

CITY OF ALLENTOWN

Pennsylvania

THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

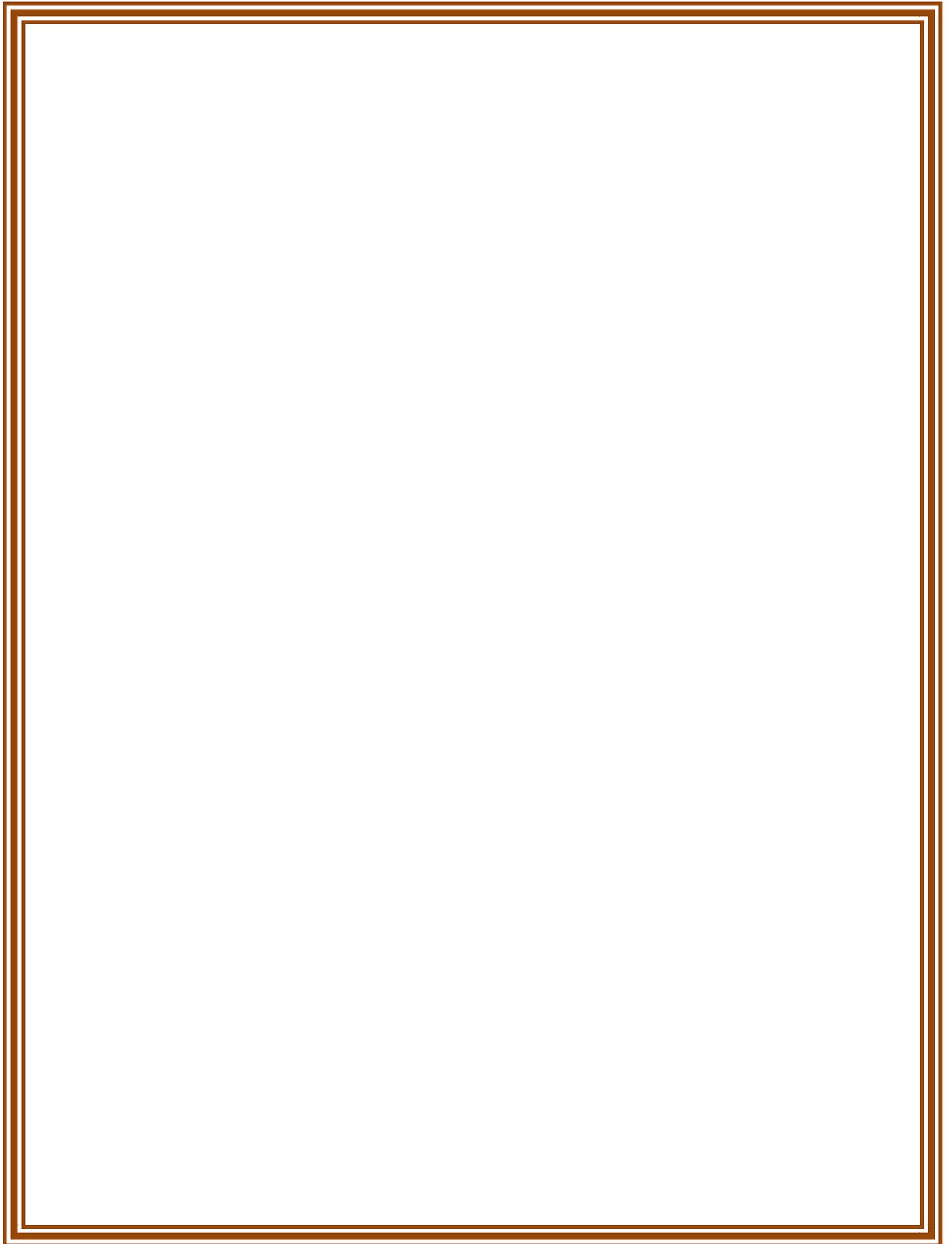


RAY O'CONNELL
MAYOR

SETH O'NEILL
DIRECTOR OF FINANCE

BINA PATEL
TREASURY & ACCOUNTING MANAGER

For the year ended
December 31, 2020



**CITY OF ALLENTOWN, PENNSYLVANIA
THE ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**



MAYOR

Ray O'Connell

CITY COUNCIL

Julio A. Guridy, President
Cynthia Y. Mota, Vice President
Candida Affa
Ce-Ce Gerlach
Daryl Hendricks
Joshua Siegel
Ed Zucal

CITY CONTROLLER

Jeff Glazier

CITY SOLICITOR

Matthew Kloiber

Seth O'Neill, Director of Finance
Bina Patel, Treasury and Accounting Manager

Zelenkofske Axelrod LLC, Certified Public Accountants

**This Report was prepared by
The Department of Finance
Bina Patel, Treasury and Accounting Manager**

PERTINENT FACTS ABOUT THE CITY OF ALLENTOWN

GENERAL

The City of Allentown is the county seat of Lehigh County and, with 125,845 residents, according to the U.S. Census Bureau 2020 estimate, ranks as Pennsylvania's third largest fastest growing major 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 821,623. 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. Several major corporations, including, ADP, 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 health care services, 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. Allentown is a regional center for commercial freight rail traffic, currently from Norfolk Southern Railway and R.J. Corman Railroad Group.

AMENITIES

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

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Seth O'Neill
Director of Finance
435 Hamilton St Rm 227
Allentown PA 18101
Seth.oneill@allentownpa.gov

December 21, 2021

Honorable Mayor and Members of City Council
Allentown, Pennsylvania

Herewith, the Finance Department submits the City of Allentown's Annual Financial Report for the year ending December 31, 2020. In that it is the City's responsibility to ensure accuracy of the data, the disclosures, and fairness of the overall financial picture presented here, the data presented is accurate in all material respects. The report is presented in a manner befitting the actual financial position of the City, its operations, and the net position of its funds. The report is the clearest and most accurate resource for any elected or appointed official, employee, creditor, and any other party interested in the fiscal situation of the City.

The City provides a full range of municipal services include public safety, sanitation, the construction and maintenance of streets, traffic signals, storm sewers and other infrastructure. The City is well known for its first-rate parks and recreation, municipal swimming pools and a golf course, the latter of which did record business in 2020. The City offers a host of community and economic development programs, including special events planning, like Lights in the Parkway and Blues Brews and Barbecues, as well as business attraction and retention, planning, zoning, inspections, and the preservation of historic architecture. The City is also unique among similar cities of the third class in Pennsylvania, in that it staffs a full-service its own health bureau, which offers myriad public health services to the community.

This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Government Accounting Standards Board (GASB). The financial statements of the reporting entity include those of the City of Allentown, Pennsylvania (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 an internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse, and 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 control is 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. This report includes a Management Discussion and Analysis (MD&A) section that provides an analysis of the City’s financial condition for 2020.

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

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

OTHER INFORMATION

The City's Administrative Code requires that an annual audit of the books of accounts, financial records, and transactions of the City be performed by independent certified public accountants. City Council selected to exercise the contract renewal option for the accounting firm of Zelenkofske Axelrod LLC, which has performed this audit. In addition, various bond indentures also require such an audit. The City has complied with this requirement, and the auditor’s opinion has been included in this report.

Despite the pandemic, Allentown saw continuing growth in Center City connected to the Neighborhood Improvement Zone (NIZ) in 2020. Via state legislation unique to Allentown, the NIZ is comprised of 128 acres in center city and along the western side of the Lehigh River waterfront within which certain state and local tax revenues generated by new and existing businesses can be used to pay debt service on bonds and loans issued for qualifying capital improvements. The modern PPL Center arena, several office buildings, and numerous retail establishments and restaurants have been developed as a result of the NIZ.

The City restructured its debt service in 2020, which increased liquidity in the General Fund and created a Capitalized Interest fund to slightly ease the debt service burden in 2021 and 2022. Through a mixture of the debt restructure, austerity measures, delays in expenditures due to the pandemic, and better than expected general revenues, the City achieved a budget surplus and added substantially to its cash reserves in 2020. The General Fund also contributed steadily to the mounting surplus in the Risk Fund, which, along with our insurance coverage, can be used to offset

any unforeseen catastrophic event in the coming years. The Risk Fund balance achieved in 2020 serves to insulate and preserve the growing General Fund cash balance. The City also maintains a stabilization fund of about \$5.3M.

As of December 31, 2020, the City's bond rating with Moody's was A3, with a stable outlook. The S&P rating was an A with a negative outlook. Due largely in part to the 2019 tax increase, and the ensuing ease on cash reserves, the City is hopeful to improve its rating in the coming year. In 2020, the City settled its litigation with Lehigh County Authority, which, among other productive accords, brings an additional \$400,000 annually, starting in 2021, to defray the City's water and sewer administrative and regulatory expenses. In addition, LCA agreed to pay \$300,000 annually for four years starting in 2021 and ending in 2024 to resolve the dispute over retiree healthcare costs.

Acknowledgments: It is of paramount importance to recognize the efforts of the Interim Director of Finance, Jessica Baraket, for her tireless leadership in ushering the City Finance Department through the 2020 COVID-19 pandemic and leaving the City in better financial condition than when it started.

Furthermore, the City is indebted to the efforts of the Treasury and Accounting Manager, Bina Patel, and to our most tenured accountants, Michael Sinclair and Melody Sajeski. Their collective diligence, hard-work, and expertise in the preparation of this report is a credit to us all.

Sincerely,

A handwritten signature in black ink, appearing to read 'Seth O'Neill', written in a cursive style.

Seth O'Neill
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Allentown
Pennsylvania**

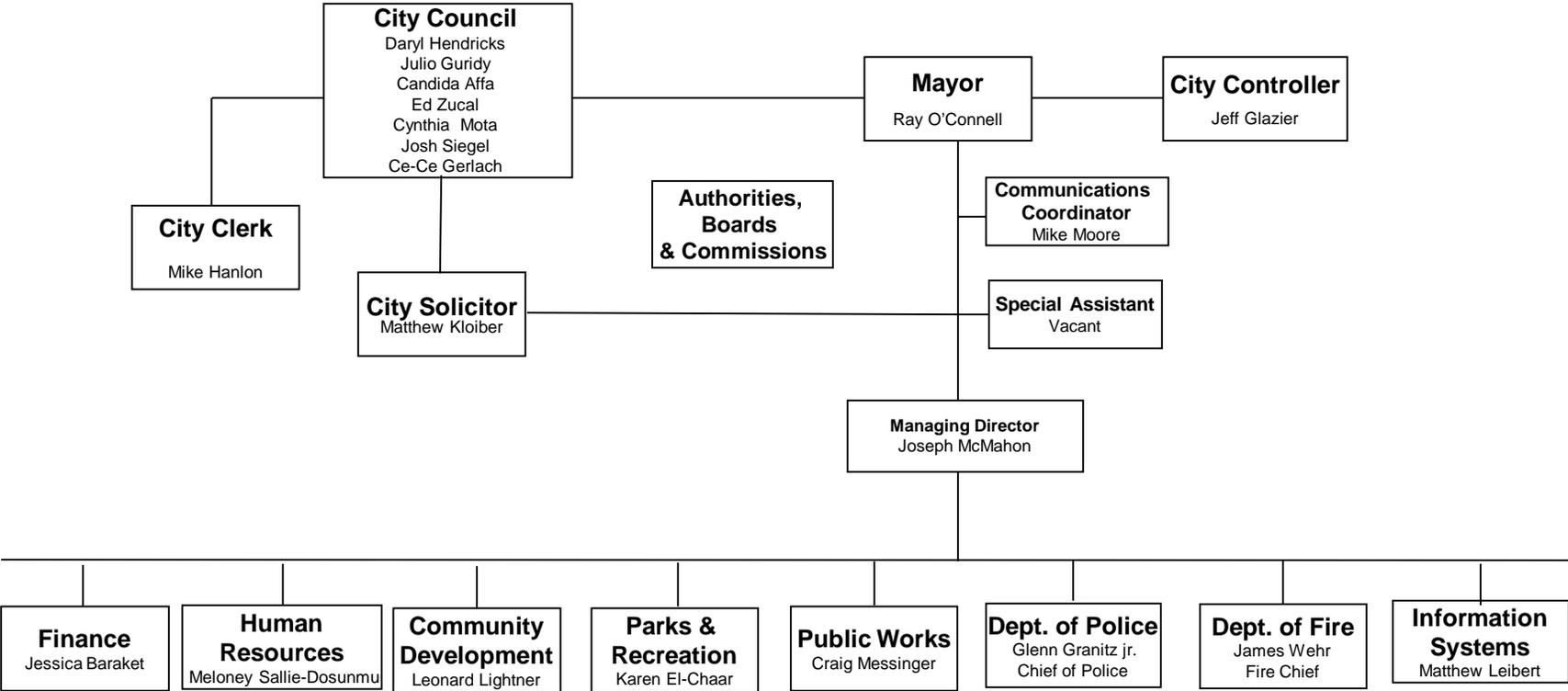
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Executive Director/CEO

City of Allentown

2020 Organizational Chart



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Independent Auditor's Report

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

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allentown, Pennsylvania (City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2020 the City of Allentown adopted the provisions of Governmental Accounting Standards Board's Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 98, *The Annual Comprehensive Financial Report*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other postemployment benefit information on pages 4 through 20 and 93 through 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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Honorable 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 other budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
December 21, 2021

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

INTRODUCTION

This Management Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City of Allentown (City) for the year ended December 31, 2020. 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, 2020. 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

Under the pressures of the COVID-19 pandemic, City Hall closed for several months; non-emergency employees relocated to a work from home environment; staff and their family members fell ill and some experienced loss; some employees took voluntary furloughs; public safety, fire, health, and EMS worked around the clock in unprecedented conditions. Despite the desperate circumstances in which it operated in 2020, the City managed to close the fiscal year with a budget surplus and added cash to its General Fund reserves. From a financial standpoint, we came out of 2020 better off than ever, but not yet on the other side of a pandemic.

In the Spring of 2020, shortly after Governor Wolf declared the State of Emergency in Pennsylvania, the City of Allentown began to brace for massive deficits in budgeted tax revenues. General consensus was that municipalities, like Allentown, who relied heavily on Earned Income Taxes, would experience about a 10% to 12.5% reduction in collections for the quarters affected by the shutdowns. The City also projected substantial impacts on the tax bases for Local Services Taxes and Deed Transfer Tax. The ability to collect Business Privilege Taxes and City Real Estate Taxes were also called into doubt, with businesses closing and household finances under strain. The due dates for both property, income, and business taxes were pushed back, which meant a reduction in penalty collections. Penalties on late property taxes were suspended altogether through December 31, 2020.

By summer of 2020, the administration began to explore debt restructuring. At that time, a \$7 million general fund deficit was still the working forecast. Because the City had planned to borrow \$2.1 million in 2020 to cover its budget deficit anyway, the administration decided on a more comprehensive debt service restructuring plan and new borrowing program.

On September 24, 2020, the City issued General Obligation notes, Series 2020, with a par amount of \$15,720,000. The issuance gave the City immediate debt service relief on its Series 2009 bonds, and refunded and restructured Series A of 2015, Series B of 2015, and Series 2017 bonds. The issuance also reimbursed the General Fund approximately \$2.2 million in pre-paid capital spending, capitalized nearly \$1.0 million in interest, and financed about \$11.3 million in new capital projects and equipment needs, net of the cost of issuance.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Despite the cost containment of the debt service restructuring, as well as a voluntary furlough program and a hiring freeze, the administration was still looking to solidify its fiscal stability by year's end. Mayor O'Connell ordered the department heads to find 7% cuts across all non-personnel, non-emergency expenditure programs. This austerity measure allowed departments performing vital public safety and COVID-19 combatting functions to operate as needed, but also brought about substantial reductions in the forecasted operating costs.

Also, aided by a series of grants that largely offset unexpected Health Bureau, EMS, and PPE costs, the shutdowns and supply chain shortages across the country meant that many normal operating expenditures could not actually be spent. Projects and services that had been budgeted for were either deferred due to unavailability or cut under the austerity measures mentioned above.

Ultimately, the City's tax base remained resilient. The 12% expected reduction in EIT revenue only came in only 1.5% short of the original budget forecast. The City's aggregate General Fund Taxes experienced only a 1.2% decline under the opening year estimate. The non-tax revenues in the General Fund were a different story. Permits and Licenses, Charges for Service, Recreation Fees and Fines and Forfeits collectively came in about 20% lesser than originally budgeted. The Local Share Assessment and revenues from table gaming and online gaming, collectively titled the Casino Fee, was also hit substantially by the closure of the Wind Creek Casino in Bethlehem. We expect the headwinds on this revenue stream to continue into 2021.

All told, by the New Year's Eve the City had added cash across the General Fund, the Risk Fund, and the Stormwater Fund. It had also undertaken a debt restructure well within its borrowing capacity at its current credit rating. Nevertheless, many necessary expenditures were only deferred in 2020, and will need to be dealt with in the coming year.

The City renegotiated its collective bargaining agreement with the Fire Fighters Union in 2020, but permanent wages, premium pay, minimum municipal obligations, insurance premiums, self-insured claims, retiree benefits, and other post-employment benefits continue to be long-term challenges for the City financially. The City's debt service is manageable at its current ratio to general revenue.

The City's three largest sources of General Fund tax revenue are realized from City Real Estate Tax, Local Earned Income Tax, and Business Privilege Tax. On January 21, 2020, the City assessed real estate taxes at the rate of 23.5376 mills (.0235376) on Land within its territorial limits. Assessed land values at the start of 2020 were \$793,021,300. Improvements or buildings were taxed at a rate of 4.4528 mills (.004528). The assessed value of improvements and buildings in the City at the start of 2020 were \$4,557,573,500. The City's gross tax assessment for all real property within its territorial limits, as of January 21, 2020, was \$38,959,783. Resident earned income tax was assessed at a 1.975% rate in 2020, of which 1.475% is remitted to the City government and 0.5% to the school district. Non-residents employed within the City were assessed a 1.28% earned income tax rate. The City keeps only 0.28% of the tax assessment, while 1.0% is distributed back to the municipality where the non-resident resides. Between 90% - 95% of the City's Earned Income Tax collections are remitted quarterly, as a result of payroll withholding from employers. Business Privilege Tax is assessed on the gross volume of wholesale business at the rate of 1 mill, on retail business at the rate of 1.5 mills, and on service and rental business at the rate of 3 mills.

In 2020, the taxable value of the City's real property was \$5,350,365,200. The County's 2020 Common Level Ratio was 1.28, which sets the market value of City property at approximately \$6,848,000,000. Inclusive of both voluntary reports and delinquent collections, the City's businesses reported approximately \$4.5 billion in gross sales and services on Business Privilege Tax returns. Wage earners reported about \$1.965 billion in reportable wages and net profits earned either as resident or non-resident taxpayers in the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

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

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

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

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

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

Table A-1: The Annual Comprehensive Financial Report arrangement and relationship flowchart

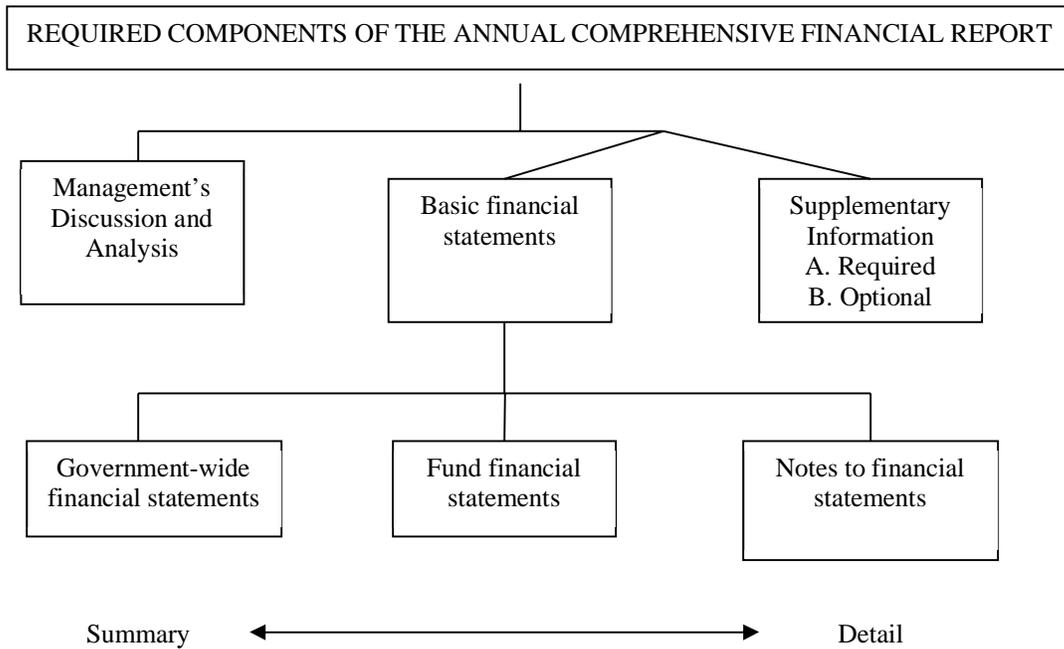


Table A-2 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

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

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

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

Government-wide financial statements

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

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

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

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

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

There are two categories of activities for the primary government.

