG				
Community Development				
CDBG, Home & Esg	9,401,905	13,010,209	4,796,552	(8,213,657)
Total CDBG	<u>9,401,905</u>	<u>13,010,209</u>	<u>4,796,552</u>	<u>(8,213,657)</u>
Total Expenditure	<u>9,401,905</u>	<u>13,010,209</u>	<u>4,796,552</u>	<u>(8,213,657)</u>
 Excess (Deficiency) of Revenues over Expenditures	 <u>(9,401,905)</u>	 <u>(13,010,209)</u>	 <u>(1,004,940)</u>	 <u>12,005,269</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	-	-	-	-
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net Change in Fund Balance	 <u>\$ (9,401,905)</u>	 <u>\$ (13,010,209)</u>	 <u>(1,004,940)</u>	 <u>\$ 12,005,269</u>
  Net effect of other income and expenditure accruals			  <u>354,940</u>	
  Beginning of year			  <u>4,942,519</u>	
End of year			 <u>\$ 4,292,519</u>	

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – TREXLER FUND  
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
<u>Intergovernmental revenues:</u>				
Trexler Maintenance Grant	\$ 1,250,000	\$ 2,138,762	\$ 1,678,793	\$ (459,969)
Springwood Trust	22,000	22,000	24,520	2,520
State aid for pension	37,171	37,171	52,496	15,325
Rental Fees\Misc	-	-	120	120
Total intergovernmental revenues	<u>1,309,171</u>	<u>2,197,933</u>	<u>1,755,929</u>	<u>(442,004)</u>
Total Revenue	<u>1,309,171</u>	<u>2,197,933</u>	<u>1,755,929</u>	<u>(442,004)</u>
<u>Expenditure:</u>				
<u>Parks &amp; Recreation</u>				
Department of Parks & Recreation				
Grounds Maintenance	<u>1,305,488</u>	<u>2,194,251</u>	<u>1,987,644</u>	<u>206,607</u>
Total Parks & Recreation	<u>1,305,488</u>	<u>2,194,251</u>	<u>1,987,644</u>	<u>206,607</u>
Total Expenditure	<u>1,305,488</u>	<u>2,194,251</u>	<u>1,987,644</u>	<u>206,607</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,683</u>	<u>3,682</u>	<u>(231,715)</u>	<u>(235,397)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 3,683</u>	<u>\$ 3,682</u>	<u>(231,715)</u>	<u>\$ (235,397)</u>
Net effect of other income and expenditure accruals			<u>352,531</u>	
Net Change in Fund Balance			<u>120,816</u>	
<u>Fund Balance:</u>				
Beginning of year			<u>4,289</u>	
End of year			<u>\$ 125,105</u>	

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – E-911 FUND  
 YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Investment earnings	\$ 300	\$ 300	\$ 126	\$ (174)
Intergovernmental revenues:	2,500,000	2,500,000	2,636,230	136,230
Total Revenue	<u>2,500,300</u>	<u>2,500,300</u>	<u>2,636,356</u>	<u>136,056</u>
<u>Expenditure:</u>				
Public Safety				
Department of Police				
Emergency Communications	3,195,705	3,196,680	2,994,766	201,914
Total Public Safety	<u>3,195,705</u>	<u>3,196,680</u>	<u>2,994,766</u>	<u>201,914</u>
Total Expenditure	<u>3,195,705</u>	<u>3,196,680</u>	<u>2,994,766</u>	<u>201,914</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(695,405)</u>	<u>(696,380)</u>	<u>(358,410)</u>	<u>337,970</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	150,000	150,000	150,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (545,405)</u>	<u>\$ (546,380)</u>	(208,410)	<u>\$ 337,970</u>
Net effect of other income and expenditure accruals			(216)	
Fund Balance:				
Beginning of year			<u>689,638</u>	
End of year			<u>\$ 481,012</u>	

CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS – GRANTS FUND  
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Intergovernmental revenues:				
Other Grants	\$ 6,250,000	\$ 6,251,700	\$ 636,250	\$ (5,615,450)
Federal Grants	89,500	89,500	157,816	68,316
State Funds	5,000	5,000	-	(5,000)
Total intergovernmental revenues	<u>6,344,500</u>	<u>6,346,200</u>	<u>794,066</u>	<u>(5,552,134)</u>
 Total Revenue	 <u>6,344,500</u>	 <u>6,346,200</u>	 <u>794,066</u>	 <u>(5,552,134)</u>
 <u>Expenditure:</u>				
Non-Departmental	\$ 924,804	\$ 7,264,304	\$ 788,295	\$ 6,476,009
Community Development	125,633	130,822	18,519	112,303
Total Expenditure	<u>1,050,437</u>	<u>7,395,126</u>	<u>806,814</u>	<u>6,588,312</u>
 Excess (Deficiency) of Revenues over Expenditures	 <u>5,294,063</u>	 <u>(1,048,926)</u>	 <u>(12,748)</u>	 <u>1,036,178</u>
 Net Change in Fund Balance	 <u>\$ 5,294,063</u>	 <u>\$ (1,048,926)</u>	 <u>(12,748)</u>	 <u>\$ 1,036,178</u>
 Net effect of other income and expenditure accruals			 <u>(15,700)</u>	
Net Change in Fund Balance			<u>(28,448)</u>	
 Fund Balance:				
Beginning of year			<u>12,500</u>	
End of year			<u>\$ (15,948)</u>	



CITY OF ALLENTOWN, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETARY BASIS - A.O. FUND  
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Actual Amounts	Variance with Final Budget
	Original	Amendments	Final		
<u>Revenues:</u>					
Investment Earnings	\$ -	\$ -	\$ -	\$ 18	\$ 18
Other	-	-	-	370,169	370,169
Total revenues	-	-	-	370,187	370,187
<u>Expenditure:</u>					
General Government	-	-	-	49,042	(49,042)
Total Expenditure	-	-	-	49,042	(49,042)
Excess (Deficiency) of Revenues over Expenditures	-	-	-	321,145	321,145
<u>Other Financing Sources (Uses):</u>					
Issuance of long-term debt	-	-	-	347,379	347,379
Transfers in Capital	-	-	-	444,129	444,129
Transfers out	-	-	-	(1,395,222)	(1,395,222)
Total other financing sources (uses)	-	-	-	(603,714)	(603,714)
Net Change in Fund Balance	\$ -	\$ -	\$ -	(282,569)	\$ (282,569)
Net effect of other income and expenditure accruals				-	
<u>Fund Balance:</u>					
Beginning of year				-	
End of year				\$ (282,569)	