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

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

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

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

Fund financial statements

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

The City has three kinds of funds:

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

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

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

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

City of Allentown, Pennsylvania
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The City's total assets were \$356,809,272 at December 31, 2020. Of this amount, \$243,673,475 was capital assets, including infrastructure and construction in progress.

Table A-3: Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 81,645,580	\$ 62,108,678	\$ 7,166,373	\$ 8,612,171	\$ 88,811,953	\$ 70,720,849
Capital assets, net	238,520,002	244,735,201	5,153,473	5,638,472	243,673,475	250,373,673
Other non-current assets	24,323,844	25,399,744	-	-	24,323,844	25,399,744
Total Assets	344,489,426	332,243,623	12,319,846	14,250,643	356,809,272	346,494,266
Deferred Outflows of Resources:						
Deferred outflows of resources for pensions	6,179,692	10,715,756	292,143	602,261	6,471,835	11,318,017
Deferred outflows of resources for OPEB	8,280,688	9,520,517	528,554	607,692	8,809,242	10,128,209
Deferred charge on refunding	301,169	321,246	-	-	301,169	321,246
Total Deferred Outflows of Resources	14,761,549	20,557,519	820,697	1,209,953	15,582,246	21,767,472
Current and other liabilities	23,749,039	21,466,722	1,318,046	2,290,727	25,067,085	23,757,449
Long-term liabilities	223,450,581	241,144,569	5,963,295	8,475,050	229,413,876	249,619,619
Total Liabilities	247,199,620	262,611,291	7,281,341	10,765,777	254,480,961	273,377,068
Deferred Inflows of Resources:						
Utility system concession lease	208,560,104	212,463,062	-	-	208,560,104	212,463,062
Deferred inflows of resources for OPEB	4,825,438	4,936,797	308,006	315,115	5,133,444	5,251,912
Deferred inflows of resources for pensions	39,085,663	17,209,879	1,833,783	-	40,919,446	17,209,879
Total Deferred Inflows of Resources	252,471,205	234,609,738	2,141,789	315,115	254,612,994	234,924,853
Net position:						
Net investment in capital assets	195,284,967	200,846,817	4,993,363	5,202,335	200,278,330	206,049,152
Restricted	35,172,694	16,770,597	-	-	35,172,694	16,770,597
Unrestricted	(370,877,511)	(362,037,301)	(1,275,950)	(822,631)	(372,153,461)	(362,859,932)
Total Net Position (Deficit)	\$ (140,419,850)	\$ (144,419,887)	\$ 3,717,413	\$ 4,379,704	\$ (136,702,437)	\$ (140,040,183)

City of Allentown, Pennsylvania
Management's Discussion and Analysis

The following statement of activities represents changes in net position for the years ended December 31, 2020 and 2019. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

Table A-4: Condensed Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 24,640,899	\$ 28,082,657	\$ 15,948,393	\$ 16,113,444	\$ 40,589,292	\$ 44,196,101
Operating grants and contributions	12,859,939	13,527,175	990,913	552,475	13,850,852	14,079,650
Capital grants	6,400,538	340,703	-	-	6,400,538	340,703
General revenues:						
Taxes	74,723,537	85,451,237	-	-	74,723,537	85,451,237
Investment earnings	139,840	664,745	14,580	74,784	154,420	739,529
Gain on sale of asset	11,731	-	-	-	11,731	-
Unrestricted grants/contributions	9,359,985	12,294,357	-	-	9,359,985	12,294,357
Total revenues	128,136,469	140,360,874	16,953,886	16,740,703	145,090,355	157,101,577
Expenses:						
General government	11,517,854	16,641,885	-	-	11,517,854	16,641,885
Public safety	57,217,622	65,999,897	-	-	57,217,622	65,999,897
Community development	11,034,659	11,243,886	-	-	11,034,659	11,243,886
Public works	29,650,419	20,916,551	-	-	29,650,419	20,916,551
Health and sanitation	4,390,225	3,814,779	-	-	4,390,225	3,814,779
Parks and recreation	7,166,384	7,411,353	-	-	7,166,384	7,411,353
Water and sewer	-	-	-	-	-	-
Interest on long-term debt	4,609,638	4,812,958	-	-	4,609,638	4,812,958
Municipal golf course	-	-	1,156,632	1,225,306	1,156,632	1,225,306
Solid waste fund	-	-	15,009,176	15,701,270	15,009,176	15,701,270
Total expenses	125,586,801	130,841,309	16,165,808	16,926,576	141,752,609	147,767,885
Change in net position before transfers	2,549,668	9,519,565	788,078	(185,873)	3,337,746	9,333,692
Transfers	1,450,369	1,350,430	(1,450,369)	(1,350,430)	-	-
Change in net position	4,000,037	10,869,995	(662,291)	(1,536,303)	3,337,746	9,333,692
Net position (deficit) beginning	(144,419,887)	(155,289,882)	4,379,704	5,916,007	(140,040,183)	(149,373,875)
Net position (deficit) ending	\$ (140,419,850)	\$ (144,419,887)	\$ 3,717,413	\$ 4,379,704	\$ (136,702,437)	\$ (140,040,183)

Total government-wide revenues of \$145.1 million in 2020 came primarily from taxes of \$74.7 million, representing 51.5 percent of the total. Charges for services at \$40.6 million made up the second largest source of revenue at 28.0 percent, followed by operating grants and contributions of \$13.9 million, or 9.6 percent.

Total expenses for all programs in 2020 were \$141.7 million. The expenses cover a range of services, with the largest being public safety at \$57.2 million or 40.4 percent. The next largest program areas were public works at \$29.7 million or 20.9 percent, the solid waste fund at \$15.0 million or 10.6 percent and general government at \$11.5 million or 8.1 percent.

The tax revenue decreased by \$10.7 million, largely due to a change in recognition of deferred revenue. Public Works expenses increased by \$8.7 million due to an increase in depreciation expenditure of capital assets, OPEB and pension liabilities. Public Safety expenses decreased by \$8.8 million, due to a reduction in police and fire pension liabilities.

City of Allentown, Pennsylvania
 Management's Discussion and Analysis

Net cost of services

Net cost of services indicates the amount of support required from taxes and other general revenues for programs of the government. Table A-5 depicts the net program expenses for the years ended December 31, 2020 and 2019.

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

	Total cost of services		Net cost of services	
	2020	2019	2020	2019
Program:				
General government	\$ 11,517,854	\$ 16,641,885	\$ 4,668,740	\$ 9,486,042
Public safety	57,217,622	65,999,897	54,506,843	60,593,658
Community development	11,034,659	11,243,886	1,598,703	2,015,561
Public works	29,650,419	20,916,551	17,597,818	10,743,094
Health and sanitation	4,390,225	3,814,779	1,167,279	1,386,240
Parks and recreation	7,166,384	7,411,353	2,517,545	5,044,134
Water and sewer	-	-	(4,981,141)	(5,190,913)
Interest on long-term debt	4,609,638	4,812,958	4,609,638	4,812,958
Municipal golf course	1,156,632	1,225,306	(432,228)	580,236
Solid waste fund	15,009,176	15,701,270	(341,270)	(319,579)
Total expenses	\$ <u>141,752,609</u>	\$ <u>147,767,885</u>	\$ <u>80,911,927</u>	\$ <u>89,151,431</u>

The City relied on real estate tax, Act 511 taxes such as earned income tax and business privilege tax, and other general revenues to fund 59.0 percent of its governmental and business-type activities in 2020. These revenues covered 40.5 percent of general government spending with the remainder coming from grants and fees for specific services. These revenues also covered 95.3 percent of public safety spending with the remainder coming from grants, fines, and court costs.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Capital assets

The City's investment in capital assets at December 31, 2020, net of accumulated depreciation, was \$243.7 million. Capital assets consist primarily of land, buildings, equipment and infrastructure. Detailed information about the City's capital assets can be found in Note 5, Notes to Financial Statements. Table A-6 is a summary of capital assets at December 31, 2020 and 2019.

Table A-6: Capital assets, net at December 31, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,809,945	\$ 9,809,945	\$ 1,134,759	\$ 1,134,759	\$ 10,944,704	\$ 10,944,704
Assets under concession lease - LCA	89,796,229	88,767,580	-	-	89,796,229	88,767,580
Assets under concession lease - COA	6,579,747	6,064,891	-	-	6,579,747	6,064,891
Construction in progress	2,966,323	9,248,917	-	-	2,966,323	9,248,917
Buildings	3,514,500	3,839,530	603,798	626,666	4,118,298	4,466,196
Land and building improvements	19,801,755	20,810,239	703,544	862,930	20,505,299	21,673,169
Machinery and equipment	9,743,837	10,757,952	1,816,728	2,015,929	11,560,565	12,773,881
Vehicles	7,878,849	7,030,090	867,854	970,750	8,746,703	8,000,840
Infrastructure	88,428,817	88,406,057	-	-	88,428,817	88,406,057
Distribution and collection systems	-	-	27,060	27,438	27,060	27,438
Total	\$ 238,520,002	\$ 244,735,201	\$ 5,153,743	\$ 5,638,472	\$ 243,673,745	\$ 250,373,673

Debt administration

Long-term debt:

At December 31, 2020, the City had \$112.0 million of debt outstanding, including bonds, notes, and capital leases. This was a net increase of \$15.7 million from the end of 2019, due to a bond issuance in 2020. Detailed information about the City's Long-term Debt can be found in Note 9, Notes to Financial Statements. Table A-7 provides a summary of outstanding debt.

Table A-7: Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital leases	\$ 2,681,322	\$ 3,009,918	\$ 160,110	\$ 436,137	\$ 2,841,432	\$ 3,446,055
Bonds and notes	109,113,518	92,812,488	-	-	109,113,518	92,812,488
Total	\$ 111,794,840	\$ 95,822,406	\$ 160,110	\$ 436,137	\$ 111,954,950	\$ 96,258,543

The amount of indebtedness a city may incur is limited by Pennsylvania law to 250 percent (non-electoral) 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, 2020 was approximately \$87.4 million, and the total debt outstanding was \$112.0 million, which is below the legal debt limit.

Bond rating

At December 31, 2020, the City is rated A3 with a stable outlook by Moody's Investors Service and an A rating with a negative outlook by S&P. The City is hopeful that the positive change in General Fund balance during 2021 will at least restore a stable outlook from S&P.

GOVERNMENTAL FUNDS

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

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

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

Governmental fund revenues

Governmental fund revenues by source for the years ended December 31, 2020 and 2019 are as follows. Table A-8 also presents changes from 2019 to 2020.

Table A-8: Revenues by source, governmental funds

	2020	2019	Changes from 2019 to 2020	Percent change
Revenues:				
Taxes	\$ 84,325,272	\$ 86,200,830	\$ (1,875,558)	-2.2%
Licenses and permits	7,512,497	7,648,361	(135,864)	-1.8%
Charges for services	5,228,472	6,582,276	(1,353,804)	-20.6%
Fines and forfeits	263,588	377,686	(114,098)	-30.2%
Investment earnings	123,953	579,507	(455,554)	-78.6%
Intergovernmental revenues	27,104,518	25,992,040	1,112,478	4.3%
Other	7,400,008	9,348,091	(1,948,083)	-20.8%
Total revenues	<u>\$ 131,958,308</u>	<u>\$ 136,728,791</u>	<u>\$ (4,770,483)</u>	<u>-3.5%</u>

Governmental fund revenues totaled \$132.0 million for the year ended December 31, 2020. This is a decrease of \$4.8 million from 2019, primarily due to the COVID-19 pandemic.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2020 and 2019 are as follows. Table A-9 also presents changes from 2019 to 2020.

Table A-9: Expenditures by function, governmental funds

	2020	2019	Changes from 2019 to 2020	Percent change
Expenditures:				
General government	\$ 11,622,331	\$ 12,330,677	\$ (708,346)	-27.5%
Public safety	66,463,915	65,667,143	796,772	1.5%
Community development	10,843,958	11,194,135	(350,177)	-2.7%
Public works	24,592,850	14,469,632	10,123,218	-12.8%
Health and sanitation	4,150,877	3,712,218	438,659	6.4%
Parks and recreation	5,923,640	6,225,680	(302,040)	5.7%
Debt service:				
Principal	10,568,245	18,967,566	(8,399,321)	38.6%
Interest	2,372,007	2,523,288	(151,281)	2.6%
Capital outlay	1,871,347	10,421,825	(8,550,478)	78.6%
Total expenditures	<u>\$ 138,409,170</u>	<u>\$ 145,512,164</u>	<u>\$ (7,102,994)</u>	<u>3.1%</u>

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

Governmental fund expenditures totaled \$138.4 million for the year ended December 31, 2020, a decrease of 4.9 percent from 2019, primarily due to personnel being furloughed and statewide suspension and construction of capital projects from impacts of COVID-19.

City of Allentown, Pennsylvania
Management's Discussion and Analysis

Governmental fund balances and net position of enterprise funds

Table A-10 reflects ending fund balances for governmental funds and the net position for the enterprise funds at December 31, 2020 and 2019.

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

	2020		2019	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	\$ 25,594,283	\$ -	\$ 23,463,617	\$ -
Liquid Fuels Fund	2,814,082	-	2,365,600	-
Community Development				
Block Grant	3,815,991	-	4,118,161	-
Trexler	429,686	-	331,137	-
Capital Projects	16,869,136	-	3,939,299	-
Grants	16,350	-	-	-
Revolving Loan	1,337,658	-	1,335,106	-
Debt Service Fund	-	-	1,040	-
Stormwater Fund	5,044,441	-	3,668,276	-
Lease A.O. Fund	4,845,350	-	1,011,978	-
Municipal Golf Course	-	939,188	-	850,521
Solid Waste Fund	-	2,778,225	-	3,529,183
Total	\$ 60,766,977	\$ 3,717,413	\$ 40,234,214	\$ 4,379,704

The City's governmental funds reported a combined fund balance of \$60.8 million at December 31, 2020, up \$20.5 million from the previous year. The General Fund balance increased by \$2.1 million, due to constrained expenditures stemming from the instability of revenue collection during the pandemic. Capital Projects Fund and Lease AO Fund balances increased by \$12.9 million and \$3.8 million, respectively, from issuances of new bonds in 2020. The stormwater fund balance increased by \$1.4 million; contractual services expenditure decreased and personnel were furloughed during COVID-19. Of this total fund balance, \$3.8 million is restricted for Community Development Block Grant projects, \$16.9 million is restricted for capital acquisitions, \$2.8 million is restricted for the Liquid Fuels Fund, \$1.3 million is restricted for the Revolving Loan Fund, \$4.8 million is restricted for the Lease A.O. Fund and \$0.4 million is restricted for the Trexler fund.

Budgetary considerations

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

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

Because the City's fiscal year differs from those of the Commonwealth and the federal government, it is difficult to know what grants will be forthcoming in the City's fiscal year. Also, the City budgets based on an estimated current year outcome and beginning cash balance. Care is taken in the budgeting process to eliminate budgeted expenditures in the current year that will not be spent. This allows the Finance Department to better forecast the City's position going into the subsequent year.

Economic Condition and Outlook

LOCATION & DEMOGRAPHIC ADVANTAGES

Allentown is the largest city in the four-county Allentown-Bethlehem-Easton Metropolitan Statistical Area and serves as the seat of Lehigh County. Allentown is home to 125,845 residents, per recent United States Census estimates, thus making it the third-largest city in Pennsylvania. Allentown recorded one of the fastest rates of growth of any municipality in the Commonwealth between the 2010 and 2020 Censuses and the City's rapidly growing Hispanic population now comprises 50.6% of total City population, according to the Census's 2016 American Community Survey.

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

ECONOMIC DEVELOPMENT ACHIEVEMENTS

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

Allentown also hosts the one-of-a-kind Neighborhood Improvement Zone, which has fostered what 15 years ago would have been an unimaginable amount of capital investment in downtown. Centered around the PPL Center Sports arena, developers continue to add to office space, such as City Center 2, 3, 5 and Tower Six, and considerable residential units to the neighborhood. Allentown expects Waterfront Development to ensue, in earnest, in 2021 and 2022, which will create positive long-term impacts on our real estate tax base.

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

SUMMARY

The City exited 2020 in a better financial position than it entered, despite the global pandemic. This occurred without increasing property tax rates. The administration's multi-pronged attack to avoid drawing on cash reserves to meet its expenditures in 2020 was extremely successful. Starting 2021 with an unprecedented amount of cash reserved in its General Fund, in the 2006 loan investment, and Risk fund balance, the City will be looking towards a stable fiscal year with aspirations of improving its bond rating, at least to a stable or positive outlook.

The City has no plans to incur any additional indebtedness in 2021 and expects that its revenues will be sufficient to cover its expenditures without any substantial draw-down on cash. The City also expects Federal assistance will be forthcoming in its continuing efforts to combat the COVID-19 pandemic while still providing timely, efficient, and excellent governmental services to its citizens.

REQUESTS FOR INFORMATION

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

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CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

Assets	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current assets:				
Cash and cash equivalents	\$ 66,298,661	\$ 3,034,197	\$ 69,332,858	\$ 3,828,125
Restricted cash	789,359	-	789,359	55,588
Investments	-	-	-	2,212,293
Receivables (net of allowance for uncollectible):				
Taxes	9,327,596	-	9,327,596	-
Accounts	2,636,078	1,537,960	4,174,038	155,163
Grants	4,285,291	673,617	4,958,908	-
Other current assets	6,092	-	6,092	29,816
Inventory	-	18,634	18,634	-
Prepaid expenses	-	-	-	268,107
Prepaid debt insurance	204,468	-	204,468	-
Due from other governments	-	-	-	164,503
Internal balances	(1,901,965)	1,901,965	-	-
Total current assets	81,645,580	7,166,373	88,811,953	6,713,595
Noncurrent assets:				
Capital assets, net:				
Land	9,809,945	1,134,759	10,944,704	8,301,151
Assets under concession lease-LCA	89,796,229	-	89,796,229	-
Assets under concession lease-City	6,579,747	-	6,579,747	-
Buildings	3,514,500	603,798	4,118,298	43,372,740
Land and building improvements	19,801,755	703,544	20,505,299	-
Machinery and equipment	9,743,837	1,816,728	11,560,565	1,302,202
Vehicles	7,878,849	867,584	8,746,433	293,278
Distribution and collection systems	-	27,060	27,060	-
Construction in progress	2,966,323	-	2,966,323	2,101,670
Infrastructure	88,428,817	-	88,428,817	-
Total capital assets, net	238,520,002	5,153,473	243,673,475	55,371,041
Loans and notes receivable	3,597,523	-	3,597,523	962,899
Utility system concession lease receivable	20,726,321	-	20,726,321	-
Property held for development	-	-	-	453,264
Net pension asset	-	-	-	877,272
Total noncurrent assets	262,843,846	5,153,473	267,997,319	57,664,476
Total Assets	344,489,426	12,319,846	356,809,272	64,378,071
Deferred Outflows of Resources				
Deferred outflows of resources for pensions	6,179,692	292,143	6,471,835	499,818
Deferred outflows of resources for OPEB	8,280,688	528,554	8,809,242	-
Deferred charge on refunding	301,169	-	301,169	-
Total Deferred Outflows of Resources	14,761,549	820,697	15,582,246	499,818

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020
(Continued)

Liabilities	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Current liabilities:				
Accounts payable and other current liabilities	4,669,684	912,404	5,582,088	874,948
Wages payable	2,525,672	106,753	2,632,425	-
Accrued interest payable	657,844	-	657,844	-
Claims liability	317,107	-	317,107	-
Other liabilities	3,189,508	698	3,190,206	384,403
Due to other governments	2,769,622	-	2,769,622	-
Compensated absences	3,143,852	207,596	3,351,448	-
Facility contractual obligation	133,254	-	133,254	-
Capital leases payable	1,032,496	90,595	1,123,091	52,202
Notes and bonds payable, current maturities	5,310,000	-	5,310,000	2,634,776
Total current liabilities	<u>23,749,039</u>	<u>1,318,046</u>	<u>25,067,085</u>	<u>3,946,329</u>
Noncurrent liabilities:				
Unearned revenue	-	3,900	3,900	7,950,957
Capital leases payable	1,648,826	69,515	1,718,341	128,138
Compensated absences	705,509	2,096	707,605	-
Net pension liability	29,587,231	289,561	29,876,792	-
Total other postemployment benefit liability	87,705,497	5,598,223	93,303,720	395,145
Notes and bonds payable	103,803,518	-	103,803,518	30,741,738
Total noncurrent liabilities	<u>223,450,581</u>	<u>5,963,295</u>	<u>229,413,876</u>	<u>39,215,978</u>
Total Liabilities	<u>247,199,620</u>	<u>7,281,341</u>	<u>254,480,961</u>	<u>43,162,307</u>
Deferred Inflows of Resources				
Utility system concession lease	208,560,104	-	208,560,104	-
Deferred inflows of resources for OPEB	4,825,438	308,006	5,133,444	33,765
Deferred inflows of resources for pensions	39,085,663	1,833,783	40,919,446	545,466
Total Deferred Inflows of Resources	<u>252,471,205</u>	<u>2,141,789</u>	<u>254,612,994</u>	<u>579,231</u>
Net Position				
Net investment in capital assets	195,284,967	4,993,363	200,278,330	23,694,287
Restricted for:				
Capital projects	16,869,136	-	16,869,136	-
Public works	12,703,873	-	12,703,873	-
Community development	5,169,999	-	5,169,999	55,588
Parks and recreation	429,686	-	429,686	-
Unrestricted (Deficit)	<u>(370,877,511)</u>	<u>(1,275,950)</u>	<u>(372,153,461)</u>	<u>(2,613,524)</u>
Total Net Position (Deficit)	<u>\$ (140,419,850)</u>	<u>\$ 3,717,413</u>	<u>\$ (136,702,437)</u>	<u>\$ 21,136,351</u>

(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 11,517,854	\$ 4,802,479	\$ 766,838	\$ 1,279,797	\$ (4,668,740)	\$ -	\$ (4,668,740)	\$ -
Public safety	57,217,622	2,234,458	476,321	-	(54,506,843)	-	(54,506,843)	-
Community development	11,034,659	5,480,748	3,955,208	-	(1,598,703)	-	(1,598,703)	-
Public works	29,650,419	6,407,327	3,233,098	2,412,176	(17,597,818)	-	(17,597,818)	-
Health and sanitation	4,390,225	264,037	2,958,909	-	(1,167,279)	-	(1,167,279)	-
Parks and recreation	7,166,384	470,709	1,469,565	2,708,565	(2,517,545)	-	(2,517,545)	-
Water and sewer	-	4,981,141	-	-	4,981,141	-	4,981,141	-
Interest on long-term debt	4,609,638	-	-	-	(4,609,638)	-	(4,609,638)	-
Total governmental activities	<u>125,586,801</u>	<u>24,640,899</u>	<u>12,859,939</u>	<u>6,400,538</u>	<u>(81,685,425)</u>	<u>-</u>	<u>(81,685,425)</u>	<u>-</u>
Business-Type activities:								
Solid Waste Fund	15,009,176	14,386,329	964,117	-	-	341,270	341,270	-
Municipal Golf Course	1,156,632	1,562,064	26,796	-	-	432,228	432,228	-
Total business-type activities	<u>16,165,808</u>	<u>15,948,393</u>	<u>990,913</u>	<u>-</u>	<u>-</u>	<u>773,498</u>	<u>773,498</u>	<u>-</u>
Total primary government	<u>\$ 141,752,609</u>	<u>\$ 40,589,292</u>	<u>\$ 13,850,852</u>	<u>\$ 6,400,538</u>	<u>(81,685,425)</u>	<u>773,498</u>	<u>(80,911,927)</u>	<u>-</u>
Component units:								
Redevelopment Authority of the City of Allentown	\$ 1,097,341	\$ 606,640	\$ 317,217	\$ -	-	-	-	(173,484)
Allentown Parking Authority	7,941,557	8,723,899	13,656	-	-	-	-	795,998
Total component units	<u>\$ 9,038,898</u>	<u>\$ 9,330,539</u>	<u>\$ 330,873</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622,514</u>
General revenues:								
Property taxes					38,365,253	-	38,365,253	-
Act 511					34,254,207	-	34,254,207	-
Utility realty					82,715	-	82,715	-
Deed transfer tax					2,021,362	-	2,021,362	-
Grants and contributions not restricted to specific purposes					9,359,985	-	9,359,985	-
Investment earnings					139,840	14,580	154,420	28,720
Gain on sale of asset					11,731	-	11,731	11,799
Transfers					1,450,369	(1,450,369)	-	-
Total general revenues and transfers					<u>85,685,462</u>	<u>(1,435,789)</u>	<u>84,249,673</u>	<u>40,519</u>
Change in Net Position					4,000,037	(662,291)	3,337,746	663,033
Net Position (Deficit):								
Beginning of year					(144,419,887)	4,379,704	(140,040,183)	20,473,318
End of year					<u>\$ (140,419,850)</u>	<u>\$ 3,717,413</u>	<u>\$ (136,702,437)</u>	<u>\$ 21,136,351</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 27,155,309	\$ 16,130,368	\$ 1,560	\$ 14,288,326	\$ 57,575,563
Restricted Cash	-	-	-	789,359	789,359
Receivables, net:					
Taxes	9,327,596	-	-	-	9,327,596
Loans	108,800	-	-	3,488,723	3,597,523
Accounts	1,921,729	-	-	573,424	2,495,153
Grants	1,269,017	1,506,066	-	1,510,208	4,285,291
Utility system concession lease	20,726,321	-	-	-	20,726,321
Interest	-	-	-	6,092	6,092
Due from other funds	767,763	-	-	2,306	770,069
Total Assets	<u>\$ 61,276,535</u>	<u>\$ 17,636,434</u>	<u>\$ 1,560</u>	<u>\$ 20,658,438</u>	<u>\$ 99,572,967</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>					
Liabilities:					
Accounts payable	\$ 1,888,020	\$ 680,092	\$ 1,560	\$ 1,006,262	\$ 3,575,934
Wages Payable	2,351,068	-	-	168,860	2,519,928
Due to other funds	2,306	-	-	872,252	874,558
Due to other governments	2,569,622	-	-	200,000	2,769,622
Advance from other fund	1,928,572	-	-	-	1,928,572
Other liabilities	2,963,290	87,206	-	107,506	3,158,002
Total Liabilities	<u>11,702,878</u>	<u>767,298</u>	<u>1,560</u>	<u>2,354,880</u>	<u>14,826,616</u>
Deferred Inflows of Resources:					
Unavailable revenue - taxes	1,973,256	-	-	-	1,973,256
Unavailable revenue - grants	1,279,797	-	-	-	1,279,797
Unavailable revenue - utility system concession lease	20,726,321	-	-	-	20,726,321
Total Deferred Inflows of Resources	<u>23,979,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,979,374</u>
Fund Balance:					
Restricted	-	16,869,136	-	18,303,558	35,172,694
Assigned	2,352,171	-	-	-	2,352,171
Unassigned	23,242,112	-	-	-	23,242,112
Total Fund Balance	<u>25,594,283</u>	<u>16,869,136</u>	<u>-</u>	<u>18,303,558</u>	<u>60,766,977</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 61,276,535</u>	<u>\$ 17,636,434</u>	<u>\$ 1,560</u>	<u>\$ 20,658,438</u>	<u>\$ 99,572,967</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total Fund Balance - Governmental Funds		\$ 60,766,977
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds		238,520,002
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in governmental funds		23,979,374
Prepaid debt insurance is reported as an asset and amortized on the statement of net position		204,468
Utility system concession lease is required to be amortized over the life of the lease for the governmental activities		(208,560,104)
Certain liabilities, including general obligation debt, compensated absences, accrued interest payable, are not reported as liabilities in governmental funds, but are reported on the Statement of Net Position. Those items consist of:		
Accrued interest payable on general obligation debt	(657,844)	
Facility contractual obligation	(133,254)	
Notes and bonds payable	(109,113,518)	
Less: deferred charge on refunding	301,169	
Capital leases payable	(2,681,322)	
Compensated absences	(3,849,361)	
Other postemployment benefits liability, net of related deferred inflows and outflows of resources	(84,250,247)	
Net pension liability, net of related deferred inflows and outflows of resources	<u>(62,493,202)</u>	(262,877,579)
Assets and liabilities of the internal service fund reported in the statement of net position are used to charge the costs of insurance to individual funds and are not reported in the governmental funds		<u>7,547,012</u>
Total Net Position - Governmental Activities		<u>\$ (140,419,850)</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 84,325,272	\$ -	\$ -	\$ -	\$ 84,325,272
Licenses and permits	7,512,497	-	-	-	7,512,497
Charges for services	4,862,578	365,894	-	-	5,228,472
Fines and forfeits	263,588	-	-	-	263,588
Investment earnings	70,540	25,519	-	27,894	123,953
Intergovernmental revenues	13,076,695	5,120,738	-	8,907,085	27,104,518
Other	1,194,649	5,122	-	6,200,237	7,400,008
Total revenues	<u>111,305,819</u>	<u>5,517,273</u>	<u>-</u>	<u>15,135,216</u>	<u>131,958,308</u>
Expenditures:					
Current:					
General government	11,162,815	338,061	6,669	114,786	11,622,331
Public safety	66,463,915	-	-	-	66,463,915
Community development	6,642,812	-	-	4,201,146	10,843,958
Public works	12,279,834	6,006,951	-	6,306,065	24,592,850
Health and sanitation	4,150,877	-	-	-	4,150,877
Parks and recreation	4,355,448	-	-	1,568,192	5,923,640
Debt service:					
Principal	-	3,836,000	4,509,000	2,223,245	10,568,245
Interest	-	-	2,107,366	264,641	2,372,007
Capital outlay	625,236	-	-	1,246,111	1,871,347
Total expenditures	<u>105,680,937</u>	<u>10,181,012</u>	<u>6,623,035</u>	<u>15,924,186</u>	<u>138,409,170</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,624,882</u>	<u>(4,663,739)</u>	<u>(6,623,035)</u>	<u>(788,970)</u>	<u>(6,450,862)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	-	-	-	7,090,000	7,090,000
Issuance of bonds	-	15,720,000	-	-	15,720,000
Issuance of bond premium	-	1,943,521	-	-	1,943,521
Issuance of capital leases	-	-	-	585,074	585,074
Sale of capital assets	72,925	-	-	-	72,925
Transfers in	3,321,156	1,058,302	6,621,995	-	11,001,453
Transfers out	(6,888,297)	(1,128,247)	-	(1,412,804)	(9,429,348)
Total other financing sources (uses)	<u>(3,494,216)</u>	<u>17,593,576</u>	<u>6,621,995</u>	<u>6,262,270</u>	<u>26,983,625</u>
Net Change in Fund Balance	2,130,666	12,929,837	(1,040)	5,473,300	20,532,763
Fund Balance:					
Beginning of year	23,463,617	3,939,299	1,040	12,830,258	40,234,214
End of year	<u>\$ 25,594,283</u>	<u>\$ 16,869,136</u>	<u>\$ -</u>	<u>\$ 18,303,558</u>	<u>\$ 60,766,977</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, 2020

Net Change in Fund Balance - Governmental Funds	\$	20,532,763
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		1,871,347
Depreciation expense on capital assets is reported in the statement of activities but not does require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in governmental funds.		(9,054,001)
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.		(61,194)
Revenues related to grants, 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.		(8,855,196)
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.		(771,418)
Activities of the internal service fund are reported as net revenue in the statement of activities.		3,557,054
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds.		(25,338,595)
Principal payments on capital leases consumes the current financial resources of governmental funds.		913,670
The repayment of principal of long-term debt consumes the current financial resources of governmental funds.		10,568,245
The accretion of capital appreciation bonds does not consume current financial resources of governmental funds.		(2,301,375)
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.		141,019
Accrued interest expense on long-term debt is reported in the statement of activities but does not require the use of current financial resources.		(101,800)
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.		11,465,735
The total other postemployment liability is recorded as a liability in the government wide financial statements, but not in the fund financial statements. This amount represents the change in the total OPEB liability, net of related deferred inflows and outflows of resources.		(3,500,788)
The deferred inflow of resources from the utility system concession lease is amortized over the life of the lease in the statement of activities.		4,934,571
Change in Net Position - Governmental Activities	\$	4,000,037

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

Assets	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Total	Internal Service Fund
Current assets:				
Cash and cash equivalents	\$ 3,032,797	\$ 1,400	\$ 3,034,197	\$ 8,723,098
Accounts receivable:				
Refuse collection	1,553,495	-	1,553,495	-
Other	673,617	-	673,617	140,925
Total accounts receivable	2,227,112	-	2,227,112	140,925
Allowance for doubtful accounts	15,535	-	15,535	-
Net accounts receivable	2,211,577	-	2,211,577	140,925
Due from other funds	-	-	-	131,096
Advance to other funds	642,857	-	642,857	-
Inventories	-	18,634	18,634	-
Total current assets	5,887,231	20,034	5,907,265	8,995,119
Noncurrent assets:				
Advance to other funds	1,285,715	-	1,285,715	-
Capital assets:				
Land	-	1,134,759	1,134,759	-
Buildings	1,017,066	265,587	1,282,653	-
Land and building improvements	1,477,128	3,385,290	4,862,418	-
Machinery and equipment	4,294,996	1,655,771	5,950,767	-
Vehicles	3,797,386	239,224	4,036,610	-
Distribution and collection systems	-	37,465	37,465	-
Total capital assets	10,586,576	6,718,096	17,304,672	-
Accumulated depreciation	(7,577,026)	(4,574,173)	(12,151,199)	-
Net capital assets	3,009,550	2,143,923	5,153,473	-
Total noncurrent assets	4,295,265	2,143,923	6,439,188	-
Total assets	10,182,496	2,163,957	12,346,453	8,995,119
Deferred Outflows of Resources				
Deferred outflows of resources for pensions	269,671	22,472	292,143	-
Deferred outflows of resources for OPEB	440,462	88,092	528,554	-
Total deferred outflows of resources	710,133	110,564	820,697	-

(Continued)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

Business-Type Activities - Enterprise Funds

Liabilities	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Total	Internal Service Fund
Current liabilities:				
Accounts payable	896,630	15,774	912,404	1,093,750
Wages payable	93,738	13,015	106,753	5,744
Claims liability	-	-	-	317,107
Other liabilities	-	698	698	1,919
Due to other funds	-	26,607	26,607	-
Compensated absences	169,635	37,961	207,596	11,074
Capital leases payable	34,942	55,653	90,595	-
Total current liabilities	<u>1,194,945</u>	<u>149,708</u>	<u>1,344,653</u>	<u>1,429,594</u>
Noncurrent liabilities				
Capital leases payable	35,875	33,640	69,515	-
Compensated absences	1,713	383	2,096	2,485
Unearned revenue	-	3,900	3,900	29,587
Net pension liability	267,287	22,274	289,561	-
Other postemployment benefit liability	4,665,186	933,037	5,598,223	-
Total noncurrent liabilities	<u>4,970,061</u>	<u>993,234</u>	<u>5,963,295</u>	<u>32,072</u>
Total Liabilities	<u>6,165,006</u>	<u>1,142,942</u>	<u>7,307,948</u>	<u>1,461,666</u>
Deferred Inflows of Resources				
Deferred inflows of resources for pensions	1,692,726	141,057	1,833,783	-
Deferred inflows of resources for OPEB	256,672	51,334	308,006	-
Total deferred inflows of resources	<u>1,949,398</u>	<u>192,391</u>	<u>2,141,789</u>	<u>-</u>
Net Position				
Net investment in capital assets	2,938,733	2,054,630	4,993,363	-
Unrestricted (deficit)	(160,508)	(1,115,442)	(1,275,950)	7,533,453
Total Net Position	<u>\$ 2,778,225</u>	<u>\$ 939,188</u>	<u>\$ 3,717,413</u>	<u>\$ 7,533,453</u>

(Concluded)

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Totals	Internal Service Fund
<u>Operating Revenues:</u>				
Charges for services:				
Refuse collections	\$ 13,999,477	\$ -	\$ 13,999,477	\$ -
Recycling	85,414	-	85,414	-
Other charges	-	1,562,064	1,562,064	25,677,358
Miscellaneous	301,438	-	301,438	-
Total operating revenues	<u>14,386,329</u>	<u>1,562,064</u>	<u>15,948,393</u>	<u>25,677,358</u>
<u>Operating Expenses:</u>				
Personnel services	3,724,909	601,516	4,326,425	-
Utility Services	11,322	15,082	26,404	-
Contracted services	10,623,623	55,917	10,679,540	-
Materials and supplies	258,334	223,817	482,151	-
Claims and benefits	-	-	-	22,085,623
Depreciation expense	407,751	192,860	600,611	-
Miscellaneous	(16,763)	67,440	50,677	-
Total operating expenses	<u>15,009,176</u>	<u>1,156,632</u>	<u>16,165,808</u>	<u>22,085,623</u>
Operating Income (Loss)	<u>(622,847)</u>	<u>405,432</u>	<u>(217,415)</u>	<u>3,591,735</u>
<u>Non-Operating Revenues (Expenses):</u>				
Grants	964,117	26,786	990,903	71,168
Interest	14,580	10	14,590	15,887
Total non-operating revenues (expenses)	<u>978,697</u>	<u>26,796</u>	<u>1,005,493</u>	<u>87,055</u>
Change in net position before transfers	355,850	432,228	788,078	3,678,790
Transfers out	(1,106,808)	(343,561)	(1,450,369)	(121,736)
Change in Net Position	<u>(750,958)</u>	<u>88,667</u>	<u>(662,291)</u>	<u>3,557,054</u>
<u>Net Position:</u>				
Beginning of year	3,529,183	850,521	4,379,704	3,976,399
End of Year	<u>\$ 2,778,225</u>	<u>\$ 939,188</u>	<u>\$ 3,717,413</u>	<u>\$ 7,533,453</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Nonmajor Fund Municipal Golf Course	Totals	Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 13,743,334	\$ 1,559,564	\$ 15,302,898	\$ 25,777,173
Payments to suppliers for services	(11,818,681)	(449,515)	(12,268,196)	(22,248,992)
Payments to employees	(3,708,511)	(585,297)	(4,293,808)	9,774
Net cash provided by (used in) operating activities	<u>(1,783,858)</u>	<u>524,752</u>	<u>(1,259,106)</u>	<u>3,537,955</u>
Cash Flows From Non-Capital Financing Activities:				
Operating grants received	964,117	26,786	990,903	71,168
Interest income	14,580	10	14,590	15,887
Transfers out	(1,106,808)	(343,561)	(1,450,369)	(121,736)
Net cash used in non-capital financing activities	<u>(128,111)</u>	<u>(316,765)</u>	<u>(444,876)</u>	<u>(34,681)</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(101,700)	(13,912)	(115,612)	-
Advance from/to other fund	642,857	(140,205)	502,652	-
Payments of obligations under capital leases	(222,157)	(53,870)	(276,027)	-
Net cash provided by (used in) capital and related financing activities	<u>319,000</u>	<u>(207,987)</u>	<u>111,013</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,592,969)</u>	<u>-</u>	<u>(1,592,969)</u>	<u>3,503,274</u>
Cash and Cash Equivalents:				
Beginning of year	4,625,766	1,400	4,627,166	5,219,824
End of year	<u>\$ 3,032,797</u>	<u>\$ 1,400</u>	<u>\$ 3,034,197</u>	<u>\$ 8,723,098</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	<u>\$ (622,847)</u>	<u>\$ 405,432</u>	<u>\$ (217,415)</u>	<u>\$ 3,591,735</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	407,751	192,860	600,611	-
Changes in:				
Accounts receivable	30,622	-	30,622	230,911
Due from other governments	(673,617)	-	(673,617)	(131,096)
Inventories	-	(6,828)	(6,828)	-
Deferred outflows of resources for pension and OPEB	343,195	46,061	389,256	-
Accounts payable	(777,263)	(51,258)	(828,521)	(192,956)
Wages payable	18,631	5,048	23,679	(1,265)
Claims liability	-	-	-	8,737
Unearned revenue	-	(2,500)	(2,500)	29,587
Compensated absences	(2,233)	11,171	8,938	2,302
Net pension liability	(2,314,006)	(238,928)	(2,552,934)	-
Other postemployment benefit liability	119,107	23,822	142,929	-
Deferred inflows of resources for pension and OPEB	1,686,802	139,872	1,826,674	-
Total adjustments	<u>(1,161,011)</u>	<u>119,320</u>	<u>(1,041,691)</u>	<u>(53,780)</u>
Net cash provided by (used in) operating activities	<u>\$ (1,783,858)</u>	<u>\$ 524,752</u>	<u>\$ (1,259,106)</u>	<u>\$ 3,537,955</u>
Schedule of Noncash Investing Capital and Financing Activities				
Issuance of capital lease obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Component Unit Pension Trust Funds
Assets	
Interest receivable	\$ 102,692
Due from City of Allentown	63,720
Investments, at fair value:	
Money market funds	9,189,554
Equity mutual funds	221,140,721
Bond mutual funds	53,044,533
Collective investment trust	28,873,902
Corporate bonds	4,600,127
U.S. government obligations	13,010,611
U.S. government agency obligations	5,248,738
Total Assets	335,274,598
Liabilities	
Accounts payable	58,850
Total Liabilities	58,850
Net Position	
Restricted for pension benefits	\$ 335,215,748