CITY OF ALLENTOWN, PENNSYLVANIA  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
<u>Assets</u>				
Interest Receivable	\$ 78,080	\$ 87,773	\$ 27,646	\$ 193,499
Due from City's General Fund	34,476	17,881	151	52,508
Investments, at fair value				-
Money market funds	3,413,232	3,138,524	595,928	7,147,684
Equity mutual funds	102,172,216	68,652,442	6,046,184	176,870,842
Bond mutual funds	21,966,422	4,930,898	-	26,897,320
Corporate bonds	3,858,827	4,274,765	1,398,184	9,531,776
U.S. government obligations	11,482,353	12,996,026	4,023,586	28,501,965
U.S. government agency obligations	4,307,143	4,757,372	1,615,793	10,680,308
Total Assets	<u>147,312,749</u>	<u>98,855,681</u>	<u>13,707,472</u>	<u>259,875,902</u>
<u>Liabilities</u>				
Accounts Payable	18,590	11,064	7,372	37,026
Due to City's General Fund	822,598	626,972	164,204	1,613,774
Total Liabilities	<u>841,188</u>	<u>638,036</u>	<u>171,576</u>	<u>1,650,800</u>
<u>Net Position</u>				
Retricted for pension benefits	<u>\$ 146,471,561</u>	<u>\$ 98,217,645</u>	<u>\$ 13,535,896</u>	<u>\$ 258,225,102</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
<u>                    Additions</u>				
Contributions:				
Employer	\$ 4,216,537	\$ 2,965,478	\$ 149,540	\$ 7,331,555
Plan Members	991,017	495,834	3,930	1,490,781
Total Contributions	<u>5,207,554</u>	<u>3,461,312</u>	<u>153,470</u>	<u>8,822,336</u>
Investment income (loss):				
Net depreciation in fair value of investments	8,041,797	5,411,005	493,250	13,946,052
Interest and Dividends	2,821,146	1,755,171	212,173	4,788,490
Less Investment Expenses	<u>(121,357)</u>	<u>(72,950)</u>	<u>(57,609)</u>	<u>(251,916)</u>
Net investment income (loss)	<u>10,741,586</u>	<u>7,093,226</u>	<u>647,814</u>	<u>18,482,626</u>
Total additions	<u>15,949,140</u>	<u>10,554,538</u>	<u>801,284</u>	<u>27,304,962</u>
<u>                    Deductions</u>				
Benefits paid to recipients	10,506,610	8,113,374	2,136,355	20,756,339
Administrative and other fees	<u>9,593</u>	<u>9,593</u>	<u>9,593</u>	<u>28,779</u>
Total Deductions	<u>10,516,203</u>	<u>8,122,967</u>	<u>2,145,948</u>	<u>20,785,118</u>
Change in Net Position	5,432,937	2,431,571	(1,344,664)	6,519,844
<u>                    Net Position</u>				
Beginning of year	141,038,624	95,786,074	14,880,560	251,705,258
End of year	<u>\$ 146,471,561</u>	<u>\$ 98,217,645</u>	<u>\$ 13,535,896</u>	<u>\$ 258,225,102</u>

CITY OF ALLENTOWN, PENNSYLVANIA  
 COMBINING STATEMENT OF CHANGES IN ASSETS  
 AND LIABILITIES – AGENCY FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<u>Earned Income Tax Escrow</u>				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 2,016	\$ 2,016	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 2,016</u>	<u>\$ 2,016</u>	<u>\$ -</u>
Liabilities:				
Due to Other Governments	\$ -	\$ 2,016	\$ 2,016	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 2,016</u>	<u>\$ 2,016</u>	<u>\$ -</u>
<u>Payroll Withholding Fund</u>				
Assets:				
Cash and Cash Equivalents	\$ 1,279,723	\$ 15,925,096	\$ 15,942,567	\$ 1,262,252
Total Assets	<u>\$ 1,279,723</u>	<u>\$ 15,925,096</u>	<u>\$ 15,942,567</u>	<u>\$ 1,262,252</u>
Liabilities:				
Payroll Tax Liability	\$ 1,268,719	\$ 15,905,721	\$ 15,917,535	\$ 1,256,905
Due to Other Governments	11,004	19,375	25,032	5,347
Total Liabilities	<u>\$ 1,279,723</u>	<u>\$ 15,925,096</u>	<u>\$ 15,942,567</u>	<u>\$ 1,262,252</u>
<u>Total All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 1,279,723	\$ 15,927,112	\$ 15,944,583	\$ 1,262,252
Total Assets	<u>\$ 1,279,723</u>	<u>\$ 15,927,112</u>	<u>\$ 15,944,583</u>	<u>\$ 1,262,252</u>
Liabilities:				
Payroll Tax Liability	\$ 1,268,719	\$ 15,905,721	\$ 15,917,535	\$ 1,256,905
Due to Other Governments	11,004	21,391	27,048	5,347
Total Liabilities	<u>\$ 1,279,723</u>	<u>\$ 15,927,112</u>	<u>\$ 15,944,583</u>	<u>\$ 1,262,252</u>



CITY OF ALLENTOWN, PENNSYLVANIA

STATISTICAL SECTION

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

<b>Contents</b>	<b>Table</b>
<b>Financial Trends</b>	<b>1 – 5</b>
<p>These tables contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.</p>	
<b>Revenue Capacity</b>	<b>6 – 9</b>
<p>These tables contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.</p>	
<b>Debt Capacity</b>	<b>10 – 13</b>
<p>These tables offer present information that may assist the reader in analyzing the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
<b>Economic &amp; Demographic Information</b>	<b>14 – 15</b>
<p>These tables offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
<b>Operating Information</b>	<b>16 – 18</b>
<p>These tables contain service and infrastructure indicators to help the reader understand how the information in the government's financial statements relate to the services the government provides and the activities it performs.</p>	

CITY OF ALLENTOWN PENNSYLVANIA

TABLE 1

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net Investment in Capital Assets	\$ 17,098,445	\$ 20,127,498	\$ 19,175,187	\$ 25,370,253	\$ 30,108,596	\$ 32,494,392	\$ 126,410,580	\$ 143,512,599	\$ 149,413,132	\$ 196,884,805
Restricted	7,971,503	9,304,474	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881
Unrestricted	(7,510,520)	(20,610,569)	(23,777,059)	(22,257,663)	(26,754,250)	(33,811,444)	(182,008,900)	(189,614,176)	(234,253,739)	(294,311,145)
Total governmental activities net position	<u>17,559,428</u>	<u>8,821,403</u>	<u>1,570,245</u>	<u>9,219,992</u>	<u>10,003,324</u>	<u>10,957,947</u>	<u>107,337,847</u>	<u>113,735,444</u>	<u>(75,280,058)</u>	<u>(88,887,459)</u>
Business - type activities										
Net Investment in Capital Assets	58,612,743	60,620,384	62,390,291	63,445,317	64,695,490	68,128,410	5,551,723	5,267,292	4,965,265	4,971,644
Unrestricted	14,828,068	16,822,538	15,462,445	17,482,965	18,313,389	17,236,205	6,693,350	6,662,427	5,292,360	4,864,161
Total business - type activities net position	<u>73,440,811</u>	<u>77,442,922</u>	<u>77,852,736</u>	<u>80,928,282</u>	<u>83,008,879</u>	<u>85,364,615</u>	<u>12,245,073</u>	<u>11,929,719</u>	<u>10,257,625</u>	<u>9,835,805</u>
Primary government										
Net Investment in Capital Assets	75,711,188	80,747,882	81,565,478	88,815,570	94,804,086	100,622,802	131,962,303	148,779,891	154,378,397	201,856,449
Restricted	7,971,503	9,304,474	6,172,117	6,107,402	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881
Unrestricted	7,317,548	(3,788,031)	(8,314,614)	(4,774,698)	(8,440,861)	(16,575,239)	(175,315,550)	(182,951,749)	(228,961,379)	(289,446,984)
Total primary government activities net position	<u>\$ 91,000,239</u>	<u>\$ 86,264,325</u>	<u>\$ 79,422,981</u>	<u>\$ 90,148,274</u>	<u>\$ 93,012,203</u>	<u>\$ 96,322,562</u>	<u>\$ 119,582,920</u>	<u>\$ 125,665,163</u>	<u>\$ (65,022,433)</u>	<u>\$ (79,051,654)</u>

Note:

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

## CITY OF ALLENTOWN, PENNSYLVANIA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 8,496,511	\$ 14,193,579	\$ 14,514,780	\$ 7,932,586	\$ 13,916,289	\$ 16,164,160	\$ 16,865,074	\$ 19,866,840	\$ 18,476,854	\$ 14,922,641
Public safety	44,659,264	50,050,802	51,117,977	54,309,067	52,607,308	54,635,907	48,764,915	53,806,692	57,643,493	65,369,233
Community development	9,508,856	12,548,838	12,544,800	13,845,854	9,773,209	8,126,929	7,909,900	7,443,093	6,521,109	9,774,957
Public works	11,262,288	11,874,900	9,353,946	12,617,569	11,920,300	12,066,315	13,962,846	19,032,550	16,755,390	21,801,546
Health and sanitation	3,283,888	3,045,226	2,285,122	2,547,999	3,373,570	2,763,477	3,116,962	2,944,949	3,201,951	3,276,428
Parks and recreation	3,527,522	3,603,363	2,583,320	2,014,847	3,038,880	2,910,615	3,938,834	5,687,877	6,267,874	6,622,705
Other	-	-	-	-	-	-	-	1,033,067	-	-
Interest on long-term debt	4,373,290	3,577,271	3,952,622	5,071,431	5,481,742	5,331,070	4,997,583	4,419,672	4,822,575	4,964,746
Total governmental activities expenses	<u>85,111,619</u>	<u>98,893,979</u>	<u>96,352,567</u>	<u>98,339,353</u>	<u>100,111,298</u>	<u>101,998,473</u>	<u>99,556,114</u>	<u>114,234,740</u>	<u>113,689,246</u>	<u>126,732,256</u>
Business - type activities:										
Water fund	10,846,997	10,663,179	10,932,251	11,410,407	11,308,214	10,999,925	8,718,973	-	-	-
Sewer fund	13,047,950	12,607,533	13,639,529	13,034,825	13,533,543	14,242,086	9,673,907	-	-	-
Solid waste fund	11,565,750	12,528,680	12,578,028	12,584,872	13,170,266	14,549,004	14,529,054	14,599,155	15,027,563	14,590,672
Municipal golf course	1,057,970	1,078,094	1,076,235	1,027,292	1,152,872	1,167,107	1,204,675	1,220,773	1,180,801	1,207,239
Total business - type activities expenses	<u>36,518,667</u>	<u>36,877,486</u>	<u>38,226,043</u>	<u>38,057,396</u>	<u>39,164,895</u>	<u>40,958,122</u>	<u>34,126,609</u>	<u>15,819,928</u>	<u>16,208,364</u>	<u>15,797,911</u>
Total primary government expenses	<u>\$ 121,630,286</u>	<u>\$ 135,771,465</u>	<u>\$ 134,578,610</u>	<u>\$ 136,396,749</u>	<u>\$ 139,276,193</u>	<u>\$ 142,956,595</u>	<u>\$ 133,682,723</u>	<u>\$ 130,054,668</u>	<u>\$ 129,897,610</u>	<u>\$ 142,530,167</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 3,100,711	\$ 5,664,480	\$ 5,849,055	\$ 2,209,673	\$ 4,680,342	\$ 4,131,189	\$ 4,080,763	\$ 4,087,754	\$ 3,761,333	\$ 4,452,307
Public safety	6,678,609	6,602,040	7,043,765	7,202,889	3,792,692	3,627,974	3,820,867	3,935,055	3,889,699	4,772,625
Community development	1,607,840	1,949,934	1,782,643	3,174,152	3,249,126	3,325,198	3,839,739	3,996,649	3,409,113	3,539,435
Public works	2,668,591	1,418,930	2,463,882	183,134	192,673	189,821	277,561	236,424	358,278	1,139,669
Health and sanitation	224,221	177,924	170,013	180,922	192,961	436,682	309,931	329,332	344,749	390,794
Parks and recreation	366,715	332,878	358,414	411,409	424,910	418,634	461,267	505,205	314,298	528,225
Other	-	-	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	3,430,049	6,227,905	4,870,740	5,973,852
Operating grants and contributions	10,645,301	17,197,783	11,452,802	14,153,060	13,696,509	13,496,058	17,010,242	16,149,411	13,172,892	12,775,516
Capital grants and contributions	1,400,090	3,180,479	2,129,468	4,350,695	5,335,856	5,654,879	24,157,607	14,981,948	12,033,696	6,282,366
Total governmental activities program revenues	<u>26,692,078</u>	<u>36,524,448</u>	<u>31,250,042</u>	<u>31,865,934</u>	<u>31,565,069</u>	<u>31,280,435</u>	<u>57,388,026</u>	<u>50,449,683</u>	<u>42,154,798</u>	<u>39,854,789</u>
Business - type activities:										
Changes for services:										
Water fund	14,167,850	14,122,453	13,194,621	15,220,117	14,878,781	15,525,790	8,782,028	-	-	-
Sewer fund	14,752,734	15,035,859	15,089,091	14,480,766	15,595,169	14,331,640	8,798,348	-	-	-
Solid waste fund	11,538,022	13,589,330	13,292,638	13,467,648	13,692,905	14,837,965	14,935,518	14,675,253	14,901,702	14,543,018
Municipal golf course	1,249,958	1,278,723	1,296,971	1,316,067	1,321,422	1,383,066	1,279,247	1,237,609	1,281,661	1,201,372
Operating grants and contributions	948,666	823,762	397,701	1,280,326	828,291	1,630,127	887,428	621,636	411,842	508,689
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>42,657,230</u>	<u>44,850,127</u>	<u>43,271,022</u>	<u>45,764,924</u>	<u>46,316,568</u>	<u>47,708,588</u>	<u>34,682,569</u>	<u>16,534,498</u>	<u>16,595,205</u>	<u>16,253,079</u>
Total primary government program revenues	<u>\$ 69,349,308</u>	<u>\$ 81,374,575</u>	<u>\$ 74,521,064</u>	<u>\$ 77,630,858</u>	<u>\$ 77,881,637</u>	<u>\$ 78,989,023</u>	<u>\$ 92,070,595</u>	<u>\$ 66,984,181</u>	<u>\$ 58,750,003</u>	<u>\$ 56,107,868</u>
Net (expense)/revenue:										
Governmental activities	\$ (58,419,541)	\$ (62,369,531)	\$ (65,102,525)	\$ (66,473,419)	\$ (68,546,229)	\$ (70,718,038)	\$ (42,168,088)	\$ (63,785,057)	\$ (71,534,448)	\$ (86,877,467)
Business - type activities	6,138,563	7,972,641	5,044,979	7,707,528	7,151,673	6,750,466	555,960	714,570	386,841	455,168
Total primary government net expense	<u>\$ (52,280,978)</u>	<u>\$ (54,396,890)</u>	<u>\$ (60,057,546)</u>	<u>\$ (58,765,891)</u>	<u>\$ (61,394,556)</u>	<u>\$ (63,967,572)</u>	<u>\$ (41,612,128)</u>	<u>\$ (63,070,487)</u>	<u>\$ (71,147,607)</u>	<u>\$ (86,422,299)</u>