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Component Unit Pension Trust Funds
<u>Additions:</u>	
<u>Contributions:</u>	
Employer	\$ 12,212,439
Plan members	1,653,248
Total contributions	13,865,687
Investment income (loss):	
Net appreciation in fair value of investments	29,736,576
Interest and dividends	6,147,650
Less investment expenses	(187,915)
Net investment income (loss)	35,696,311
Total additions	49,561,998
<u>Deductions:</u>	
Benefits paid to recipients	21,730,222
Administrative and other fees	55,616
Total deductions	21,785,838
Change in Net Position	27,776,160
<u>Net Position:</u>	
Beginning of year	307,439,588
End of year	\$ 335,215,748

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2020

	Redevelopment Authority of the City of Allentown	Allentown Parking Authority	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,235,147	\$ 2,592,978	\$ 3,828,125
Restricted cash	55,588	-	55,588
Investments	-	2,212,293	2,212,293
Accounts receivable	-	155,163	155,163
Other current assets	-	29,816	29,816
Prepaid expenses	132	267,975	268,107
Due from other governments	164,503	-	164,503
Total current assets	<u>1,455,370</u>	<u>5,258,225</u>	<u>6,713,595</u>
Noncurrent assets, net:			
Construction in progress	-	2,101,670	2,101,670
Land	-	8,301,151	8,301,151
Land and building improvements	-	43,372,740	43,372,740
Machinery and equipment	-	1,302,202	1,302,202
Vehicles	-	293,278	293,278
Total capital assets, net	-	55,371,041	55,371,041
Loans receivable	562,899	-	562,899
Notes receivable	-	400,000	400,000
Property held for development	453,264	-	453,264
Net pension asset	-	877,272	877,272
Total noncurrent assets	<u>1,016,163</u>	<u>56,648,313</u>	<u>57,664,476</u>
Total Assets	<u>2,471,533</u>	<u>61,906,538</u>	<u>64,378,071</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources for pensions	-	499,818	499,818
Total Deferred Outflows of Resources	-	499,818	499,818
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and other current liabilities	200,287	674,661	874,948
Other liabilities	55,588	328,815	384,403
Unearned revenue	-	287,371	287,371
Capital lease payable	-	52,202	52,202
Notes and bonds payable, current maturities	-	2,634,776	2,634,776
Total current liabilities	<u>255,875</u>	<u>3,977,825</u>	<u>4,233,700</u>
Noncurrent liabilities:			
Unearned revenue	-	7,663,586	7,663,586
Capital lease payable, net of current portion	-	128,138	128,138
Other postemployment benefit liability	-	395,145	395,145
Bonds payable	-	30,741,738	30,741,738
Total noncurrent liabilities	-	38,928,607	38,928,607
Total Liabilities	<u>255,875</u>	<u>42,906,432</u>	<u>43,162,307</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources for pensions	-	545,466	545,466
Deferred inflows of resources for OPEB	-	33,765	33,765
Total Deferred Inflows of Resources	-	579,231	579,231
<u>Net Position</u>			
Net investment in capital assets	-	23,694,287	23,694,287
Restricted	55,588	-	55,588
Unrestricted (deficit)	2,160,070	(4,773,594)	(2,613,524)
Total Net Position	<u>\$ 2,215,658</u>	<u>\$ 18,920,693</u>	<u>\$ 21,136,351</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2020

	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	\$ 1,097,341	\$ 606,640	\$ 317,217	\$ (173,484)	\$ -	\$ (173,484)
Allentown Parking Authority	7,941,557	8,723,899	13,656	-	795,998	795,998
Total component units	<u>\$ 9,038,898</u>	<u>\$ 9,330,539</u>	<u>\$ 330,873</u>	<u>(173,484)</u>	<u>795,998</u>	<u>622,514</u>
General revenues:						
Investment earnings				-	28,720	28,720
Gain on sale of asset				-	11,799	11,799
Total general revenues				<u>-</u>	<u>40,519</u>	<u>40,519</u>
Change in Net Position				(173,484)	836,517	663,033
Net Position:						
Beginning of year				2,389,142	18,084,176	20,473,318
End of year				<u>\$ 2,215,658</u>	<u>\$ 18,920,693</u>	<u>\$ 21,136,351</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Redevelopment Authority of the City of Allentown

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

Allentown Parking Authority

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

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

Related Organizations

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

The amounts the City appropriated to these entities during the year ended December 31, 2020 were immaterial to the basic financial statements.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

Basis of Presentation

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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.

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

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

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

The City reports the following major proprietary fund:

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

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

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

The City's fiduciary funds consist of the Pension Trust Funds, which are Component Units of the City:

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

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

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.
- 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

Cash and Cash Equivalents and Investments (Continued)

- 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, 2020 which were in violation of state statutes or applicable trust indentures.

Restricted Assets

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

Internal Balances

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

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 \$51,000 at December 31, 2020. The allowance for curb and sidewalk charges for services, presented in the Capital Projects Fund, was approximately \$1.4 million at December 31, 2020. The allowance for accounts receivable presented in General Fund, was approximately \$27,000 at December 31, 2020. The allowance for accounts receivable presented in the Stormwater Fund, was approximately \$5,000 at December 31, 2020. The allowance for doubtful accounts, presented in the Solid Waste Fund, was approximately \$15,000 at December 31, 2020.

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. Management has determined that no allowance is necessary at December 31, 2020.

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, 2020.

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, 2020 are immaterial.

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

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

Capital Assets

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

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

Capital Assets (Continued)

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

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

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

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

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

Property Held for Development

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payment are incurred. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City reports encumbrances in its governmental funds as assigned fund balances, if the individual fund's fund balance is not presented as restricted. The General Fund encumbrances of \$2,352,171 relate to contract services, operating materials, supplies, repairs and maintenance, uniforms, and equipment. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but is not reported on the statement of net position. The Solid Waste Fund (\$78,487), Golf Fund \$16,506 and Internal Service Fund (\$129,495) encumbrances relate to contract services, property loss, operating supplies, and equipment.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

Fund Balance

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

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

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

Net Position

Net position is classified into three components: net investment in capital assets and, 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, 2020

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

Compensated Absences (Continued)

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

Unavailable/Unearned Revenues

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

Bond Discounts/Premiums

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

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

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

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

Deferred Charge on Refunding

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

The Parking Authority has deferred the difference between the reacquisition price (the amount deposited into escrow to pay off the bonds) and the net carrying amount of previously refunded debt. This deferred amount on refunding is being amortized into interest expense on a straight-line basis over the shorter of the life of the new or old bonds. During the year ended December 31, 2020, 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

Property Taxes

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

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

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

The 2020 tax levy was 23.5376 mills on land and 4.4528 mills on improvements.

Tax Abatement Programs

In accordance with the Commonwealth of Pennsylvania, Keystone Opportunity Zone (KOZ) Act, 73 P.S. Sections 820.101-820.1309 (the Act), the City has designated certain zones within the City of Allentown where certain businesses and residents are eligible for tax abatement, deduction, exemption or credit. Businesses, property owners and residents that are located in the KOZ are eligible to receive significant state and local tax benefits. Projects in the KOZ are given priority consideration for assistance under various community and economic building initiatives. Eligibility means that the qualified businesses, property owners and residents meet the necessary criteria listed in the Act based upon an annual application and certification. Pennsylvania businesses relocating to the KOZ must either increase their full-time employment by 20% within the first full year of operation, or make a 10% capital investment in the KOZ property based on their prior year's gross revenues. If qualified businesses, property owners or residents relocate out of the KOZ within a stipulated period of time, certain percentages of the exemptions, deductions, abatements or credits shall be refunded to the Commonwealth and political subdivision. The total amount of City property taxes that were abated in 2020 was approximately \$93,900.

In accordance with Pennsylvania Act 50 of 2009 and Act 26 of 2011, the City has established a Neighborhood Improvement Zone (NIZ) within the City of Allentown whereby state and local taxes collected from eligible businesses located in and individuals working within the NIZ are collected and remitted to the Commonwealth of Pennsylvania. The taxes collected from business and individuals within the NIZ are used to fund the various economic development projects within the NIZ. All potential NIZ projects must be geographically located within the NIZ and must go through a pre-qualification, application and, if approved, closing process. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service on the project. The types of taxes include earned income, local services, and business privilege along with the business privilege license fees. The total amount the City remitted to Pennsylvania during 2020 was approximately \$3.34 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, 2020, appropriate interfund receivables or payables have been established.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

Self-Insurance

The City is self-insured for workers' compensation, property, casualty, automobile, and general liability claim losses. At December 31, 2020, 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 \$219,147 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 five 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, Risk Management Fund, Solid Waste Fund, Grants Fund, Stormwater Fund, and Lease A.O. Fund.

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

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

Use of Estimates

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

Adoption of Governmental Accounting Standards Board (GASB) Statements

The City adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. The adoption of this Statement reclassified Agency funds into the General Fund. The adoption did not result in the restatement of any previously reported amounts.

The City adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The adoption of this Statement had no effect on previously reported amounts.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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

Adoption of Governmental Accounting Standards Board (GASB) Statements (Continued)

The City adopted the provisions of GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The adoption of this Statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

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

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

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

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

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

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

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

The Governmental Accounting Standards Board has issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Certain sections of this Statement were to be adopted by the City in 2020. The other sections are required to be adopted for the year ending December 31, 2022. Adoption had no effect on the City's 2020 financial statements.

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 and 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).

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 2 UTILITY SYSTEM CONCESSION LEASE (Continued)

The deferred inflow of resources resulting from the Agreement, in the amount of \$196,336,826, is being amortized over the lease term. The deferred inflow of resources resulting from capital construction completed on the utility system, in the amount of \$21,965,007, is being amortized over the estimated useful life of the constructed asset. The total deferred inflow of resources on the governmental activities statement of net position is being amortized as follows:

<u>Year Ending</u>	<u>Total</u>
2021	\$ 4,922,271
2022	4,922,271
2023	4,922,271
2024	4,922,271
2025	8,990,489
Thereafter	<u>179,880,531</u>
Total	<u>\$ 208,560,104</u>

For the year ended December 31, 2020, the City recognized \$4,934,571 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, 2020 consist of the following:

Petty cash	\$ 6,075
Deposits	70,116,142
Investments	<u>335,108,186</u>
	<u>\$ 405,230,403</u>
<u>Reconciliation to Statement of Net Position</u>	
Cash and cash equivalents:	
Governmental activities	\$ 67,088,020
Business-type activities	<u>3,034,197</u>
	<u>70,122,217</u>
Investments:	
Fiduciary funds	<u>335,108,186</u>
	<u>335,108,186</u>
	<u>\$ 405,230,403</u>

Cash and Cash Equivalents

The City's available cash is invested in demand deposit accounts.

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2020, the City's book balance was \$70,122,217 and the bank balance was \$68,739,932. Of the bank balance, \$996,353 was covered by federal depository insurance, \$102,940 was covered by National Credit Union Administration deposit insurance, and \$38,693,863 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, 2020, the City's investments were comprised of the following:

Money market funds	\$ 9,189,554
Equity mutual funds	221,140,721
Bond mutual funds	53,044,533
Corporate bonds	4,600,127
Collective Investment Trust	28,873,902
U.S. government obligations	13,010,611
U.S. government agency obligations	5,248,738
Total	<u>\$ 335,108,186</u>

Investments

Fair Value Measurement

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

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2020, the City had the following investments in fixed income securities and money market funds:

	<u>12/31/2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 4,600,127	\$ 4,600,127	\$ -	\$ -
U.S. government obligations	13,010,611	13,010,611	-	-
U.S. Government Agencies	<u>5,248,738</u>	<u>5,248,738</u>	-	-
Total debt securities	<u>22,859,476</u>	<u>22,859,476</u>	<u>-</u>	<u>-</u>
Equity securities				
Equity mutual funds	221,140,721	221,140,721	-	-
Bond mutual funds	53,044,533	53,044,533	-	-
Collective Investment Trust	<u>28,873,902</u>	<u>28,873,902</u>	-	-
Total equity securities	<u>303,059,156</u>	<u>303,059,156</u>	<u>-</u>	<u>-</u>
Money market funds	<u>9,189,554</u>	<u>9,189,554</u>	-	-
Total investments at fair value	<u>\$ 335,108,186</u>	<u>\$ 335,108,186</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.

Interest Rate Risk

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

Custodial Credit Risk

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

The City has the following recurring fair value measurements as of December 31, 2020:

Investment Type	Fair Value	Investment Maturities			Rating
		2021	2022-2026	2027-2031	
Bond mutual funds	\$ 53,044,533	\$ -	\$ -	\$ 53,044,533	N/A
Corporate bonds	1,264,965	563,224	701,741	-	A1
Corporate bonds	1,312,422	-	1,312,422	-	A2
Corporate bonds	321,295	126,016	195,279	-	Aa1
Corporate bonds	703,320	147,069	556,251	-	Aa2
Corporate bonds	144,694	144,694	-	-	Aaa
Corporate bonds	417,725	-	417,725	-	Aa3
Corporate bonds	435,706	435,706	-	-	Baa2
U.S. government obligations	550,803	550,803	-	-	WR
U.S. government obligations	12,459,808	2,614,436	9,845,372	-	Aaa
U.S. government agency obligations	4,452,498	2,032,319	2,420,179	-	Aaa
U.S. government agency obligations	796,240	296,240	-	-	WR
Private Real Estate CIT	28,873,902	-	-	28,873,902	N/A
Money market funds	9,189,554	9,189,554	-	-	AAAm
Total fixed income securities	<u>\$ 113,967,465</u>	<u>\$ 16,100,061</u>	<u>\$ 15,448,969</u>	<u>\$ 81,918,435</u>	

Participation in External Investment Pools

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

The pool is rated AAAM by Standard & Poor's. PLGIT issues separate financial statements available at www.plgit.com. The carrying amount of external investment pool assets as of December 31, 2020 was \$14,473,388.

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

Component Units' - Participation in External Investment Pools

Parking Authority

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (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 weighted average maturity of PSDLAF is approximately 78.8 days. The weighted average portfolio yield is approximately 0.153%.

As of December 31, 2020, the carrying amount of external investment pool assets was \$2,212,293. The fair value of external investment pool assets approximate their carrying values as of December 31, 2020. As required by the GASB, investments in external investment pools are uncategorized with regard to risk and are not included in the custodial credit risk presented above.

Component Units' Custodial Credit Risk – Deposits

Redevelopment Authority

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

The Authority's available cash is invested in demand deposit accounts. At December 31, 2020, the carrying amount of the Authority's bank deposits was \$1,290,735. The corresponding bank balance at December 31, 2020 was \$1,331,015, of which \$250,000 is covered by federal deposit insurance. The remaining \$1,081,015 of deposits is exposed to custodial risk because it is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Authority is covered by a collateral pool consisting of acceptable securities as outlined under Act No. 72, 1971 Session of Pennsylvania Legislature.

Parking Authority

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

Custodial credit risk is the risk that in the event of a bank failure, the Parking Authority's deposits may not be returned to it. The Parking Authority does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$2,352,829 of the Parking Authority's bank balance of \$2,602,829 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.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 4 LOANS AND NOTES RECEIVABLE

The City

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

Redevelopment Authority

Loans receivable as of December 31, 2020 consist of the following:

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 ended December 31, 2020, the remaining balance of the loan is \$312,899.

In June 2016, the Authority conveyed four 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 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, 2020, the remaining balance of the loan is \$250,000.

Parking Authority

The Parking Authority received a \$900,000 note receivable from the sale of a parking facility. The note receivable has an outstanding balance of \$400,000 as of December 31, 2020. The note bears interest at a rate of 3% per annum. The final payment of principal of \$400,000 and all accrued interest is due thirty-six months from the date the buyer is granted certificate of occupancy for the building to be constructed on the property, but in no case later than January 31, 2020. The note provides the option for the buyer to transfer or assign its Neighborhood Improvement Zone (NIZ) credits to the Parking Authority in the amount of \$550,000 for the first payment and \$440,000 for the final payment. The note is secured by a mortgage against the property. On February 26, 2020, the Board agreed to defer the payment to January 31, 2022, or until the borrower closes on the lot with the Da Vinci Center.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 5 CAPITAL ASSETS

Activity in the City's capital assets for the year ended December 31, 2020 is as follows:

	January 1, 2020	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,809,945	\$ -	\$ -	\$ 9,809,945
Assets under concession lease - LCA *	88,767,580	1,028,649	-	89,796,229
Construction in progress	9,248,917	5,024,472	(11,307,066)	2,966,323
Total capital assets not being depreciated	<u>107,826,442</u>	<u>6,053,121</u>	<u>(11,307,066)</u>	<u>102,572,497</u>
Capital assets being depreciated:				
Assets under concession lease - City	6,737,233	740,039	-	7,477,272
Buildings	24,772,893	-	-	24,772,893
Land and building improvements	44,014,608	712,662	-	44,727,270
Machinery and equipment	38,705,798	851,912	(118,489)	39,439,221
Vehicles	25,121,697	2,430,017	(743,229)	26,808,485
Infrastructure	139,109,821	3,419,311	-	142,529,132
Total capital assets being depreciated	<u>278,462,050</u>	<u>8,153,941</u>	<u>(861,718)</u>	<u>285,754,273</u>
Less accumulated depreciation for:				
Assets under concession lease - City	672,342	225,183	-	897,525
Buildings	20,933,363	325,030	-	21,258,393
Land and building improvements	23,204,369	1,721,146	-	24,925,515
Machinery and equipment	27,947,846	1,825,443	(77,905)	29,695,384
Vehicles	18,091,607	1,560,648	(722,619)	18,929,636
Infrastructure	50,703,764	3,396,551	-	54,100,315
Total accumulated depreciation	<u>141,553,291</u>	<u>9,054,001</u>	<u>(800,524)</u>	<u>149,806,768</u>
Total capital assets being depreciated, net	<u>136,908,759</u>	<u>(900,060)</u>	<u>(61,194)</u>	<u>135,947,505</u>
Governmental activities capital assets, net	<u>\$ 244,735,201</u>	<u>\$ 5,153,061</u>	<u>\$ (11,368,260)</u>	<u>\$ 238,520,002</u>

* During the year ended December 31, 2013, certain assets associated with the Utility System Concession Lease 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, 2020

NOTE 5 CAPITAL ASSETS (CONTINUED)

	January 1, 2020	Additions	Disposals	December 31, 2020
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,134,759	\$ -	\$ -	\$ 1,134,759
Total capital assets not being depreciated	<u>1,134,759</u>	<u>-</u>	<u>-</u>	<u>1,134,759</u>
Capital assets being depreciated:				
Buildings	1,282,653	-	-	1,282,653
Land and building improvements	4,862,418	-	-	4,862,418
Machinery and equipment	5,901,622	49,145	-	5,950,767
Vehicles	4,240,305	66,468	(270,163)	4,036,610
Distribution and collection systems	37,465	-	-	37,465
Total capital assets being depreciated	<u>16,324,463</u>	<u>115,613</u>	<u>(270,163)</u>	<u>16,169,913</u>
Less accumulated depreciation for:				
Buildings	655,987	22,868	-	678,855
Land and building improvements	3,999,489	159,385	-	4,158,874
Machinery and equipment	3,885,693	248,346	-	4,134,039
Vehicles	3,269,555	169,634	(270,163)	3,169,026
Distribution and collection systems	10,027	378	-	10,405
Total accumulated depreciation	<u>11,820,751</u>	<u>600,611</u>	<u>(270,163)</u>	<u>12,151,199</u>
Total capital assets being depreciated, net	<u>4,503,712</u>	<u>(484,998)</u>	<u>-</u>	<u>4,018,714</u>
Business-type activities capital assets, net	<u>\$ 5,638,471</u>	<u>\$ (484,998)</u>	<u>\$ -</u>	<u>\$ 5,153,473</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,102,836
Public safety	1,001,267
Community development	186,206
Public works	5,867,133
Parks and recreation	896,559
Total	<u>\$ 9,054,001</u>

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

Solid Waste Fund	\$ 407,751
Municipal Golf Course Fund	192,860
Total	<u>\$ 600,611</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 5 CAPITAL ASSETS (Continued)

Component Unit's Capital Assets

Parking Authority

Activity in the Parking Authority's capital assets for the year ended December 31, 2020 is as follows:

	January 1, 2020	Additions/ Transfers in	Disposals/ Transfers out	December 31, 2020
Parking Authority:				
Capital assets not being depreciated:				
Land	\$ 8,301,151	\$ -	\$ -	\$ 8,301,151
Construction in progress	788,557	1,313,113	-	2,101,670
Total capital assets not being depreciated	<u>9,089,708</u>	<u>1,313,113</u>	<u>-</u>	<u>10,402,821</u>
Capital assets being depreciated:				
Building and improvements	1,656,359	29,392	-	1,685,751
Leasehold improvements	507,650	-	-	507,650
Parking garages and lots	66,696,893	13,399	-	66,710,292
Furniture and equipment	3,203,103	175,420	(41,114)	3,337,409
Vehicles	461,605	206,792	(63,677)	604,720
Total capital assets being depreciated	<u>72,525,610</u>	<u>425,003</u>	<u>(104,791)</u>	<u>72,845,822</u>
Less accumulated depreciation for:				
Building and improvements	1,309,317	65,294	-	1,374,611
Leasehold improvements	406,120	25,382	-	431,502
Parking garages and lots	22,145,628	1,579,212	-	23,724,840
Furniture and equipment	1,813,925	262,396	(41,114)	2,035,207
Vehicles	282,520	86,823	(57,901)	311,442
Total accumulated depreciation	<u>25,957,510</u>	<u>2,019,107</u>	<u>(99,015)</u>	<u>27,877,602</u>
Total capital assets being depreciated, net	<u>46,568,100</u>	<u>(1,594,104)</u>	<u>(5,776)</u>	<u>44,968,220</u>
Parking Authority capital assets, net	<u>\$ 55,657,808</u>	<u>\$ (280,991)</u>	<u>\$ (5,776)</u>	<u>\$ 55,371,041</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE BALANCES

The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	Revolving Loan	Reimburse funds	\$ 1,320
General	CDBG	Cash advance for payroll and A/P	739,836
Risk	CDBG	Insurance	131,096
General	Municipal Golf Course	Short-term Loan/Negative cash	26,607
Trexler	General	Reimburse funds	<u>2,306</u>
Total Governmental Funds			<u>\$ 901,165</u>

NOTE 7 INDIVIDUAL FUND INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2020 consisted of the following:

	Transfers in:			Total
	General	Debt Service	Capital Projects	
Transfers out:				
General	\$ -	\$ 6,555,209	\$ 333,088	\$ 6,888,297
Liquid Fuels	-	66,786	-	66,786
Lease/A.O.	217,210	-	725,214	942,424
Capital Projects	1,128,247	-	-	1,128,247
Stormwater	403,594	-	-	403,594
Solid Waste	1,106,808	-	-	1,106,808
Golf	343,561	-	-	343,561
Risk	121,736	-	-	121,736
	<u>\$ 3,321,156</u>	<u>\$ 6,621,995</u>	<u>\$ 1,058,302</u>	<u>\$ 11,001,453</u>

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

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

The remaining transfers were initiated to fulfill budgetary transfer requirements.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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 8, 1976 are eligible to participate in these Plans. The City's three single-employer pension plans do not issue separate financial statements.