## CITY OF ALLENTOWN, PENNSYLVANIA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Revenue and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes and other taxes	\$ 52,579,329	\$ 47,186,003	\$ 47,948,307	\$ 45,476,784	\$ 51,955,525	\$ 57,041,497	\$ 58,031,788	\$ 58,012,491	\$ 59,959,705	\$ 63,611,493
Grants and charges not restricted to specific purposes	6,028,421	1,313,230	5,048,294	14,121,087	12,298,352	10,216,783	10,290,239	11,484,314	12,631,023	12,970,519
Investment earnings	1,490,757	762,789	223,172	212,979	4,608	19,651	69,236	28,820	19,919	61,158
Transfers	7,389,315	4,369,484	4,631,594	4,813,116	5,071,076	4,394,730	71,674,238	1,029,924	954,004	876,988
Total governmental activities	<u>67,487,822</u>	<u>53,631,506</u>	<u>57,851,367</u>	<u>64,623,966</u>	<u>69,329,561</u>	<u>71,672,661</u>	<u>140,065,501</u>	<u>70,555,549</u>	<u>73,564,651</u>	<u>77,520,158</u>
Business - type activities:										
Investment earnings	558,291	398,954	(3,571)	128,545	-	-	132,218	-	-	-
Transfers	(7,389,315)	(4,369,484)	(4,631,594)	(4,813,116)	(5,071,076)	(4,394,730)	(71,674,238)	(1,029,924)	(954,004)	(876,988)
Total business - type activities	<u>(6,831,024)</u>	<u>(3,970,530)</u>	<u>(4,635,165)</u>	<u>(4,684,571)</u>	<u>(5,071,076)</u>	<u>(4,394,730)</u>	<u>(71,542,020)</u>	<u>(1,029,924)</u>	<u>(954,004)</u>	<u>(876,988)</u>
Total primary government	<u>\$ 60,656,798</u>	<u>\$ 49,660,976</u>	<u>\$ 53,216,202</u>	<u>\$ 59,939,395</u>	<u>\$ 64,258,485</u>	<u>\$ 67,277,931</u>	<u>\$ 68,523,481</u>	<u>\$ 69,525,625</u>	<u>\$ 72,610,647</u>	<u>\$ 76,643,170</u>
Special items:										
Gain on cancellation of post-employment benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 660,819	\$ -	\$ -	\$ -
Loss on on disposal of capital assets	-	-	-	-	-	-	(1,959,898)	-	-	(4,250,092)
Tax settlement	-	-	-	-	-	-	-	(372,895)	-	-
Total special items	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,299,079)</u>	<u>\$ (372,895)</u>	<u>\$ -</u>	<u>\$ (4,250,092)</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 9,068,281	\$ (8,738,025)	\$ (7,251,158)	\$ (1,849,453)	\$ 783,332	\$ 954,623	\$ 97,897,413	\$ 6,397,597	\$ 2,030,203	\$ (13,607,401)
Business - type activities	(692,461)	4,002,111	409,814	3,022,957	2,080,597	2,355,736	(72,285,139)	(315,354)	(567,163)	(421,820)
Total primary government	<u>\$ 8,375,820</u>	<u>\$ (4,735,914)</u>	<u>\$ (6,841,344)</u>	<u>\$ 1,173,504</u>	<u>\$ 2,863,929</u>	<u>\$ 3,310,359</u>	<u>\$ 25,612,274</u>	<u>\$ 6,082,243</u>	<u>\$ 1,463,040</u>	<u>\$ (14,029,221)</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 Taxes</u>	<u>General Property Tax</u>	<u>Earned Income Tax</u>	<u>Business Privilege Tax</u>	<u>Other Local Taxes</u>
2007	\$ 52,579,329	\$ 29,401,764	\$ 8,244,860	\$ 6,487,096	\$ 8,445,609
2008	47,186,003	29,593,673	7,554,503	6,311,326	3,726,501
2009	47,948,307	29,761,519	8,555,867	6,512,894	3,118,027
2010	45,476,784	29,591,030	7,506,990	6,063,934	2,314,830
2011	51,955,525	29,310,491	12,744,483	6,795,191	3,105,360
2012	57,041,497	29,823,087	17,731,754	6,636,744	2,849,912
2013	58,031,788	29,711,628	19,148,315	6,307,675	2,864,170
2014	58,012,491	29,604,712	18,411,370	6,805,224	3,191,185
2015	59,959,705	30,121,707	19,429,021	6,939,406	3,469,571
2016	64,969,817	30,800,125	23,840,629	6,571,105	3,757,958

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 4

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 1,571,640	\$ 840,183	\$ 810,719	\$ 1,428,755	-	-	-	-	-	-
Unreserved	12,565,940	7,365,006	3,476,985	1,687,909	-	-	-	-	-	-
Restricted	-	-	-	-	\$ 147,000	\$ 704,228	\$ 794,058	\$ 769,097	\$ 981,135	\$ 862,397
Assigned	-	-	-	-	1,771,079	-	21,588,122	15,534,027	8,872,191	6,434,577
Unassigned	-	-	-	-	2,467	(1,445,400)	24,022,470	17,715,206	18,038,567	12,237,375
Total general fund	<u>14,137,580</u>	<u>8,205,189</u>	<u>4,287,704</u>	<u>3,116,664</u>	<u>1,920,546</u>	<u>(741,172)</u>	<u>46,404,650</u>	<u>34,018,330</u>	<u>27,891,893</u>	<u>19,534,349</u>
All other governmental funds										
Reserved	13,176,308	10,743,716	10,532,748	7,243,969	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	(469,193)	(1,061,877)	(629,676)	(95,108)	-	-	-	-	-	-
Capital projects funds	-	-	-	404,985	-	-	-	-	-	-
Restricted	-	-	-	-	14,228,537	10,880,822	9,484,961	8,749,937	19,711,402	14,875,182
Assigned	-	-	-	-	-	-	-	-	-	46,047
Unassigned	-	-	-	-	(96,134)	(29,306)	(151,609)	(44,940)	-	(298,517)
Total all other governmental funds	<u>12,707,115</u>	<u>9,681,839</u>	<u>9,903,072</u>	<u>7,553,846</u>	<u>14,132,403</u>	<u>10,851,516</u>	<u>9,333,352</u>	<u>8,704,997</u>	<u>19,711,402</u>	<u>14,622,712</u>
TOTAL	<u>\$ 26,844,695</u>	<u>\$ 17,887,028</u>	<u>\$ 14,190,776</u>	<u>\$ 10,670,510</u>	<u>\$ 16,052,949</u>	<u>\$ 10,110,344</u>	<u>\$ 55,738,002</u>	<u>\$ 42,723,327</u>	<u>\$ 47,603,295</u>	<u>\$ 34,157,061</u>

Notes:

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

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

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>										
Taxes	\$ 51,368,491	\$ 47,039,202	\$ 47,630,562	\$ 45,438,333	\$ 52,770,021	\$ 55,787,638	\$ 57,865,676	\$ 57,874,403	\$ 59,786,702	\$ 64,853,652
Licenses and permits	3,477,297	3,459,268	3,571,616	4,874,549	5,030,946	5,250,576	5,781,973	6,309,428	5,845,880	5,907,269
Charges for services	6,613,544	5,864,796	7,155,768	4,853,162	4,824,140	4,898,943	6,615,357	8,271,223	6,312,663	5,422,775
Fines and forfeits	580,737	592,504	461,834	500,334	518,350	634,724	672,105	748,687	690,926	1,180,590
Investment earnings	1,471,916	758,833	223,172	212,979	4,608	19,686	69,236	28,820	19,919	61,159
Intergovernmental revenues	17,152,512	24,407,606	20,897,082	30,437,462	28,695,423	26,927,447	49,185,888	39,416,740	36,574,646	30,798,475
Other	4,177,786	3,664,260	4,374,132	5,437,568	4,906,361	3,945,339	3,961,421	3,766,919	1,610,936	2,910,028
<b>Total revenues</b>	<b>84,842,283</b>	<b>85,786,469</b>	<b>84,314,166</b>	<b>91,754,387</b>	<b>96,749,849</b>	<b>97,464,353</b>	<b>124,151,656</b>	<b>116,416,220</b>	<b>110,841,672</b>	<b>111,133,948</b>
<b>Expenditures</b>										
General government	7,806,908	7,962,093	7,656,616	7,507,262	13,765,436	14,417,230	18,108,503	16,352,843	14,227,338	9,925,924
Public safety	43,639,004	47,424,025	49,916,239	50,100,384	50,839,312	53,491,745	196,455,831	47,934,281	49,929,150	58,337,847
Community development	9,442,326	12,482,112	12,605,261	14,171,165	9,731,882	7,835,133	7,669,312	7,047,296	6,199,566	9,625,276
Public works	9,339,687	9,985,082	9,747,558	9,740,759	9,631,143	9,658,216	12,262,727	12,413,386	13,658,527	14,558,597
Health and sanitation	3,240,066	3,005,201	2,648,017	2,738,801	2,809,068	2,673,529	3,420,443	2,877,343	3,095,730	3,301,982
Parks and recreation	2,925,564	3,107,688	2,851,795	2,503,318	2,467,866	2,467,730	3,963,487	5,008,229	5,427,035	5,833,745
Other	-	-	-	-	-	-	-	1,033,067	-	-
Debt service:										
Principal	3,618,900	2,633,800	2,575,600	3,131,400	6,514,100	3,395,750	3,874,400	8,898,300	14,310,040	7,933,320
Interest	4,395,128	3,790,899	3,960,851	3,942,027	4,423,008	4,180,843	3,827,906	3,733,786	3,841,537	3,271,606
Payment of loan issuance costs	4,595,871	261,309	49,786	-	-	-	-	-	-	-
Capital outlay	1,379,020	10,351,660	5,988,589	10,009,124	9,912,486	10,610,482	28,386,348	24,851,039	18,815,450	14,164,247
<b>Total expenditures</b>	<b>90,382,474</b>	<b>101,003,869</b>	<b>98,000,312</b>	<b>103,844,240</b>	<b>110,094,301</b>	<b>108,730,658</b>	<b>277,968,957</b>	<b>130,149,570</b>	<b>129,504,373</b>	<b>126,952,544</b>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,540,191)</u>	<u>(15,217,400)</u>	<u>(13,686,146)</u>	<u>(12,089,853)</u>	<u>(13,344,452)</u>	<u>(11,266,305)</u>	<u>(153,817,301)</u>	<u>(13,733,350)</u>	<u>(18,662,701)</u>	<u>(15,818,596)</u>
Other Financing Sources (uses):										
Issuance of long term debt	22,763,981	6,665,000	5,310,000	258,976	13,690,000	5,910,000	-	-	17,003,395	1,427,418
Refunding bonds issued	-	-	-	-	-	-	-	-	11,425,000	-
Premium on refunded bonds	-	-	-	-	-	-	-	-	745,551	-
Payment to refunded bonds escrow agent	(17,850,000)	(6,410,000)	-	-	-	(5,828,246)	-	-	(6,634,456)	-
Bond premium	-	6,309	-	-	38,630	-	-	-	-	-
Bond discount	(379,897)	-	-	-	(126,066)	(16,111)	-	-	-	-
Capital lease obligations	273,220	1,582,940	-	-	-	-	102,950	-	-	-
Transfers in	18,766,342	12,046,134	12,408,683	12,749,243	13,793,454	13,651,068	213,779,083	19,680,797	20,551,091	15,826,665
Transfers out	(11,331,702)	(7,630,650)	(7,728,789)	(7,885,411)	(8,669,127)	(8,393,011)	(14,437,074)	(18,589,227)	(19,547,912)	(14,881,721)
<b>Total other financing sources and uses</b>	<b>12,241,944</b>	<b>6,259,733</b>	<b>9,989,894</b>	<b>5,122,808</b>	<b>18,726,891</b>	<b>5,323,700</b>	<b>199,444,959</b>	<b>1,091,570</b>	<b>23,542,669</b>	<b>2,372,362</b>
Special Item	-	-	-	-	-	-	-	(372,895)	-	-
<b>Net change in fund balances</b>	<b>\$ 6,701,753</b>	<b>\$ (8,957,667)</b>	<b>\$ (3,696,252)</b>	<b>\$ (6,967,045)</b>	<b>\$ 5,382,439</b>	<b>\$ (5,942,605)</b>	<b>\$ 45,627,658</b>	<b>\$ (13,014,675)</b>	<b>\$ 4,879,968</b>	<b>\$ (13,446,234)</b>
Debt service as a percentage of noncapital expenditures	9.0%	7.1%	7.1%	7.5%	10.9%	7.7%	3.1%	12.0%	16.4%	9.9%