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

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

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

The City also participates in a defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). The full-time non-uniformed City employees hired after June 8, 1976 are eligible to participate in the PMRS Plan. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, 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.

For participants hired prior to January 1, 2009:

Eligibility: 20 years of service

Basic Benefit: The retirement benefit shall be 50.5% of the rate of monthly pay of the employee at the time of retirement or the highest average annual salary during any five years of service.

Service Increment: 7.5% of salary for the first full year of service over 20 years, plus 3.0% of salary for each of the next four full years of service up to a maximum of 19.5% of salary. Service after attaining age 65 is excluded.

The maximum benefit is 70% of salary.

Salary will include base pay, longevity, holiday pay, festive pay, shift differential and overtime. Overtime shall be limited to 10% of base pay.

The minimum benefit is \$10,400 per year.

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Benefit Provisions (Continued)

For participants hired on or after January 1, 2009:

Eligibility: Age 50 with 20 years of service

Basic Benefit: The retirement benefit shall be 50% of the rate of monthly pay of the employee at the time of retirement or the highest average annual salary during any five years of service.

Service Increment: One-fortieth (1/40th) times the Basic Benefit for each year of service in excess of 20 years. The total Service Increment cannot exceed \$6,000 in total annual benefit increase (i.e. \$500 additional monthly benefit). Service after attaining age 65 is excluded.

The maximum benefit is 70% of salary.

Salary will include base pay, longevity, holiday pay, festive pay, shift differential and overtime. Overtime shall be limited to 10% of base pay.

The minimum benefit is \$10,400 per year.

For all participants, 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.

For participants hired prior to January 1, 2012:

Eligibility: 20 years of service

Basic Benefit: The retirement benefit shall be determined by the rate of monthly pay of the employee at the time of retirement or the highest average annual salary during any five years of service. Salary will include base pay, longevity, holiday pay, festive pay, shift differential and overtime. Overtime shall be limited to 10% of base pay. The benefit will be a percent of pay in accordance with the following table:

Years of Service	20	21	22	23	24	25
Percent of Benefit	50.5%	54.0%	58.0%	62.0%	66.0%	70.0%

For participants hired on or after January 1, 2012:

Eligibility: Age 50 with 20 years of service

Basic Benefit: The retirement benefit shall be 50% of monthly pay at time of retirement of the highest average annual salary due any five years of service.

Service Increment: One-fortieth (1/40th) times the Basic Benefit for each year of service in excess of 20 years. The total Service Increment cannot exceed \$2,400 in total annual benefit increase (i.e. \$200 additional monthly benefit). Service after attaining age 65 is excluded.

The minimum benefit for all participants is \$10,400 per year. If a participant becomes disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive 10% of salary if less than two years of service, 30% of salary with at least two years of service but less than five years, 30% of salary with at least five years of service but less than 10 years, 40% of salary with at least 10 years of service but less than 15 years, 50% of salary with at least 15 years but less than 20 years, and same as normal retirement if at least 20 years of service. If death occurs before retirement age, the amount paid to the surviving spouse is equal to 100.0% of the pension benefit applicable to the member.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Benefit Provisions (Continued)

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.

Plan was open to new employees until June 2, 1976

Eligibility: Age 55 and 20 years of service or age 60 with 12 years of service

Basic Benefit: 50% of the larger of the final annual salary or the highest average compensation of any 5 years of service, not less than \$10,400 per year. If the member has less than twenty (20) years of service, then the basic benefit is prorated based upon credited service at retirement to twenty years. Payments are made bi-weekly.

Service Increment: One-fortieth (1/40th) of the basic benefit for each full year of service in excess of twenty (20). Service after age sixty-five shall not be counted. In order to be eligible for the service increment benefit, the employee must make additional contributions of one half of one-percent (1/2%) of the salary.

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.

Discount Rate

The discount rate as of December 31, 2020 is 7.50% for the Police and Firemen's Pension Plans and 6.50% for the Officers and Employees Pension Plan. These rates are the assumed long-term expected rate of return on Plan investments.

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Summary of Significant Accounting Policies (Continued)

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

	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total Pension Trust Fund
<u>Statement of Plan Net Position</u>				
Assets:				
Interest receivable	\$ 30,154	\$ 52,656	\$ 19,882	\$ 102,692
Due from City of Allentown	36,504	27,043	173	63,720
Investments, at fair value	199,371,851	125,724,929	10,011,406	335,108,186
Total assets	<u>199,438,509</u>	<u>125,804,628</u>	<u>10,031,461</u>	<u>335,274,598</u>
Liabilities:				
Accounts payable	<u>21,184</u>	<u>21,328</u>	<u>16,338</u>	<u>58,850</u>
Total liabilities	<u>21,184</u>	<u>21,328</u>	<u>16,338</u>	<u>58,850</u>
Net Position:				
Restricted for pension benefits	<u>\$ 199,417,325</u>	<u>\$ 125,783,300</u>	<u>\$ 10,015,123</u>	<u>\$ 335,215,748</u>
<u>Statement of Changes in Plan Net Position</u>				
Additions:				
Contributions:				
Employer	\$ 7,918,392	\$ 4,063,701	\$ 230,346	\$ 12,212,439
Plan members	<u>1,052,012</u>	<u>596,751</u>	<u>4,485</u>	<u>1,653,248</u>
Total contributions	<u>8,970,404</u>	<u>4,660,452</u>	<u>234,831</u>	<u>13,865,687</u>
Investment income (loss):				
Net appreciation in fair value of investments	18,005,157	11,127,765	603,654	29,736,576
Interest and dividends	3,656,942	2,325,341	165,367	6,147,650
Less investment expenses	<u>(68,670)</u>	<u>(66,454)</u>	<u>(52,791)</u>	<u>(187,915)</u>
Net investment income (loss)	<u>21,593,429</u>	<u>13,386,652</u>	<u>716,230</u>	<u>35,696,311</u>
Total additions	<u>30,563,833</u>	<u>18,047,104</u>	<u>951,061</u>	<u>49,561,998</u>
Deductions:				
Benefits paid to recipients	11,811,083	8,222,890	1,696,249	21,730,222
Administrative and other fees	<u>34,160</u>	<u>10,728</u>	<u>10,728</u>	<u>55,616</u>
Total deductions	<u>11,845,243</u>	<u>8,233,618</u>	<u>1,706,977</u>	<u>21,785,838</u>
Change in net position	18,718,590	9,813,486	(755,916)	27,776,160
Net position restricted for pension benefits:				
Beginning of year	<u>180,698,735</u>	<u>115,969,814</u>	<u>10,771,039</u>	<u>307,439,588</u>
End of year	<u>\$ 199,417,325</u>	<u>\$ 125,783,300</u>	<u>\$ 10,015,123</u>	<u>\$ 335,215,748</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Plan Membership

At January 1, 2020, Plan memberships consisted of the following:

<u>Covered Employees</u>	<u>Police</u> All full-time members of the Police Force	<u>Firemen</u> All full-time members of the Fire Department	<u>Officers and Employees</u> Closed 6/8/1976	<u>PMRS</u> All full-time employees not previously covered
Active plan members	207	121	1	429
Inactive plan members entitled to but not yet receiving benefits	12	1	-	12
Inactive plan members or beneficiaries currently receiving benefits	288	196	108	448

Contributions

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

Active members of the Police and Firemen Plans are required to contribute 5% of covered payroll to their respective pension plans. Active members of the Officers and Employees Plan are required to contribute 3.5% of covered payroll, 3% for members not covered by Social Security, 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, 2020, the City contributed \$7,918,392 to the Police Pension Plan, of which \$2,107,401 were Act 205 funds; \$4,063,701 to the Firemen Pension Plan, of which \$1,221,111 were Act 205 funds; \$230,346 to the Officers and Employees Plan, of which \$4,924 were Act 205 funds; and \$3,324,055 to the PMRS Pension Plan, of which \$2,023,694 were Act 205 funds. During the year ended December 31, 2020, active members contributed \$1,052,012 to the Police Pension Plan, \$596,751 to the Firemen Pension Plan, \$4,485 to the Officers and Employees Pension Plan. For 2019, members contributed \$1,848,891 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, 2020 actuarial valuation, updated to December 31, 2020, 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, 2020

NOTE 8 PENSION PLANS (Continued)

Contributions (Continued)

Actuarial Assumptions (Continued)

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

Long Term Expected Rate of Return

In order to meet its needs, the investment strategy of the Police, Firemen, and Officers and Employees Pension Plans is to responsibly and prudently maximize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class for the plans as of December 31, 2020 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, 2020

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, 2020 were as follows:

Police Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 209,477,166	\$ 180,698,735	\$ 28,778,431
Changes for the year:			
Service Cost	3,662,083	-	3,662,083
Interest	15,670,774	-	15,670,774
Differences between expected and actual experience	1,011,115	-	1,011,115
Changes in assumptions	-	-	-
Contributions - employer	-	7,918,392	(7,918,392)
Contributions - member	-	1,052,012	(1,052,012)
Net investment income (loss)	-	21,593,429	(21,593,429)
Benefit payments, including refunds	(11,811,083)	(11,811,083)	-
Administrative expense	-	(34,160)	34,160
Net changes	8,532,889	18,718,590	(10,185,701)
Balances at December 31, 2020	\$ 218,010,055	\$ 199,417,325	\$ 18,592,730
Plan fiduciary net position as a percentage of the total pension liability			91.47%

Firemen Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 130,473,306	\$ 115,969,814	\$ 14,503,492
Changes for the year:			
Service Cost	1,813,315	-	1,813,315
Interest	9,607,882	-	9,607,882
Differences between expected and actual experience	(507,438)	-	(507,438)
Changes in assumptions	-	-	-
Contributions - employer	-	4,063,701	(4,063,701)
Contributions - member	-	596,751	(596,751)
Net investment income (loss)	-	13,386,653	(13,386,653)
Benefit payments, including refunds	(8,222,890)	(8,222,890)	-
Administrative expense	-	(10,729)	10,729
Net changes	2,690,869	9,813,486	(7,122,617)
Balances at December 31, 2020	\$ 133,164,175	\$ 125,783,300	\$ 7,380,875
Plan fiduciary net position as a percentage of the total pension liability			94.46%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Officers and Employees Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 11,911,847	\$ 10,771,039	\$ 1,140,808
Changes for the year:			
Service Cost	9,877	-	9,877
Interest	733,543	-	733,543
Differences between expected and actual experience	166,473	-	166,473
Changes in assumptions	-	-	-
Contributions - employer	-	230,346	(230,346)
Contributions - member	-	4,485	(4,485)
Net investment income (loss)	-	716,230	(716,230)
Benefit payments, including refunds	(1,696,249)	(1,696,249)	-
Administrative expense	-	(10,729)	10,729
Net changes	(786,356)	(755,917)	(30,439)
Balances at December 31, 2020	\$ 11,125,491	\$ 10,015,122	\$ 1,110,369
Plan fiduciary net position as a percentage of the total pension liability			90.02%

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

PMRS Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 176,284,810	\$ 150,533,346	\$ 25,751,464
Changes for the year:			
Service Cost	3,246,716	-	3,246,716
Interest	9,149,791	-	9,149,791
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	3,234,055	(3,234,055)
Contributions - member	-	1,848,891	(1,848,891)
PMRS assessment	-	18,920	(18,920)
PMRS investment income	-	8,184,387	(8,184,387)
Market value investment gain	-	22,370,721	(22,370,721)
Transfers	11,956	11,956	-
Benefit payments, including refunds	(10,647,603)	(10,647,603)	-
PMRS administrative expense	-	(18,920)	18,920
Additional administrative expense	-	(282,901)	282,901
Net changes	<u>1,760,860</u>	<u>24,719,506</u>	<u>(22,958,646)</u>
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	<u>\$ 178,045,670</u>	<u>\$ 175,252,852</u>	<u>\$ 2,792,818</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>98.43%</u>

Investment Policy – The policies in regard to the allocation of invested assets for the Police, Firemen, and Officers and Employees Pension Plans are established and may be amended by the respective Boards. The Boards seek to optimize the total return of these Plans’ portfolios through a policy of well diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. There were no amendments to the investment policy of the Police, Firemen, and Officers and Employees Pension Plans during the year ended December 31, 2020. At December 31, 2020, 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, 2020, the market value of assets returned 7.4% for the Police Plan, 7.4% for the Firemen Plan, and 6.4% for the Officers and Employees Plan.

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

The net pension liability of the PMRS Pension Plan is allocated between the governmental activities and the business-type activities in the amounts of \$2,503,257 and \$289,561 respectively, at December 31, 2020.

The total pension liability for PMRS was determined by an actuarial valuation performed on January 1, 2019, with liabilities measured at December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

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

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

Pre-retirement Mortality:

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

Post-retirement mortality:

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

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

PMRS Long-Term Expected Rate of Return

The PMRS System's 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 (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return, by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the table below labeled "System Nominal and Real Rates of Return by Asset Class." There are three steps to the method:

1. Expected future real rates of return are based primarily on the 20 year nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year returns.
2. The nominal rates of return by asset class are adjusted by the System's investment expenses and an expected future annual inflation rate of 2.2% to produce the long-term expected real rates of return.
3. The long-term expected real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

The results from steps 1 through 3 are shown in the table below labeled "System Nominal and Real Rates of Return by Asset Class."

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2019:

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic equities (large capitalized firms)	25.0%	7.4%	4.7%
Domestic equities (small capitalized firms)	15.0%	9.8%	7.1%
International equities (developed markets)	15.0%	5.5%	2.9%
International equities (emerging markets)	10.0%	9.9%	7.6%
Real estate	20.0%	8.4%	5.3%
Fixed income	15.0%	2.2%	0.0%
Total portfolio	<u>100.0%</u>	<u>7.1%</u>	<u>4.5%</u>

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 60%. The table below labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels based on the most recent asset allocation study conducted by the Boards' investment consultant, Dahab Associates.

Confidence Levels for System Nominal and Real Rates of Return:

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95.0%	2.2%	-0.5%
90.0%	3.1%	0.5%
85.0%	3.8%	1.1%
80.0%	4.3%	1.6%
75.0%	4.7%	2.1%
70.0%	5.1%	2.4%
60.0%	5.8%	3.2%

Based on the three-part analysis, the Board established the System's Long-Term Expected Rate of Return at 6.7%. In addition to determining the System's Long-Term Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. 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 following section "Discount Rate." As of December 31, 2019, this rate is equal to 5.25%.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

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

PMRS Discount Rate

While it is often common practice to establish an actuarial discount rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate/Discount Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. As a starting point, the PMRS Board considers the following five quantitative factors in reviewing the Regular Interest Rate/Discount 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 have been used as a proxy for this,
4. PMRS System Long-Term Expected Rate of Return, and
5. PMRS investment expenses

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

The PMRS Board then considers the Regular Interest Rate/Discount Rate derived from the formula against a variety of qualitative factors such as the desire to minimize Regular Interest Rate/Discount Rate volatility, probability of achieving the Regular Interest Rate, varying levels of asset allocation and liquidity, trending of 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 Regular Interest Rate/Discount Rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2019 was 5.25%.

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Police	<u>\$ 47,897,629</u>	<u>\$ 18,592,730</u>	<u>\$ (5,495,575)</u>
Firemen	<u>\$ 22,763,485</u>	<u>\$ 7,380,875</u>	<u>\$ (5,526,660)</u>
	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Officers and Employees	<u>\$ 1,730,582</u>	<u>\$ 1,110,369</u>	<u>\$ 553,390</u>
	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
PMRS	<u>\$ 23,518,927</u>	<u>\$ 2,792,818</u>	<u>\$(14,714,401)</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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, 2020, the City recognized pension expense of \$3,723,760 as a whole; in the governmental activities, \$3,659,517, and \$64,243 in the business-type activities. By plan as follows: \$2,957,397 police, (\$113,432) for fireman, \$260,177 for O&E, and \$619,618 for PMRS. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	Fireman	O&E	PMRS	Total
Deferred Outflows of Resources:					
Differences between expected & actual experience	\$ 2,336,874	\$ -	\$ -	\$ 794,025	\$ 3,130,899
Changes in assumptions	1,317,242	-	-	-	\$ 1,317,242
City contributions subsequent to measurement date	-	-	-	2,023,694	2,023,694
Net difference between projected & actual earnings on pension plan investments	-	-	-	-	\$ -
Total deferred outflows of resources	<u>\$ 3,654,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,817,719</u>	<u>\$ 6,471,835</u>
Deferred Inflows of Resources:					
Differences between expected & actual experience	\$ 945,435	\$ 1,507,135	\$ -	\$ -	\$ 2,452,570
Net difference between projected & actual earnings on pension plan investments	12,771,725	7,788,727	219,572	17,686,852	38,466,876
	<u>\$ 13,717,160</u>	<u>\$ 9,295,862</u>	<u>\$ 219,572</u>	<u>\$ 17,686,852</u>	<u>\$ 40,919,446</u>

Deferred outflows for contributions subsequent to measurement date will be recognized in pension expense in 2021 and remaining deferred outflows and inflows will be amortized to pension expense as follows:

Schedule of amortized outflows & inflows:					
2021	\$ (2,031,314)	\$ (3,156,505)	\$ (61,031)	\$ (5,657,144)	\$ (10,905,994)
2022	(1,019,580)	(1,576,927)	31,662	(4,890,360)	(7,455,205)
2023	(5,584,996)	(3,598,334)	(177,563)	(1,871,178)	(11,232,071)
2024	(1,427,154)	(964,096)	(12,640)	(4,474,145)	(6,878,035)
2025	-	-	-	-	-
	<u>\$ (10,063,044)</u>	<u>\$ (9,295,862)</u>	<u>\$ (219,572)</u>	<u>\$ (16,892,827)</u>	<u>\$ (36,471,305)</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

	Governmental Activities	Business-Type Activities
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ 3,048,574	\$ 82,325
City contributions subsequent to measurement date	1,813,876	209,818
Changes in assumptions	1,317,242	-
Net difference between projected and actual earning on pension plan investments	-	-
	<u>\$ 6,179,692</u>	<u>\$ 292,143</u>
 <u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 2,452,570	\$ -
Net difference between projected and actual earning on pension plan investments	36,633,093	1,833,783
	<u>\$ 39,085,663</u>	<u>\$ 1,833,783</u>

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

The effect of the differences in the City's expected and actual experience is recognized over the average expected remaining service lives of active and inactive members. The difference between the projected and actual earnings on the pension plan investments is recognized over five years. City contributions subsequent to the measurement date totaling \$2,023,694 will be recorded as a reduction to the pension liability during the year ended December 31, 2021. 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>		
2021	\$ (10,319,458)	\$ (586,536)
2022	(6,948,170)	(507,035)
2023	(11,038,066)	(194,005)
2024	(6,414,153)	(463,882)
2025	-	-
	<u>\$ (34,719,847)</u>	<u>\$ (1,751,458)</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Unit's Pension Plans

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, 2020. Participant contributions are on a voluntary basis up to 10% of compensation. The plan's provisions may be amended by resolution of the Parking Authority's Board of Directors, subject to 90 days written notice to the plan's Trustee. No modification that affects the rights, duties, and responsibilities of the Trustee may be made without the Trustee's consent.

Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan

The Allentown Parking Authority Salaried Employees' Defined Contribution Retirement Plan is designed to provide retirement benefits to the Parking Authority's eligible salaried employees. The plan covers all salaried employees effective from their date of hire or plan effective date. The Authority contributes on behalf of each salaried employee an amount of 2.0% match for every 1.0% employee contribution. The employer's matching contribution is limited to 10% of earnings and may change from year-to-year. Salaried employees are 100% vested in the plan at time of enrollment. 19 of 23 salaried employee participants contribute a minimum 5.0% of salary and received the maximum employer match of 10%.

Allentown Parking Authority Salaried Employees' Defined Benefit Pension Plan

The Parking Authority Salaried Employees' Defined Benefit Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of the Plan Document. The plan is governed by the Parking Authority, which may amend plan provisions, and which is responsible for the management of plan assets. All salaried employees who were 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, 2020, the following employees were covered by the plan:

Active employees	2
Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
	<u>13</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

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

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

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

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

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

Changes in the Net Pension Liability (Asset) – An actuarial valuation of the total pension liability (asset) is performed biennially. The total pension liability (asset) was determined as part of an actuarial valuation as of January 1, 2020. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2020.

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, 2020 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2019	\$ 2,820,591	\$ 3,209,969	\$ (389,378)
Changes for the year:			
Interest	202,439	-	202,439
Differences between expected and actual experience	-	-	-
Employer contributions	-	13,202	(13,202)
Net investment income (loss)	-	677,131	(677,131)
Benefit payments, including refunds	(242,815)	(242,815)	-
Net Changes	(40,376)	447,518	(487,894)
Balances at December 31, 2020	\$ 2,780,215	\$ 3,657,487	\$ (877,272)
Plan fiduciary net position as a percentage of the total pension liability			<u>131.55%</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Unit's Pension Plan (Continued)

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

Actuarial cost method	Entry age normal
Investment rate of return	7.50% per annum, net of investment expenses
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality Table projected to 2017 using Scale AA
Termination	None
Disability	None
Retirement age	Normal retirement age or age on valuation date, if greater
Form of annuity	10 year certain and life

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pensions plan investment expense and inflation of 2.25%) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity:	
Large Cap	6.19%
Mid Cap	7.37%
Small cap	7.37%
International equity	8.04%
Fixed income	2.77%
Cash	0.11%

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 8 PENSION PLANS (Continued)

Discretely Presented Component Unit's Pension Plan

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ (641,440)	\$ (877,272)	\$ (1,080,919)

Pension Expense and Deferred Outflows of Resources Related to Pensions – For the year ended December 31, 2020, the Parking Authority recognized pension expense of (\$198,261) under the defined benefit pension plan. At December 31, 2020, the Parking Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

Deferred Outflows of Resources:

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

As of December 31, 2020 the Authority reported deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources:

Net difference between projected and actual experience	\$	-
Net difference between projected and actual investment earnings on pension plan investments		545,466
Changes in assumptions	\$	545,466

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

Year ending December 31,

2021		\$ (168,058)
2022		(110,661)
2023		(177,698)
2024		(89,049)
		\$ (545,466)

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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, 2020 was as follows:

Notes and Bonds	Balance Outstanding January 1, 2020	Additions	Reductions	Balance Outstanding December 31, 2020	Current Portion
<u>General Obligation Notes and Bonds:</u>					
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	\$33,114,029	\$ 2,301,375	\$ -	\$ 35,415,404	\$1,975,765
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	2,060,000	-	2,015,000	45,000	45,000
2009 Tax-Exempt General Obligation Bond, original amount of \$5,310,000, 4.13% interest, serial portion payable in increasing annual installments of \$349,000 in 2017 to \$465,000 in 2024	2,145,000	-	2,145,000	-	-
2015 General Obligation Bonds, Series A, original amount of \$15,360,000, 3.00% to 3.85% interest, payable in varying annual installments of \$290,000 in 2017 to \$870,000 in 2045	14,340,000	-	415,000	13,925,000	445,000
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	8,640,000	-	575,000	8,065,000	595,000
2016 Special Revenue Note, Series of 2016, draw down up to \$2,500,000, 2.730 - 5.000% interest, payable in varying annual installments of \$5,000 in 2017 to \$177,000 in 2036. Once the Note is fully drawn down, a revised debt service schedule will be established.	2,138,245	-	2,138,245	-	-
2017 General Obligation Bonds, Series of 2017, original amount of \$9,025,000, to refund GOB Series 2011A and 2012, payable in varying installments.	6,080,000	-	1,095,000	4,985,000	1,135,000
2018 General Obligation Bonds, Series A of 2018, original amount of \$3,420,000 for capital projects payable in varying installments with interest of 5.0% per annum through 2022.	3,420,000	-	1,085,000	2,335,000	1,140,000

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 9 LONG-TERM DEBT (Continued)

Notes and Bonds	Balance Outstanding January 1, 2020	Additions	Reductions	Balance Outstanding December 31, 2020	Current Portion
2018 General Obligation Bonds, Series B of 2018, original amount of \$7,900,000 to refund the 2006 Guaranteed Lease Revenue Agreement, payable in varying installments with interest of variable rates through 2031.	7,390,000	-	495,000	6,895,000	510,000
2019 Federally Taxable General Obligation Refunding Bonds, Series 2019, original amount of \$12,460,000 to refund the 2004 Federally Taxable General Obligation Pension Refunding Bonds, payable in varying installments with interest of variable rates	12,460,000	-	520,000	11,940,000	680,000
2020 General Obligation Notes, Series 2020, original amount of \$15,720,000 to refund the 2009 General Obligation Note, refund the October 1, 2020 payment for General Obligation Bonds Series A 2015, Series B 2015, Series 2017, and for City capital projects, payable in varying installments with interest of variable rates through 2045.	-	15,720,000	-	15,720,000	355,000
Subtotal Governmental Activities General Obligation Notes and Bonds	91,787,274	18,021,375	10,483,245	99,325,404	6,880,765
<u>Direct Borrowing:</u>					
2020 Special Revenue Note Series 2020, original amount of \$7,090,000 to refund the 2016 Series Special Revenue Note, fund a Debt Service Reserve Fund and provide funds for capital projects, payable in varying installments with interest of 3.326% through 2034.	-	7,090,000	85,000	7,005,000	405,000
Premium on bond issuance	1,025,214	1,943,521	185,621	2,783,114	-
Total	<u>\$92,812,488</u>	<u>\$27,054,896</u>	<u>\$10,753,866</u>	<u>\$ 109,113,518</u>	<u>\$7,285,765</u>

During 2020, the City issued General Obligation Notes, Series 2020, in the amount of \$15,720,000 to currently refund the entire outstanding balance of the 2009 General Obligation Note and payment for the October 1, 2020 payment for the Series 2015 A and B, Series 2017 General Obligation Bonds, cover the costs of issuance and to fund future City capital projects. The current refunding resulted in the savings of \$82,425 on a present value basis and an economic loss of \$23,615.

During 2020, the City issued Special Revenue Note Series 2020, in the amount of \$7,090,000 to currently refund the 2016 Series Special Revenue Note and to provide funds for future City capital projects. Proceeds of the Note will be to fund (1) costs of Administrative Order Projects; (2) a Debt Service Reserve Fund; (3) one year of capitalized interest; and (4) costs and expenses of issuing the note. The Note was privately placed with a lender; not sold to the public.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 9 LONG-TERM DEBT (Continued)

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

General Obligation Bonds and Notes			
Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2021	\$ 6,880,765	\$ 2,561,414	\$ 9,442,179
2022	6,961,680	2,502,151	9,463,831
2023	6,104,192	2,587,746	8,691,938
2024	6,083,915	2,618,228	8,702,143
2025	5,533,030	2,778,061	8,311,091
2026-2030	24,633,637	14,827,980	39,461,617
2031-2035	21,067,188	19,403,534	40,470,722
2036-2040	10,785,997	7,960,263	18,746,260
2041-2045	11,275,000	1,369,370	12,644,370
Total	<u>\$ 99,325,404</u>	<u>\$56,608,747</u>	<u>\$ 155,934,151</u>

Loan from Direct Borrowing			
Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2021	\$ 405,000	\$ 232,986	\$ 637,986
2022	415,000	219,516	634,516
2023	425,000	205,713	630,713
2024	440,000	191,578	631,578
2025	455,000	176,943	631,943
2026-2030	2,525,000	646,741	3,171,741
2031-2035	2,340,000	197,897	2,537,897
Total	<u>\$ 7,005,000</u>	<u>\$ 1,871,374</u>	<u>\$ 8,876,374</u>

Total Outstanding Debt			
Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2021	\$ 7,285,765	\$ 2,794,400	\$ 10,080,165
2022	7,376,680	2,721,667	10,098,347
2023	6,529,192	2,793,459	9,322,651
2024	6,523,915	2,809,806	9,333,721
2025	5,988,030	2,955,004	8,943,034
2026-2030	27,158,637	15,474,721	42,633,358
2031-2035	23,407,188	19,601,431	43,008,619
2036-2040	10,785,997	7,960,263	18,746,260
2041-2045	11,275,000	1,369,370	12,644,370
Total	<u>\$ 106,330,404</u>	<u>\$58,480,121</u>	<u>\$ 164,810,525</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 9 LONG-TERM DEBT (Continued)

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

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Current Portion
Compensated absences:					
Governmental activities	\$ 3,075,641	\$ 4,221,535	\$ 3,447,815	\$ 3,849,361	\$ 3,143,852
Business-type activities	200,754	882,415	873,477	209,692	207,596
Total accrued compensated absences	<u>\$ 3,276,395</u>	<u>\$ 5,103,950</u>	<u>\$ 4,321,292</u>	<u>\$ 4,059,053</u>	<u>\$ 3,351,448</u>
Capital leases:					
Governmental activities	\$ 3,009,918	\$ 585,074	\$ 913,670	\$ 2,681,322	\$ 1,032,496
Business-type activities	436,137	-	276,027	160,110	90,595
Total capital leases	<u>\$ 3,446,055</u>	<u>\$ 585,074</u>	<u>\$ 1,189,697</u>	<u>\$ 2,841,432</u>	<u>\$ 1,123,091</u>

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

The capital assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery, equipment, and vehicles	\$ 8,469,023	\$ 812,314
Less accumulated depreciation	<u>3,455,938</u>	<u>302,496</u>
	<u>\$ 5,013,085</u>	<u>\$ 509,818</u>

Debt service requirements for capital lease obligations are as follows:

Year Ending	Governmental Activities	Business-Type Activities	Total
2021	\$ 1,102,497	\$ 95,529	\$ 1,198,026
2022	987,952	71,673	1,059,625
2023	397,891	-	397,891
2024	231,678	-	231,678
2025	98,807	-	98,807
Thereafter	-	-	-
	<u>2,818,825</u>	<u>167,202</u>	<u>2,986,027</u>
Less interest	137,503	7,092	144,595
Total	<u>\$ 2,681,322</u>	<u>\$ 160,110</u>	<u>\$ 2,841,432</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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, 2019 consisted of the following:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Current Portion
2018 Parking Revenue Bond, Series A of 2018 original amount of \$27,405,527, 3.7% interest, principal payments due quarterly beginning September 30, 2018 through 2040.	\$26,226,371	\$ -	\$ 838,635	\$ 25,387,736	\$ 872,831
2018 Taxable Parking Revenue Bond, Series B of 2018 original amount of \$7,483,227, 4.35% interest. This Bond matures in 2033.	<u>6,972,946</u>	-	<u>364,450</u>	<u>6,608,496</u>	<u>381,663</u>
	33,199,317	-	1,203,085	31,996,232	1,254,494
Line of credit	758,754	-	-	758,754	758,754
Capital Lease	238,503	-	58,163	180,340	52,202
PPP Loan	-	581,400	-	581,400	581,400
OPEB liability	<u>527,770</u>	-	<u>132,625</u>	<u>395,145</u>	-
	<u>\$34,724,344</u>	<u>\$581,400</u>	<u>\$1,393,873</u>	<u>\$33,911,871</u>	<u>\$2,646,850</u>

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

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2021	\$ 1,254,494	\$ 1,212,306	\$ 2,466,800
2022	1,304,353	1,162,447	2,466,800
2023	1,356,207	1,110,593	2,466,800
2024	1,407,100	1,059,700	2,466,800
2025	1,377,619	1,270,081	2,647,700
2026-2030	7,815,776	5,724,224	13,540,000
2031-2035	8,705,319	3,448,211	12,153,530
2036-2040	<u>8,775,364</u>	<u>1,257,631</u>	<u>10,032,995</u>
Total	<u>\$ 31,996,232</u>	<u>\$ 16,245,193</u>	<u>\$ 48,241,425</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 9 LONG-TERM DEBT (Continued)

The parking Authority entered into various capital lease agreements to finance the purchase of vehicles, energy saving LED lighting for its parking garages and single space parking meter mechanisms. The following schedule presents future minimum capital lease payments as of December 31, 2020.

<u>Year Ending December 31,</u>	
2021	61,378
2022	61,378
2023	34,905
2024	32,518
2025	<u>8,130</u>
	198,309
Less interest	<u>17,969</u>
Total	<u>\$ 180,340</u>

The leased capital assets under capital leases are included in capital assets at December 31, 2020 as follows:

Equipment	\$683,792
Parking garages and lots	173,327
Vehicles	111,988
Less accumulated depreciation	<u>640,888</u>
	<u>\$328,219</u>

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 10 FUND BALANCE CLASSIFICATIONS

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

	General	Capital Projects	Other Governmental Funds	Total
Restricted for:				
Capital acquisitions	\$ -	\$ 16,869,136	\$ -	\$ 16,869,136
Public works	-	-	12,703,873	12,703,873
Community development	-	-	5,169,999	5,169,999
Parks and recreation	-	-	429,686	429,686
	<u>-</u>	<u>16,869,136</u>	<u>18,303,558</u>	<u>35,172,694</u>
Assigned for:				
General government	313,508	-	-	313,508
Public works	154,426	-	-	154,426
Community development	1,395,545	-	-	1,395,545
Public safety	396,240	-	-	396,240
Parks and recreation	92,452	-	-	92,452
	<u>2,352,171</u>	<u>-</u>	<u>-</u>	<u>2,352,171</u>
Total	<u>\$ 2,352,171</u>	<u>\$ 16,869,136</u>	<u>\$ 18,303,558</u>	<u>\$ 37,524,865</u>

NOTE 11 RISK MANAGEMENT, ACCRUED CLAIMS LIABILITY

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

Changes in the accrued claims liability are as follows:

	2020
Accrued claims liability, January 1	\$ 310,289
Incurred claims, including estimated claims incurred but not reported as of December 31:	
Provision for current year events	1,341,001
Payments	<u>(1,968,397)</u>
Accrued claims liability, December 31	317,107
Current portion	317,107
Long-term portion	<u>\$ -</u>

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 11 RISK MANAGEMENT, ACCRUED CLAIMS LIABILITY

Discretely Presented Component Units' Risk Management

Parking Authority

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

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

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

Plan Membership

At December 31, 2019, the Plan's membership consisted of the following:

Inactive participants - retired and disabled	340
Active plan members	770
Total	1,110

Benefits Provided

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

The components of the total OPEB liability of the plan at December 31, 2020, were as follows:

Total OPEB Liability	\$ 93,303,720
Plan fiduciary net position	-
City's total OPEB liability	<u>\$ 93,303,720</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and update procedures were used to roll forward the plan's total OPEB liability to the measurement date of December 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	4.5% per year			
Discount Rate	2.74%			
Per person cost trends:	2020	7.47%	2031	3.65%
	2021	7.20%	2032	3.56%
	2022	6.93%	2033	3.50%
	2023	6.62%	2034	3.47%
	2024	6.25%	2035	3.44%
	2025	5.89%	2036	3.42%
	2026	5.52%	2037	3.40%
	2027	5.15%	2038	3.39%
	2028	4.78%	2039	3.28%
	2029	4.41%	2040+	3.28%
	2030	3.84%		

Assumptions changes between December 31, 2018 and 2019 include the decrease of the discount rate, expected future healthcare costs, and updated mortality rates.

Discount Rate

The discount rate used to measure the plan's total OPEB liability as of December 31, 2019 was 2.74%. This is based on the 20-year Bond Buyer, 20 Bond GO Index as of December 26, 2019. This is a decrease from the December 31, 2018 rate of 4.10%.

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

<u>Changes in Total OPEB Liability</u>	Increase (Decrease)		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Total OPEB Liability (a-b)</u>
Balances at 12/31/2018	\$ 90,921,587	\$ -	\$ 90,921,587
Changes for the Year:			
Service cost	3,238,776	-	3,238,776
Interest on total OPEB liability	3,710,197	-	3,710,197
Changes of Benefits	-	-	-
Difference between expected and actual experience	(1,154,202)	-	(1,154,202)
Changes in assumptions	692,815	-	692,815
Contributions-employer	-	4,105,453	(4,105,453)
Contributions-member	-	-	-
Net investment income	-	-	-
Benefit payments, including employee refunds	(4,105,453)	(4,105,453)	-
Administrative expense	-	-	-
Net changes	<u>2,382,133</u>	<u>-</u>	<u>2,382,133</u>
Balances at 12/31/2019	<u>\$ 93,303,720</u>	<u>\$ -</u>	<u>\$ 93,303,720</u>

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

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

	Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB Liability	\$ 101,252,317	\$ 93,303,720	\$ 86,086,436

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

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

	Sensitivity of the Total OPEB Liability to Changes in the Medical Inflation Rate		
	1% Decrease (5.73%)	Healthcare Trend Rate (7.47%)	1% Increase (7.73%)
Total OPEB Liability	\$ 84,439,990	\$ 93,303,720	\$ 103,568,540

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the year ended December 31, 2020, the City recognized OPEB expense of (\$3,582,632). At December 31, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 1,850,319
Changes of Assumptions	5,110,908	3,283,125
Contributions subsequent to the Measurement Date	3,698,334	-
	\$ 8,809,242	\$ 5,133,444

City contributions subsequent to the measurement date of \$3,698,334 will be recognized in expense in the subsequent year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$	331,993
2022		331,993
2023		331,996
2024		(886,691)
2025		(65,912)
Thereafter		(65,915)
	\$	(22,536)

Discretely Presented Component Units' OPEB Plan

Parking Authority

Plan Description

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

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

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

An actuarial valuation of the total OPEB liability was performed January 1, 2019 with update procedures were used to roll forward to the plan's fiscal year ended December 31, 2020.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

The table below shows the changes in the total OPEB liability, the plan fiduciary net position and the net OPEB liability for the year ended December 31, 2020.

	Change in Net OPEB Liability (Asset)		
	Increase (Decrease)		
	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB Liability (Asset) (A-B)
Balances, December 31, 2019	\$ 902,834	\$ 375,064	\$ 527,770
Changes for the year:			
Service cost	11,425	-	11,425
Interest	51,049	-	51,049
Changes of benefit terms			-
Differences between expected and actual experience		-	-
Changes in assumptions and cost method		-	-
Contributions - employer	-	25,000	(25,000)
Net investment income	-	43,219	(43,219)
Benefit payments	(126,880)	-	(126,880)
Net changes	(64,406)	68,219	(132,625)
Balances, December 31, 2020	\$ 838,428	\$ 443,283	\$ 395,145

Actuarial Assumptions

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation of 2.17%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimate of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity:	
Large Cap	6.19%
Mid Cap	7.37%
Small cap	7.37%
International Equity	6.92%
International Bonds	0.36%
Emerging Markets	9.16%
Cash	0.11%
Core Bonds	1.57%

Discount Rate

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

Net OPEB Liability Sensitivity – Discount Rate

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

	1% Decrease <u>(5.0%)</u>	Current Discount Rate <u>(6.0%)</u>	1% Increase <u>(7.0%)</u>
12/31/2020 Total OPEB liability	\$ 871,354	\$ 838,428	\$ 807,673
Fiduciary net position	<u>443,283</u>	<u>443,283</u>	<u>443,283</u>
12/31/2020 Net OPEB liability	<u>\$ 428,071</u>	<u>\$ 395,145</u>	<u>\$ 364,390</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Parking Authority (Continued)

Net OPEB Liability Sensitivity – Healthcare Trend

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

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
12/31/2020 Total OPEB liability	\$ 798,066	\$ 838,428	\$ 880,906
Fiduciary net position	<u>443,283</u>	<u>443,283</u>	<u>443,283</u>
12/31/2020 Net OPEB liability	<u>\$ 354,783</u>	<u>\$ 395,145</u>	<u>\$ 437,623</u>

OPEB Expense and Deferred Outflows and Inflows of Resources

As of December 31, 2020, the Authority reported deferred inflows and deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Differences between projected and actual experience	\$ -	\$ -
Net Differences between projected and actual investment earnings on OPEB plan investments	-	<u>33,765</u>
	<u>\$ -</u>	<u>\$ 33,765</u>

For the year ended December 31, 2020 the Authority recognized OPEB expense of \$29,696.