## 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.

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 6

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

Fiscal Year Ended December 31	Real Property					Total Taxable Assessed Value	Tax Exempt Real Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value (1)
	Residential Property	Commercial Property	Multi-Family Property	Combination Property	Vacant Lots					
2007	\$ 1,043,076,850	\$ 359,764,550	\$ 229,505,550	\$ 53,559,500	\$ 21,778,950	\$ 1,707,685,400	\$ 433,570,800	0.01753	\$ 3,415,370,800	50%
2008	1,042,615,000	356,065,600	229,692,650	53,612,150	21,891,450	1,703,876,850	427,335,700	0.01753	3,407,753,700	50%
2009	1,049,378,500	359,395,350	231,912,550	53,227,200	15,995,250	1,709,908,850	466,210,300	0.01753	3,419,817,700	50%
2010	1,050,521,900	352,885,300	229,726,000	52,937,100	16,665,650	1,702,735,950	471,422,500	0.01753	3,405,471,900	50%
2011	1,053,338,550	351,299,450	230,313,050	53,052,000	15,463,150	1,703,466,200	484,513,100	0.01753	3,406,932,400	50%
2012	1,051,702,800	351,225,450	230,099,250	53,044,800	16,477,600	1,702,549,900	476,375,100	0.01753	3,405,099,800	50%
2013	3,000,528,700	1,137,984,800	772,716,200	177,743,400	43,352,100	5,132,325,200	1,503,378,200	0.00580	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%

Notes:

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

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

**Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Years**

	<b>Direct Rates</b>	<b>Overlapping Rates</b>		
	<u>Allentown City</u>	<u>School District</u>	<u>County</u>	
Fiscal Year	Total City <u>Millage(1)</u>	Total School <u>Millage</u>	Total County <u>Millage</u>	Total Direct & Overlapping <u>Rates</u>
2007	17.53	42.942	10.25	70.72
2008	17.53	42.942	10.25	70.72
2009	17.53	42.942	10.25	70.72
2010	17.53	45.592	10.25	73.37
2011	17.53	45.592	11.90	75.02
2012	17.53	49.332	11.90	78.76
2013	5.81	17.316	3.790	26.92
2014	5.81	18.329	3.750	27.89
2015	5.81	18.329	3.680	27.82
2016	5.81	18.329	3.640	27.78

Notes:

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

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

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

(1) 5.81 is the base on which the land value tax is calculated (18.6602 - land and 3.5301 - improvements).

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

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total taxable Assessed Valuation</u>
Two City Center OP LP	\$ 56,585,400	1	1.08%			
Plaza at 835 W Hamilton Street LP	52,756,000	2	1.01%	\$ 21,570,550	1	1.27%
One City Center OP LP	35,005,500	3	0.67%			
Home Properties Trexler Park LLC	34,614,100	4	0.66%	9,481,250	3	0.56%
Four City Center OP LP	28,344,100	5	0.54%			
Congress Associates	25,200,000	6	0.48%	6,575,850	5	0.39%
Lehigh Valley Hospital Inc.	22,423,700	7	0.43%	5,372,750	9	0.32%
Pennsylvania Power & Light Co.	21,982,200	8	0.42%			
IPX MF Lakes Apartment Assoc. LLC/The Lakes	21,834,500	9	0.42%	5,961,050	7	0.35%
Sharma Estates & Brandywine Gardens	20,200,000	10	0.39%			
Morris Allentown Associates LP ET				5,753,700	8	0.34%
The Morning Call				6,905,550	4	0.41%
Agere Systems/Lucent Technologies				9,845,650	2	0.58%
Mack Trucks Inc.				5,962,700	6	0.35%
230 Riverbend Apartments LLC				5,304,000	10	0.31%
<b>Total</b>	<b><u>\$ 318,945,500</u></b>		<b><u>6.09%</u></b>	<b><u>\$ 82,733,050</u></b>		<b><u>4.88%</u></b>

Source:  
City of Allentown Property Tax File

**CITY OF ALLENTOWN, PENNSYLVANIA**

TABLE 9

**Property Tax Levies and Collections  
Last Ten Years**

<b>Fiscal Year Ended December 31</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Fiscal Year</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2007	\$ 31,311,392	\$ 27,958,172	89.3%	\$ 1,287,579	\$ 29,245,751	93.4%
2008	29,796,059	28,339,285	95.1%	1,398,644	29,737,929	99.8%
2009	29,383,171	28,143,621	95.8%	1,418,249	29,561,870	100.6%
2010	29,349,230	28,331,648	96.5%	1,208,820	29,540,468	100.7%
2011	29,481,538	28,274,829	95.9%	1,126,814	29,401,643	99.7%
2012	29,700,657	28,426,793	95.7%	1,094,305	29,521,098	99.4%
2013	29,788,671	28,335,558	95.1%	1,024,249	29,359,807	98.6%
2014	29,614,100	28,313,759	95.6%	711,266	29,025,025	98.0%
2015	30,427,086	28,803,546	94.7%	68,254	28,871,800	94.9%
2016	31,040,343	29,551,096	95.2%	-	29,551,096	95.2%