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

<u>Year Ended December 31,</u>	
2021	\$ (9,899)
2022	(9,899)
2023	(9,899)
2024	<u>(4,068)</u>
	<u>\$ (33,765)</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020

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, 2020 is as follows:

<u>Year Ending</u>	<u>Total</u>
2021	\$ 223,919
2022	223,919
2023	223,919
2024	224,972
2025	224,972
Thereafter	<u>7,689,987</u>
Total	<u>\$ 8,811,688</u>

NOTE 14 DEFERRED COMPENSATION PLAN

Parking Authority

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

The Authority makes contributions to a deferred compensation plan through contributions to three 401(a) Money Purchase Plans. The Authority made total contributions of \$117,733 to the plans for the year ended December 31, 2020.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Construction

The City, through the Capital Projects Fund, entered into contracts with construction contractors with a remaining commitment at December 31, 2020 of approximately \$6.2 million.

Other

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2020, significant amounts of grant expenditures have not been audited by the grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the City.

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

NOTE 15 COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

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

Discretely Presented Component Units' Commitments and Contingencies

Parking Authority

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

NOTE 16 RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the City's operations and financial results are uncertain at this time.

NOTE 17 SUBSEQUENT EVENT

The City has evaluated all subsequent events through the report issue date of December 21, 2021.

In July 2021, the City received \$28,566,302 in American Recovery Fund and will receive that same amount in 2022. The money can be spent through December 31, 2026 in accordance with the requirements of the American Rescue Plan legislation. The City is in the process of determining how the funds will be utilized.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Real Estate:				
Real estate - current	\$ 37,500,000	\$ 37,500,000	\$ 37,330,740	\$ (169,260)
Real estate - prior	1,250,000	1,250,000	1,141,124	(108,876)
Total Real Estate Taxes	<u>38,750,000</u>	<u>38,750,000</u>	<u>38,471,864</u>	<u>(278,136)</u>
Act 511 Taxes:				
Earned income	35,500,000	35,500,000	35,008,286	(491,714)
Residence per capita	-	-	11,252	11,252
Amusement devices	10,000	10,000	6,905	(3,095)
Deed transfer	1,900,000	1,900,000	2,021,362	121,362
Local services	1,800,000	1,800,000	1,643,532	(156,468)
Business privilege	8,300,000	8,300,000	8,116,776	(183,224)
Total Act 511 Taxes	<u>47,510,000</u>	<u>47,510,000</u>	<u>46,808,113</u>	<u>(701,887)</u>
Total Taxes	<u>86,260,000</u>	<u>86,260,000</u>	<u>85,279,977</u>	<u>(980,023)</u>
Licenses and Permits:				
Business licenses	625,000	625,000	446,817	(178,183)
Billboard and sign permits/licenses	10,000	10,000	3,674	(6,326)
Building permits and licenses	1,350,000	1,350,000	1,453,708	103,708
Plumbing permits and licenses	210,000	210,000	133,103	(76,897)
Electrical permits and licenses	430,000	430,000	323,087	(106,913)
Sheet metal technician license	45,000	45,000	29,340	(15,660)
Liquor licenses	60,000	60,000	46,250	(13,750)
Health bureau permits and licenses	255,000	255,000	216,640	(38,360)
Rental inspection program	2,092,000	2,092,000	2,799,010	707,010
Presales inspection program	250,000	250,000	203,930	(46,070)
Zoning permits and fees	300,000	300,000	285,920	(14,080)
Vacant Property Registration	90,000	90,000	64,600	(25,400)
Fire department inspection fees	120,000	120,000	89,724	(30,276)
Police permits	1,500	1,500	-	(1,500)
CATV franchise fees	1,470,000	1,470,000	1,207,467	(262,533)
Shade tree permits/fees	5,000	5,000	1,110	(3,890)
Other permits and licenses	200,000	200,000	105,908	(94,092)
Total Licenses and Permits	<u>7,513,500</u>	<u>7,513,500</u>	<u>7,410,288</u>	<u>(103,212)</u>
Fines and Forfeits:				
District court	250,000	250,000	139,566	(110,434)
Fines and restitution	145,000	145,000	124,022	(20,978)
Parking Authority transfer	300,000	300,000	-	(300,000)
Total Fines and Forfeits	<u>695,000</u>	<u>695,000</u>	<u>263,588</u>	<u>(431,412)</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, 2020
 (CONTINUED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues (Continued):				
Intergovernmental Revenue:				
Health grants	2,203,457	3,344,426	2,100,561	(1,243,865)
3rd Party Reimbursements	1,750	1,750	-	(1,750)
Recovery Act/Stimulus Act	-	1,901,821	1,939,709	37,888
Health COVID Grants	-	-	1,573	1,573
Police/fire training	350,000	350,000	286,098	(63,902)
State aid for pension	5,204,987	5,204,987	4,798,275	(406,712)
Police grants/reimbursements	530,000	807,354	850,556	43,202
Casino fee	3,900,000	3,900,000	3,329,219	(570,781)
Other grants/miscellaneous	458,461	533,875	323,691	(210,184)
Total Intergovernmental Revenue	<u>12,648,655</u>	<u>16,044,213</u>	<u>13,629,682</u>	<u>(2,414,531)</u>
Charges for Services:				
Departmental Earnings:				
Tax/municipal certifications	158,000	158,000	162,905	4,905
Police extra duty jobs	550,000	550,000	338,156	(211,844)
Health bureau services	108,130	108,130	38,277	(69,853)
Street excavation/restoration	90,000	90,000	127,646	37,646
Printing and copier fees	75,000	75,000	61,261	(13,739)
Other charges for service	30,000	30,000	77,698	47,698
Vehicle towing agreement	300,000	300,000	293,111	(6,889)
EMS transit fees	4,180,000	4,180,000	3,676,147	(503,853)
Warrants of survey	40,000	40,000	7,733	(32,267)
Stormwater	-	-	-	-
Water and sewer	200,000	200,000	81,180	(118,820)
Total Departmental Earnings	<u>5,731,130</u>	<u>5,731,130</u>	<u>4,864,114</u>	<u>(867,016)</u>
Municipal Recreation:				
Swimming pool fees	310,000	310,000	6,565	(303,435)
Recreation fees	87,500	87,500	32,933	(54,567)
Total Municipal Recreation	<u>397,500</u>	<u>397,500</u>	<u>39,498</u>	<u>(358,002)</u>
General Fund Service Charges:				
Other service charges	2,135,098	2,135,098	2,135,098	-
Total General Fund Service Charges	<u>2,135,098</u>	<u>2,135,098</u>	<u>2,135,098</u>	<u>-</u>
Total Charges for Services	<u>8,263,728</u>	<u>8,263,728</u>	<u>7,038,710</u>	<u>(1,225,018)</u>
Investment Income	180,000	180,000	65,457	(114,543)

(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, 2020
 (CONTINUED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues (Continued):				
Other Income:				
General Revenue	-	-	-	-
Rental of city property	175,000	175,000	110,761	(64,239)
Marketing/advertising	250,000	250,000	215,487	(34,513)
Contributions	100,000	106,614	6,814	(99,800)
Damage to City property	-	-	5,462	5,462
Lights in Parkway	212,500	212,500	351,734	139,234
Pennsylvania Utility Realty tax	75,000	75,000	82,715	7,715
PILOT	129,937	129,937	164,077	34,140
Sale of property	200,000	200,000	72,925	(127,075)
Recreation/DCED/special events	34,000	34,000	5,359	(28,641)
Fire Dept. Miscellaneous	10,000	10,000	8,801	(1,199)
Cash Over/Short	-	-	(353)	(353)
Portnoff Fees Collected	1,000	1,000	-	(1,000)
Muni Claim Recovery	250,000	250,000	216,874	(33,126)
Health Violation Tickets	16,000	16,000	9,120	(6,880)
ANIZDA	365,000	365,000	401,551	36,551
Gain/Loss on Investment	80,000	80,000	4,789	(75,211)
Transfers In	-	132,968	1,257,847	1,124,879
Transfer from A.O. Fund	217,210	217,210	217,210	-
Water/Sewer Lease - Annual Sec.3.23	535,000	535,000	533,258	(1,742)
Miscellaneous	767,405	767,405	473,161	(294,244)
Total Other Income	<u>3,418,052</u>	<u>3,557,634</u>	<u>4,137,592</u>	<u>579,958</u>
Total Revenues	<u>118,978,935</u>	<u>122,514,075</u>	<u>117,825,294</u>	<u>(4,688,781)</u>
Expenditures:				
General Government:				
City Council	597,166	507,693	403,827	103,866
Office of the Mayor	796,592	792,592	711,630	80,962
City Controller	226,211	226,211	209,737	16,474
Law	1,145,085	1,096,085	977,990	118,095
General and civic	17,060,815	16,101,131	12,552,950	3,548,181
Total Nondepartmental	<u>19,825,869</u>	<u>18,723,712</u>	<u>14,856,134</u>	<u>3,867,578</u>
Department of Finance	<u>3,653,157</u>	<u>3,508,902</u>	<u>3,303,680</u>	<u>205,222</u>
Total Department of Finance	<u>3,653,157</u>	<u>3,508,902</u>	<u>3,303,680</u>	<u>205,222</u>
Human Resources	<u>753,743</u>	<u>764,985</u>	<u>683,568</u>	<u>81,417</u>
Total Human Resources	<u>753,743</u>	<u>764,985</u>	<u>683,568</u>	<u>81,417</u>
Management Systems				
Management Director and Information Services	<u>4,060,680</u>	<u>4,096,653</u>	<u>3,519,706</u>	<u>576,947</u>
Total Management Systems	<u>4,060,680</u>	<u>4,096,653</u>	<u>3,519,706</u>	<u>576,947</u>
Total General Government	<u>28,293,449</u>	<u>27,094,252</u>	<u>22,363,088</u>	<u>4,731,164</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, 2020
 (CONTINUED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Public Safety:				
Department of Public Safety:				
Police	40,289,036	40,279,482	38,521,135	1,758,347
Fire	24,632,635	26,504,303	25,725,851	778,452
Communications	-	-	-	-
Total Public Safety	<u>64,921,671</u>	<u>66,783,785</u>	<u>64,246,986</u>	<u>2,536,799</u>
Public Works:				
Department of Public Works:				
Director's office	476,489	469,630	395,656	73,974
Engineering	1,496,436	1,500,793	1,220,090	280,703
Building maintenance	2,431,998	2,379,762	2,058,263	321,499
Fleet maintenance operation	3,313,883	3,041,364	2,884,088	157,276
Streets	1,329,748	1,085,137	804,615	280,522
Traffic planning and control	1,157,227	1,152,042	1,034,335	117,707
Communications - Technical Service	1,377,291	1,348,291	1,268,732	79,559
Street lighting	651,125	697,980	615,922	82,058
Stormwater	-	-	-	-
Total Public Works	<u>12,234,197</u>	<u>11,674,999</u>	<u>10,281,701</u>	<u>1,393,298</u>
Health and Sanitation:				
Department of Community Development:				
Health	4,139,085	4,446,118	4,150,877	295,241
Total Health and Sanitation	<u>4,139,085</u>	<u>4,446,118</u>	<u>4,150,877</u>	<u>295,241</u>
Parks and Recreation:				
Department of Parks and Recreation:				
Park maintenance	3,792,790	3,841,436	3,512,400	329,036
Recreation	868,292	671,543	558,364	113,179
Swimming pool operation	702,005	413,239	284,684	128,555
Total Parks and Recreation	<u>5,363,087</u>	<u>4,926,218</u>	<u>4,355,448</u>	<u>570,770</u>
Community Development and Planning:				
Department of Community Development:				
Director's office	2,618,987	3,638,060	1,818,924	1,819,136
Planning and zoning	1,663,371	1,910,661	1,188,655	722,006
Building standards and safety	4,711,660	4,753,855	3,998,069	755,786
Total Community Development and Planning	<u>8,994,018</u>	<u>10,302,576</u>	<u>7,005,648</u>	<u>3,296,928</u>
Capital Outlays	<u>2,361,705</u>	<u>2,943,972</u>	<u>625,236</u>	<u>2,318,736</u>
Total Capital Outlays	<u>2,361,705</u>	<u>2,943,972</u>	<u>625,236</u>	<u>2,318,736</u>
Total Expenditures	<u>126,307,212</u>	<u>128,171,920</u>	<u>113,028,984</u>	<u>15,142,936</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Excess (Deficiency) of Revenues over Expenditures	\$ (7,328,277)	\$ (5,657,845)	\$ 4,796,310	\$ 10,454,155
<u>Other Financing Sources (Uses):</u>				
Issuance of long-term debt	1,128,247	1,128,247	1,128,247	-
Transfers in:				
COVID-19 PA Unemployment	-	-	129,600	129,600
Grant Fund	-	-	3,368	3,368
Transfers out:				
Equipment Fund	(2,361,705)	(2,361,705)	(1,736,602)	625,103
Capital Fund	(833,000)	(833,000)	(319,430)	513,570
Risk Fund	(3,447,256)	(3,447,252)	(3,447,252)	-
Debt Service Fund	(8,706,963)	(8,706,963)	(5,589,050)	3,117,913
Solid Waste Fund	(642,857)	(642,857)	(642,857)	-
Total other financing sources (uses)	<u>(14,863,534)</u>	<u>(14,863,530)</u>	<u>(10,473,976)</u>	<u>4,389,554</u>
Net Change in Fund Balance	<u>\$ (22,191,811)</u>	<u>\$ (20,521,375)</u>	\$ (5,677,666)	<u>\$ 14,843,709</u>
Net effect of agency fund, other income and expenditure accruals			<u>7,808,332</u>	
Net Change in Fund Balance			2,130,666	
Fund Balance:				
Beginning of year			23,463,617	
End of year			<u>\$ 25,594,283</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, 2020

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, Grants Fund, Stormwater Fund, and Lease/A.O. Fund.

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

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

CITY OF ALLENTOWN, PENNSYLVANIA
NOTES TO REQUIRED BUDGETARY SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

NOTE 2 COMPLIANCE

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

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

Measurement Date, December 31	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:							
Service cost	\$ 3,662,083	\$ 3,567,206	\$ 3,496,148	\$ 3,500,391	\$ 3,039,127	\$ 2,856,276	\$ 2,661,908
Interest	15,670,774	15,010,083	14,586,053	14,049,286	13,161,554	12,720,534	12,280,247
Difference between expected and actual experience	1,011,115	(1,518,678)	377,097	4,018,311	(205,379)	737,072	-
Changes in assumptions	-	-	-	-	7,903,467	-	-
Benefit payments, including refunds	(11,811,083)	(11,133,444)	(10,833,661)	(10,700,027)	(10,506,610)	(10,190,293)	(10,194,574)
Net Changes in Total Pension Liability	8,532,889	5,925,167	7,625,637	10,867,961	13,392,159	6,123,589	4,747,581
Total Pension Liability - Beginning	209,477,166	203,551,999	195,926,362	185,058,401	171,666,242	165,542,653	160,795,072
Total Pension Liability - Ending (a)	<u>\$ 218,010,055</u>	<u>\$ 209,477,166</u>	<u>\$ 203,551,999</u>	<u>\$ 195,926,362</u>	<u>\$ 185,058,401</u>	<u>\$ 171,666,242</u>	<u>\$ 165,542,653</u>
Plan Fiduciary Net Position:							
Contributions - employer	\$ 7,918,392	\$ 7,046,609	\$ 6,924,460	\$ 4,341,381	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471
Contributions - member	1,052,012	1,069,615	988,224	931,395	991,017	914,420	825,381
Net investment income (loss)	21,593,429	30,934,769	(7,348,536)	22,256,156	10,741,586	(701,889)	6,419,152
Benefit payments, including refunds	(11,811,083)	(11,133,444)	(10,833,661)	(10,700,026)	(10,506,610)	(10,190,293)	(10,194,574)
Administrative expense	(34,160)	(65,707)	(98,985)	(85,076)	(9,593)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	18,718,590	27,851,842	(10,368,498)	16,743,830	5,432,937	(7,317,676)	(453,252)
Plan Fiduciary Net Position - Beginning	180,698,735	152,846,893	163,215,391	146,471,561	141,038,624	148,356,300	148,809,552
Plan Fiduciary Net Position - Ending (b)	<u>\$ 199,417,325</u>	<u>\$ 180,698,735</u>	<u>\$ 152,846,893</u>	<u>\$ 163,215,391</u>	<u>\$ 146,471,561</u>	<u>\$ 141,038,624</u>	<u>\$ 148,356,300</u>
Net Pension Liability - Ending (a-b)	<u>\$ 18,592,730</u>	<u>\$ 28,778,431</u>	<u>\$ 50,705,106</u>	<u>\$ 32,710,971</u>	<u>\$ 38,586,840</u>	<u>\$ 30,627,618</u>	<u>\$ 17,186,353</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>91.47%</u>	<u>86.26%</u>	<u>75.09%</u>	<u>83.30%</u>	<u>79.15%</u>	<u>82.16%</u>	<u>89.62%</u>
Covered Payroll	<u>\$ 21,013,019</u>	<u>\$ 20,904,708</u>	<u>\$ 19,718,764</u>	<u>\$ 19,231,733</u>	<u>\$ 18,931,433</u>	<u>\$ 17,794,000</u>	<u>\$ 17,031,352</u>
Net Pension Liability as a Percentage of Covered Payroll	88.48%	137.66%	257.14%	170.09%	203.82%	172.12%	100.91%

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

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

Measurement Date, December 31	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:							
Service cost	\$ 1,813,315	\$ 1,800,136	\$ 1,789,346	\$ 1,735,550	\$ 1,544,110	\$ 1,513,683	\$ 1,422,468
Interest	9,607,882	9,388,037	9,292,591	9,101,734	8,940,922	8,782,604	8,601,438
Difference between expected and actual experience	(507,438)	(1,788,062)	(324,574)	(513,486)	(502,487)	312,322	-
Changes in assumptions	-	-	-	-	4,219,884	-	-
Benefit payments, including refunds	(8,222,890)	(8,031,919)	(8,032,161)	(8,011,716)	(8,113,374)	(8,104,277)	(8,075,886)
Net Changes in Total Pension Liability	2,690,869	1,368,192	2,725,202	2,312,082	6,089,055	2,504,332	1,948,020
Total Pension Liability - Beginning	130,473,306	129,105,114	126,379,912	124,067,830	117,978,775	115,474,443	113,526,423
Total Pension Liability - Ending (a)	<u>\$ 133,164,175</u>	<u>\$ 130,473,306</u>	<u>\$ 129,105,114</u>	<u>\$ 126,379,912</u>	<u>\$ 124,067,830</u>	<u>\$ 117,978,775</u>	<u>\$ 115,474,443</u>
Plan Fiduciary Net Position:							
Contributions - employer	\$ 4,063,701	\$ 3,779,843	\$ 3,714,299	\$ 3,068,607	\$ 2,965,478	\$ 1,205,379	\$ 1,355,613
Contributions - member	596,751	600,769	537,852	520,536	495,834	482,441	450,825
Net investment income (loss)	13,386,653	19,883,204	(4,686,690)	14,584,721	7,093,225	(374,539)	4,173,658
Benefit payments, including refunds	(8,222,890)	(8,031,919)	(8,032,161)	(8,011,715)	(8,113,274)	(8,104,277)	(8,075,886)
Administrative expense	(10,729)	(11,183)	(78,361)	(85,633)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	9,813,486	16,220,714	(8,545,061)	10,076,516	2,431,671	(6,800,669)	(2,106,472)
Plan Fiduciary Net Position - Beginning	115,969,814	99,749,100	108,294,161	98,217,645	95,785,974	102,586,743	104,693,125
Plan Fiduciary Net Position - Ending (b)	<u>\$ 125,783,300</u>	<u>\$ 115,969,814</u>	<u>\$ 99,749,100</u>	<u>\$ 108,294,161</u>	<u>\$ 98,217,645</u>	<u>\$ 95,785,974</u>	<u>\$ 102,586,653</u>
Net Pension Liability - Ending (a-b)	<u>\$ 7,380,875</u>	<u>\$ 14,503,492</u>	<u>\$ 29,356,014</u>	<u>\$ 18,085,751</u>	<u>\$ 25,850,185</u>	<u>\$ 22,192,801</u>	<u>\$ 12,887,790</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>94.46%</u>	<u>88.88%</u>	<u>77.26%</u>	<u>85.69%</u>	<u>79.16%</u>	<u>81.19%</u>	<u>88.84%</u>
Covered Payroll	<u>\$ 11,979,474</u>	<u>\$ 11,226,704</u>	<u>\$ 10,776,923</u>	<u>\$ 10,408,858</u>	<u>\$ 9,901,453</u>	<u>\$ 9,544,000</u>	<u>\$ 8,968,810</u>
Net Pension Liability as a Percentage of Covered Payroll	61.61%	129.19%	272.40%	173.75%	261.07%	232.53%	143.70%