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				
2007	\$ 94,314,049	\$ 838,471	\$ 20,707,600	-	-	-	\$ 12,895,000	-	\$ 1,725,575	\$ 130,480,695	3.46%	\$ 1,224
2008	91,935,249	1,907,720	18,202,400	-	-	-	12,235,000	-	1,140,421	125,420,790	3.18%	1,176
2009	94,669,649	1,446,352	15,832,200	-	-	-	11,055,000	-	775,574	123,778,775	3.04%	1,161
2010	94,853,046	1,219,995	13,355,600	-	-	-	9,825,000	-	237,485	119,491,126	2.63%	1,012
2011	103,285,937	906,186	6,255,200	\$ 6,005,000	-	-	7,455,000	\$ 5,185,000	465,098	129,557,421	2.83%	1,098
2012	102,750,151	654,732	4,471,200	5,190,000	\$ 2,140,123	-	6,240,000	5,075,000	644,817	127,166,023	2.69%	1,077
2013	100,262,568	853,070	-	-	-	-	-	-	411,604	101,527,242	2.01%	860
2014	92,923,268	1,855,031	-	-	-	-	-	-	691,887	95,470,186	1.85%	809
2015	103,141,746	1,427,208	-	-	-	-	-	-	490,635	105,059,589	1.97%	890
2016	98,341,716	1,002,341	-	-	-	-	-	-	395,189	99,739,246	1.77%	845

Notes:

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

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

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

<b><u>Fiscal Year</u></b>	<b><u>General Obligation Bonds</u></b>	<b><u>Percentage of Estimated Actual Taxable Value of Property</u></b>	<b><u>Per Capita</u></b>
2007	\$ 94,314,049	2.76%	\$ 884
2008	91,935,249	2.70%	862
2009	94,669,649	2.77%	888
2010	94,853,046	2.79%	804
2011	114,475,937 (1)	3.36%	970
2012	113,015,151	3.32%	957
2013	100,262,568	1.95%	849
2014	92,923,268	1.81%	787
2015	103,141,746	2.00%	874
2016	98,341,716	1.86%	833

Notes:

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

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

**Direct and Overlapping Governmental Activities Debt  
As of December 31, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 182,423,069	100.0%	\$ 182,423,069
Lehigh County General Obligation Bonds	127,436,018	19.8%	<u>25,232,332</u>
Subtotal, overlapping debt			207,655,401
City of Allentown Direct Debt			<u>99,344,057</u>
Total direct and overlapping debt			<u><u>\$ 306,999,458</u></u>

## Notes:

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 13

Legal Debt Margin Information  
Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 257,334,258	\$ 257,943,550	\$ 258,815,970	\$ 259,225,834	\$ 274,575,453	\$ 290,328,835	\$ 307,220,837	\$ 320,307,425	\$ 320,424,234	\$ 320,664,022
Total net debt applicable to limit	<u>62,294,049</u>	<u>58,630,812</u>	<u>63,344,649</u>	<u>63,528,046</u>	<u>72,730,937</u>	<u>73,124,883</u>	<u>71,670,638</u>	<u>70,648,299</u>	<u>86,278,954</u>	<u>83,779,057</u>
Legal debt margin	<u>\$ 195,040,209</u>	<u>\$ 199,312,738</u>	<u>\$ 195,471,321</u>	<u>\$ 195,697,788</u>	<u>\$ 201,844,516</u>	<u>\$ 217,203,952</u>	<u>\$ 235,550,199</u>	<u>\$ 249,659,126</u>	<u>\$ 234,145,280</u>	<u>\$ 236,884,965</u>
Total net debt applicable to the limit as a percentage of debt limit	24.21%	22.73%	24.47%	24.51%	26.49%	25.19%	23.33%	22.06%	26.93%	26.13%

Legal Debt Margin Calculation for Fiscal year 2015

Borrowing base (1)	\$ 91,618,292
Percentage limitation	350%
Net debt limit	320,664,022
Debt applicable to limit:	
General obligation debt (2)	99,344,057
Less: Amount set aside for pension funding liability	<u>(15,565,000)</u>
	<u>83,779,057</u>
	<u>\$ 236,884,965</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

**Demographic and Economic Statistics  
Last Ten Years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2007	106,632	\$ 3,771,467,208	\$ 35,369	18,318	5.9%
2008	106,632	3,949,329,384	37,037	17,914	8.0%
2009	106,632	4,074,195,456	38,208	17,753	12.0%
2010	118,032	4,544,822,160	38,505	17,753	12.7%
2011	118,032	4,582,946,496	38,828	17,748	11.7%
2012	118,032	4,732,493,040	40,095	17,239	11.5%
2013	118,032	5,059,441,680	42,865	17,362	6.5%
2014	118,032	5,171,808,144	43,817	19,974	4.8%
2015	118,032	5,334,220,176	45,193	20,287	3.9%
2016	118,032	5,638,388,640	47,770	20,804	4.6%

## Source:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 15

**Principal Employers  
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2016</u>			<u>2007</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	3,065	1	4.25%	1,357	10	1.68%
Allentown School District	2,522	2	3.50%	2,893	1	3.59%
Allied Personnel Services	2,196	3	3.04%	2,008	5	2.49%
Muhlenberg College	2,108	4	2.92%	2,072	4	2.57%
Lehigh County & Institutions	1,675	5	2.32%	1,900	7	2.36%
PPL Co.	1,550	6	2.15%	1,933	6	2.40%
Integrity Staffing Solutions	1,392	7	1.93%			
Sacred Heart Hospital/Health Care	1,205	8	1.67%	1,574	9	1.95%
City of Allentown	1,103	9	1.53%			
Good Shepherd Rehab	961	10	1.33%			
Staffmark LLC Northeast				1,698	8	2.11%
Mack Trucks Inc.				2,432	3	3.02%
Performance Personnel				2,851	2	3.54%
	<u>17,777</u>		<u>24.65%</u>	<u>20,718</u>		<u>25.69%</u>

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

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

**CITY OF ALLENTOWN, PENNSYLVANIA**

TABLE 16

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

<b>Function</b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
General Government	94	101	94	93	93	102	96	96	97	95
Public Safety										
Police										
Officers	207	211	203	205	209	219	214	216	222	222
Civilians	24	26	32	28	27	25	21	27	28	27
E-911	28	32	32	32	32	33	33	33	33	33
Fire										
Firefighters and officers	140	140	142	143	143	144	126	125	125	125
Civilians	1	1	1	1	1	1	1	1	1	1
EMS	32	32	29	31	32	41	32	32	32	34
Highways and Streets	58	58	53	48	46	46	86	82	80	79
Sanitation/Recycling	37	38	36	32	33	33	34	36	38	38
Building Maintenance	15	15	20	12	12	13	16	15	15	15
Building Standards & Safety	35	40	41	39	38	48	36	33	31	31
Culture and Recreation	37	39	34	25	22	24	50	56	55	56
Golf	6	6	5	5	6	6	6	6	6	6
Health	43	42	36	35	35	35	35	32	35	35
Water	93	93	89	84	85	84	0	0	0	0
Sewer	97	97	96	97	96	93	0	0	0	0
<b>Total</b>	<b>947</b>	<b>971</b>	<b>942</b>	<b>910</b>	<b>910</b>	<b>946</b>	<b>786</b>	<b>790</b>	<b>798</b>	<b>797</b>

Notes:

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function  
Last Ten Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Police</b>										
Law violations	17,381	16,794	14,906	14,433	13,794	13,801	13,844	13,022	11,269	11,742
Traffic violations (1), (8)	5,586	5,227	6,788	9,949	10,560	10,182	10,466	11,225	8,258	8,500
<b>Fire</b>										
Number of calls answered (2)	6,346	8,988	12,206	11,383	11,719	9,409	11,685	11,606	12,036	11,497
Inspections and investigations (4)	2,568	1,821	1,823	2,668	2,351	1,149	950	901	1,364	954
<b>Highways and Streets</b>										
Street reconstruction (miles)	0.15	0.29	0.13	0.02	0.00	0.10	0.28	1.83	0.16	0.09
Overlays (miles)	4.4	6.2	5.2	5.4	4.9	3.7	2.1	3.2	4.3	2.8
Potholes repaired	10,734	15,552	12,427	10,488	9,673	4,355	6,236	10,923	14,186	7,223
<b>Sanitation</b>										
Refuse collected (tons/year)	38,746	36,907	33,533	35,401	36,174	37,274	33,143	37,355	35,511	35,780
Recyclables collected (tons/year)	8,398	9,954	9,472	9,043	9,267	11,603	10,104	9,735	10,510	10,730
Sweep tickets issued	4,957	5,203	6,047	6,891	6,854	7,514	6,997	4,809	6,877	5,719
Animal related complaints (3)	1,510	1,476	1,467	1,193	1,268	1,441	1,286	1,378	1,482	1,556
<b>Health</b>										
Home hazard surveys	241	319	300	439	311	274	277	443	215	173
Food service inspections	1,429	1,456	1,708	1,765	1,306	1,613	1,712	1,615	1,853	1,693
Number of home visits	1,658	906	384	303	428	478	593	393	284	437
Total lead screenings/Healthy home visits (5)	690	773	849	945	916	788	227	0	17	5
Persons tested & counseled for HIV infection	2,324	2,472	2,544	2,656	2,624	2,517	2,290	2,036	2,077	2,032
<b>Recreation</b>										
Pavilion permits	325	508	389	382	294	297	523	648	629	503
Swimming pool season passes	191	195	116	211	159	253	680	263	294	256
Swimming pool patrons (non season pass)	43,623	56,453	65,428	64,932	47,365	36,584	50,895	31,509	33,081	25,458
<b>Water (6)</b>										
Water connection permits	57	20	16	17	47	8	3	0	0	0
Water main breaks	29	22	18	22	23	13	6	0	0	0
Average daily consumption (millions of gallons)	14.75	14.80	14.50	14.75	14.39	16.00	18.36	0	0	0
<b>Wastewater</b>										
Average daily sewage treatment (millions of gallons)	30.80	32.27	30.70	31.64	31.64	30.91	31.17	0.00	0.00	0



CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function  
Last Ten Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Golf										
Number of patrons (7)	47,040	50,155	50,548	50,562	45,799	48,500	45,600	64,396	64,956	61,500
Number of days of service	273	305	299	293	285	310	285	251	266	270
E-911										
Number of calls:										
Police	107,135	103,600	112,841	112,639	127,315	119,686	120,355	123,840	119,647	110,260
EMS	13,485	13,985	13,512	13,843	14,628	14,528	13,998	14,583	15,542	15,595
Fire (3)	6,353	8,955	12,210	11,393	11,753	9,409	11,685	11,607	12,036	11,497
Other	9,556	8,760	9,259	8,572	9,653	7,901	7,843	8,630	9,455	11,497

Source:  
Various city departments.

- Notes:
- (1) Starting in 2007, the Police Department starting using a new system. When a traffic violation is included on an arrest sheet, it is no longer listed as a traffic violation.
  - (2) Starting in August 2008, the Fire Department starting providing EMS assistance.
  - (3) Starting in 2009, Animal Related Complaints was moved from the Health Department to the Sanitation Department.
  - (4) Prior to 2012, Inspections and Investigations included follow up visits.
  - (5) The Lead Screening part of the program ended in June 2013. The focus has shifted to assessing the homes of children with lead poisoning.
  - (6) Reflects activity up to August 7, 2013.
  - (7) Starting 2014 number includes golf course and driving range patrons
  - (8) 2015 number changed to actual, originally used estimate, 2016 is also estimated

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

**Capital Asset Statistics By Function  
Last Ten Years**

<b>Function</b>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Police:										
Stations	1	1	1	1	2	2	2	2	2	2
Police officers	187	197	203	199	197	209	200	208	211	218
Patrol units	87	84	84	87	90	108	114	114	107	108
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6
Fire fighters	140	140	141	141	102	120	123	120	118	122
Sanitation										
Collection trucks	3	3	3	3	3	4	4	4	3	3
Highways and Streets										
Streets (miles)	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5	427.5
Streetlights	7,829	7,835	7,990	7,995	8097	8097	8,106	8,106	8,136	8461
Traffic signals (1)	1,622	1,622	1,622	1,622	1622	1622	1,622	195	198	196
Recreation										
Parks acreage	2,022	2,022	2,022	2,022	2022	2022	2,022	2,022	2,022	2022
Parks (2)	32	32	32	32	32	32	32	32	45	45
Swimming pools	5	5	5	4	4	4	4	4	4	4
Playgrounds	16	19	19	19	19	19	19	19	19	21
Water										
Water mains (miles)	310	310	310	310	310	310	310	310	310	310
Fire hydrants	1,819	1,819	1,816	1,818	1820	1817	1,817	1,817	1,817	1,817
Maximum daily capacity (millions of gallons)	30.0	30.0	30.0	30	30	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.

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

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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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