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

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

Measurement Date, December 31	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:							
Service cost	\$ 9,877	\$ 9,577	\$ 9,983	\$ 9,614	\$ 8,894	\$ 8,254	\$ 7,950
Interest	733,543	782,628	842,606	917,538	1,010,525	1,064,075	1,169,496
Difference between expected and actual experience	166,473	61,654	(132,092)	(49,185)	278,360	(434,623)	-
Changes in assumptions	-	-	-	-	294,664	-	-
Benefit payments, including refunds	(1,696,249)	(1,794,179)	(1,877,646)	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Net Changes in Total Pension Liability	(786,356)	(940,320)	(1,157,149)	(1,138,681)	(543,912)	(1,598,260)	(1,194,228)
Total Pension Liability - Beginning	11,911,847	12,852,167	14,009,316	15,147,997	15,691,909	17,290,169	18,484,397
Total Pension Liability - Ending (a)	\$ 11,125,491	\$ 11,911,847	\$ 12,852,167	\$ 14,009,316	\$ 15,147,997	\$ 15,691,909	\$ 17,290,169
Plan Fiduciary Net Position:							
Contributions - employer	\$ 230,346	\$ 203,401	\$ 203,427	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519
Contributions - member	4,485	4,336	4,212	4,073	3,930	3,851	3,573
Net investment income	716,230	1,481,190	(264,012)	1,281,494	647,814	50,233	940,162
Benefit payments, including refunds	(1,696,249)	(1,794,179)	(1,877,646)	(2,016,648)	(2,136,355)	(2,235,966)	(2,371,674)
Administrative expense	(10,729)	(11,278)	(64,142)	(68,931)	(9,592)	(9,673)	(10,682)
Net Change in Plan Fiduciary Net Position	(755,917)	(116,530)	(1,998,161)	(650,167)	(1,344,663)	(2,030,533)	(1,335,102)
Plan Fiduciary Net Position - Beginning	10,771,039	10,887,569	12,885,730	13,535,897	14,880,560	16,911,093	18,246,195
Plan Fiduciary Net Position - Ending (b)	\$ 10,015,122	\$ 10,771,039	\$ 10,887,569	\$ 12,885,730	\$ 13,535,897	\$ 14,880,560	\$ 16,911,093
Net Pension Liability - Ending (a-b)	\$ 1,110,369	\$ 1,140,808	\$ 1,964,598	\$ 1,123,586	\$ 1,612,100	\$ 811,349	\$ 379,076
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.02%	90.42%	84.71%	91.98%	89.36%	94.83%	97.81%
Covered Payroll	\$ 81,552	\$ 78,833	\$ 76,590	\$ 74,062	\$ 71,512	\$ 70,000	\$ 64,960
Net Pension Liability as a Percentage of Covered Payroll	1361.55%	1447.12%	2565.08%	1517.09%	2254.31%	1159.07%	583.55%

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

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

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

Measurement Date, December 31,	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	\$ 3,246,716	\$ 3,247,031	\$ 3,134,334	\$ 2,885,308	\$ 3,121,592	\$ 3,792,600
Interest	9,149,791	8,949,043	8,808,742	8,772,091	8,484,310	8,298,621
Difference between expected and actual experience	-	1,588,051	-	-	-	(31,247)
Changes in assumptions	-	-	-	4,474,139	2,584,899	-
Transfers	11,956	(82,469)	79,165	1,235,476	-	(42,319)
Benefit payments, including refunds	(10,647,603)	(9,219,033)	(9,546,663)	(9,172,560)	(8,283,599)	(7,706,851)
Net Changes in Total Pension Liability	1,760,860	4,482,623	2,475,578	8,194,454	5,907,202	4,310,804
Total Pension Liability - Beginning	176,284,810	171,802,187	169,326,609	161,132,155	155,224,953	150,914,149
Total Pension Liability - Ending (a)	\$ 178,045,670	\$ 176,284,810	\$ 171,802,187	\$ 169,326,609	\$ 161,132,155	\$ 155,224,953
Plan Fiduciary Net Position:						
Contributions - employer	\$ 3,252,975	\$ 2,648,140	\$ 2,630,992	\$ 2,240,743	\$ 2,230,827	\$ 1,558,888
Contributions - member	1,848,891	1,840,181	1,775,180	1,738,658	1,710,952	1,672,158
Net investment income	30,555,108	(5,210,426)	24,702,348	11,603,111	(36,944)	7,201,360
Transfers	11,956	(82,469)	79,165	-	-	(42,319)
Benefit payments, including refunds	(10,647,603)	(9,219,033)	(9,546,663)	(9,172,560)	(8,283,599)	(7,706,851)
Administrative expense	(301,821)	(365,857)	(367,920)	(397,521)	(338,130)	(304,806)
Net Change in Plan Fiduciary Net Position	24,719,506	(10,389,464)	19,273,102	6,012,431	(4,716,894)	2,378,430
Plan Fiduciary Net Position - Beginning	150,533,346	160,922,810	141,649,708	135,637,277	140,354,171	137,975,741
Plan Fiduciary Net Position - Ending (b)	\$ 175,252,852	\$ 150,533,346	\$ 160,922,810	\$ 141,649,708	\$ 135,637,277	\$ 140,354,171
Net Pension Liability - Ending (a-b)	\$ 2,792,818	\$ 25,751,464	\$ 10,879,377	\$ 27,676,901	\$ 25,494,878	\$ 14,870,782
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.43%	85.39%	93.67%	83.65%	84.18%	90.42%
Covered Payroll	\$ 24,532,647	\$ 24,535,775	\$ 23,651,715	\$ 23,169,719	\$ 23,067,602	\$ 22,740,178
Net Pension Liability as a Percentage of Covered Payroll	11.38%	104.95%	46.00%	119.45%	110.52%	65.39%

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

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

	2020*	2019*	2018*	2017*	2016*	2015*
Total Pension Liability:						
Interest	\$ 202,439	\$ 204,066	\$ 203,074	\$ 212,438	\$ 220,605	\$ 218,085
Difference between expected and actual experience	-	14,591	-	(11,100)	-	-
Changes in assumptions	-	-	-	6,096	-	-
Benefit payments, including refunds	(242,815)	(208,700)	(200,199)	(474,376)	(174,612)	(194,346)
Net Changes in Total Pension Liability	(40,376)	9,957	2,875	(266,942)	45,993	23,739
Total Pension Liability - Beginning	2,820,591	2,810,634	2,807,759	3,074,701	3,028,708	3,004,969
Total Pension Liability - Ending (a)	\$ 2,780,215	\$ 2,820,591	\$ 2,810,634	\$ 2,807,759	\$ 3,074,701	\$ 3,028,708
Plan Fiduciary Net Position:						
Net investment income (loss)	\$ 677,131	\$ 643,072	\$ (111,811)	\$ 498,292	\$ 246,491	\$ (35,622)
Contributions-Employer	13,202	9,198	-	-	-	-
Benefit payments, including refunds	(242,815)	(208,700)	(200,199)	(474,376)	(174,612)	(194,346)
Net Change in Plan Fiduciary Net Position	447,518	443,570	(312,010)	23,916	71,879	(229,968)
Plan Fiduciary Net Position - Beginning	3,209,969	2,766,399	3,078,409	3,054,493	2,982,614	3,212,582
Plan Fiduciary Net Position - Ending (b)	\$ 3,657,487	\$ 3,209,969	\$ 2,766,399	\$ 3,078,409	\$ 3,054,493	\$ 2,982,614
Net Pension Liability (Asset) - Ending (a-b)	\$ (877,272)	\$ (389,378)	\$ 44,235	\$ (270,650)	\$ 20,208	\$ 46,094
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	131.55%	113.80%	98.43%	109.64%	99.34%	98.48%
Covered Payroll	\$ -					
Net Pension Liability as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Year Ended December 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
POLICE PENSION PLAN										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 7,918,392	\$ 7,046,609	\$ 6,924,460	\$ 4,341,381	\$ 4,216,537	\$ 2,669,759	\$ 2,507,471	\$ 2,276,774	\$ 7,324,133	\$ 7,338,716
Contributions in relation to the actuarially determined contribution	<u>7,918,392</u>	<u>7,046,609</u>	<u>6,924,460</u>	<u>4,341,381</u>	<u>4,216,537</u>	<u>2,669,759</u>	<u>2,507,471</u>	<u>2,276,774</u>	<u>8,248,725</u>	<u>7,597,844</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (924,592)</u>	<u>\$ (259,128)</u>							
Covered payroll	<u>\$ 21,013,019</u>	<u>\$ 20,904,708</u>	<u>\$ 19,718,764</u>	<u>\$ 19,231,733</u>	<u>\$ 18,931,433</u>	<u>\$ 17,794,000</u>	<u>\$ 17,031,352</u>	<u>\$ 15,293,935</u>	<u>\$ 14,487,385</u>	<u>\$ 13,788,954</u>
Contributions as a percentage of covered payroll	37.68%	33.71%	35.12%	22.57%	22.27%	15.00%	14.72%	14.89%	56.94%	55.10%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	7.40%	18.55%	(4.65%)	15.20%	7.30%	0.44%	4.51%	N/A	N/A	N/A
FIREMEN PENSION PLAN										
<u>Schedule of City Contributions</u>										
Actuarially determined contribution under Act 205	\$ 4,063,701	\$ 3,779,843	\$ 3,714,299	\$ 3,068,607	\$ 2,965,478	\$ 1,205,379	\$ 1,345,613	\$ 1,508,323	\$ 4,069,771	\$ 4,146,949
Contributions in relation to the actuarially determined contribution	<u>4,063,701</u>	<u>3,779,843</u>	<u>3,714,299</u>	<u>3,068,607</u>	<u>2,965,478</u>	<u>1,205,379</u>	<u>1,355,613</u>	<u>1,508,323</u>	<u>4,583,476</u>	<u>4,293,176</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ (513,705)</u>	<u>\$ (146,227)</u>					
Covered payroll	<u>\$ 11,979,474</u>	<u>\$ 11,226,704</u>	<u>\$ 10,776,923</u>	<u>\$ 10,408,858</u>	<u>\$ 9,901,453</u>	<u>\$ 9,544,000</u>	<u>\$ 8,968,810</u>	<u>\$ 8,117,293</u>	<u>\$ 9,755,213</u>	<u>\$ 7,558,653</u>
Contributions as a percentage of covered payroll	33.92%	33.67%	34.47%	29.48%	29.95%	12.63%	15.11%	18.58%	46.98%	56.80%
<u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	7.40%	13.68%	(4.51%)	14.80%	7.10%	(0.32%)	4.29%	N/A	N/A	N/A

N/A - Information not available for these years

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

Year Ended December 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OFFICERS AND EMPLOYEES PENSION PLAN:										
	<u>Schedule of City Contributions</u>									
Actuarially determined contribution under Act 205	\$ 230,346	\$ 203,401	\$ 203,427	\$ 149,845	\$ 149,540	\$ 161,022	\$ 103,519	\$ 81,097	\$ 512,669	\$ 514,014
Contributions in relation to the actuarially determined contribution	230,346	203,401	203,427	149,845	149,540	161,022	103,519	81,097	577,431	532,150
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (64,762)	\$ (18,136)
Covered payroll	\$ 81,552	\$ 78,833	\$ 76,590	\$ 74,062	\$ 71,512	\$ 70,000	\$ 64,960	\$ 62,491	\$ 250,856	\$ 250,324
Contributions as a percentage of covered payroll	282.45%	258.02%	265.61%	202.32%	209.11%	230.03%	159.36%	129.77%	230.18%	212.58%
	<u>Investment Returns</u>									
Annual money-weighted rate of return, net of investment expense	6.40%	13.68%	(2.22%)	9.50%	4.80%	0.67%	5.99%	N/A	N/A	N/A
Year Ended December 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
PMRS PLAN:										
	<u>Schedule of City Contributions</u>									
Actuarially determined contribution under Act 205	\$ 3,257,977	\$ 3,252,315	\$ 2,647,644	\$ 2,629,868	\$ 2,239,534	\$ 2,229,106	\$ 1,557,908	\$ 1,612,483	\$ 1,299,757	\$ 1,367,093
Contributions in relation to the actuarially determined contribution	3,257,975	3,252,975	2,648,140	2,630,992	2,240,743	2,230,827	1,558,888	1,612,483	1,299,757	1,367,093
Contribution deficiency (excess)	\$ 2	\$ (660)	\$ (496)	\$ (1,124)	\$ (1,209)	\$ (1,721)	\$ (980)	\$ -	\$ -	\$ -
Covered payroll	\$ 25,308,267	\$ 24,532,647	\$ 24,083,542	\$ 24,535,775	\$ 23,651,715	\$ 23,169,719	\$ 23,067,602	\$ 22,740,178		
Contributions as a percentage of covered payroll	12.87%	13.26%	11.00%	10.72%	9.47%	9.63%	6.76%	7.09%	N/A	N/A
	<u>Investment Returns</u>									
Annual money-weighted rate of return, net of investment expense	N/A	N/A	(8.36%)	16.33%	8.37%	(0.03%)	5.17%	N/A	N/A	N/A

N/A - Information not available for these years

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

	2020*	2019*	2018*	2017*	2016*	2015*
PARKING AUTHORITY PENSION PLAN						
<u>Schedule of Parking Authority Contributions</u>						
Actuarially determined contribution under Act 205	\$ 13,202	\$ 4,313	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	13,202	9,198	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (4,885)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Investment Returns</u>						
Annual money-weighted rate of return, net of investment expense	N/A	14.17%	-3.75%	17.69%	8.50%	-1.14%

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

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION
 YEAR ENDED DECEMBER 31, 2020

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, 2020 are as follows:

	<u>Police</u>	<u>Firemen</u>	<u>Officers and Employees</u>
Valuation date	1/1/2020	1/1/2020	1/1/2020
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed period	Level dollar, closed period	Level dollar, closed period
Amortization period	14 years	13 years	2 years
Asset valuation method	*Five-year smoothed market. 80%/20% corridor around market		
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	6.50%
Projected salary increases	4.50%	4.50%	4.50%
Mortality - Healthy Lives:	Blue Collar Adjusted RP-2000 Combined Healthy Mortality Table		RP-2000 Combined Healthy Mortality Table
Mortality - Disabled Lives:	RP-2000 Disabled Mortality Table		
Cost of Living Adjustment	2.4% per year upon eligibility to receive a COLA		0%

CITY OF ALLENTOWN, PENNSYLVANIA
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PMRS PENSION
 YEAR ENDED DECEMBER 31, 2020

NOTE 1 ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Primary Government (Continued)

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

Valuation date	1/1/2019
Actuarial cost method	Entry age
Amortization method	Level Dollar, Closed Period
Amortization period	Based upon Amortization Tables in Act 205
Asset valuation method	Based upon the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	2.80%
Cost-of-living adjustment	2.80%
Pre-retirement mortality	Males: RP 2000 Non-Annuitant Table Projected 15 years with Scale AA Females: RP 2000 Non-Annuitant Table Projected 15 years with Scale AA and setback 5 years
Post-retirement mortality	Males and females: RP-2000 Sex-Distinct Combined Healthy Mortality Table

Discretely Presented Component Unit

Parking Authority

Valuation date	1/1/2019
Actuarial cost method	Entry age normal
Investment return	7.50% per annum
Salary increases	None assumed
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality Table projected to 2017 using Scale AA
Termination	None
Disability	None
Retirement age	Normal retirement age or age on valuation, if greater
Form of annuity	10 year certain and life
Significant plan changes	None
Significant assumption changes	None

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

Measurement date, December 31	2020*	2019*	2018*
Total OPEB Liability			
Service cost	\$ 3,238,776	\$ 3,502,641	\$ 2,976,784
Interest	3,710,197	3,217,857	3,206,665
Changes in Benefits	-	-	-
Difference between expected and actual experience	(1,154,202)	-	(1,722,009)
Changes in assumptions	692,815	(4,924,689)	9,034,134
Benefit payments	(4,105,453)	(5,315,182)	(4,780,529)
Net change in Total OPEB Liability	<u>2,382,133</u>	<u>(3,519,373)</u>	<u>8,715,045</u>
Total OPEB Liability - Beginning	<u>90,921,587</u>	<u>94,440,960</u>	<u>85,725,915</u>
Total OPEB Liability - Ending	<u>\$ 93,303,720</u>	<u>\$ 90,921,587</u>	<u>\$ 94,440,960</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 4,105,453	\$ 5,315,182	\$ 4,780,529
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including employee refunds	(4,105,453)	(5,315,182)	(4,780,529)
Administrative expense	-	-	-
Net changes	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total OPEB Liability - Ending	<u>\$ 93,303,720</u>	<u>\$ 90,921,587</u>	<u>\$ 94,440,960</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0%	0%	0%
Covered payroll	<u>\$ 58,483,638</u>	<u>\$ 54,980,791</u>	<u>\$ 53,639,680</u>
Total OPEB liability as a percentage of covered payroll	159.54%	165.37%	176.07%

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

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

	<u>2020*</u>	<u>2019*</u>
Total OPEB Liability		
Service cost	\$ 11,424	\$ 10,881
Interest	51,049	53,092
Changes in Benefits	-	(177,069)
Difference between expected and actual experience	-	(146,934)
Changes in assumptions	-	(13,625)
Benefit payments	(126,879)	(70,233)
Net change in Total OPEB Liability	<u>\$ (64,406)</u>	<u>\$ (343,888)</u>
Total OPEB Liability - Beginning	<u>902,834</u>	<u>1,246,722</u>
Total OPEB Liability - Ending	<u>838,428</u>	<u>902,834</u>
Plan Fiduciary Net Position		
Contributions - employer	25,000	25,000
Contributions - member	-	-
Net investment income	43,219	47,673
Benefit payments, including employee refunds	-	-
Administrative expense	-	-
Net changes	<u>68,219</u>	<u>72,673</u>
Plan Fiduciary Net Position - Beginning	<u>375,064</u>	<u>302,391</u>
Plan Fiduciary Net Position - Ending	<u>\$ 443,283</u>	<u>\$ 375,064</u>
Net OPEB Liability - Ending	<u>\$ 395,145</u>	<u>\$ 527,770</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	52.87%	41.54%
Covered payroll	<u>\$ 194,218</u>	<u>\$ 184,970</u>
Net OPEB liability as a percentage of covered payroll	203.45%	285.33%

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

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

Note 1 Actuarial Methods and Assumptions

Primary Government Actuarial Assumptions:

Valuation Date: December 31, 2019

Measurement Date: December 31, 2019

Methods and assumptions used to determine contribution rates:

Discount rate: 2.74% per annum

Expected return on assets: Not applicable

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

Healthcare cost trends:

2020	7.47%	2031	3.65%
2021	7.20%	2032	3.56%
2022	6.93%	2033	3.50%
2023	6.62%	2034	3.47%
2024	6.25%	2035	3.44%
2025	5.89%	2036	3.42%
2026	5.52%	2037	3.40%
2027	5.15%	2038	3.39%
2028	4.78%	2039	3.28%
2029	4.41%	2040 +	3.28%
2030	3.84%		

Retirement rates:

Police: Age 50 and 20 years of service

Fire: Immediately upon attainment of age 50 with 20 years of service, if younger than 62, a select and ultimate table with increasing rates

Rates of Mortality:

Police, Fire and Non-PMRS O&E

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

Disabled Mortality: RP 2000 disabled mortality table

PMRS

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

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

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

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

Note 1 Actuarial Methods and Assumptions

Parking Authority Actuarial Assumptions:

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

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CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	Grants	Lease/A.O.	Stormwater	
<u>Assets</u>								
Cash and cash equivalents	\$ 2,993,427	\$ 1,100,276	\$ 1,215,359	\$ 16,401	\$ 225,031	\$ 4,034,010	\$ 4,703,822	\$ 14,288,326
Restricted Cash	-	-	-	-	-	789,359	-	789,359
Receivables:								
Loans	-	3,365,104	123,619	-	-	-	-	3,488,723
Accounts	-	-	-	-	16,350	21,981	535,093	573,424
Grants	-	1,019,643	-	490,565	-	-	-	1,510,208
Interest	-	-	-	6,092	-	-	-	6,092
Due from other funds	-	-	-	2,306	-	-	-	2,306
Total Assets	<u>\$ 2,993,427</u>	<u>\$ 5,485,023</u>	<u>\$ 1,338,978</u>	<u>\$ 515,364</u>	<u>\$ 241,381</u>	<u>\$ 4,845,350</u>	<u>\$ 5,238,915</u>	<u>\$ 20,658,438</u>
<u>Liabilities and Fund Balance</u>								
Liabilities:								
Accounts payable	\$ 117,177	\$ 690,594	\$ -	\$ 59,335	\$ 25,031	\$ -	\$ 114,125	\$ 1,006,262
Wages payable	62,168	-	-	26,343	-	-	80,349	168,860
Due to other funds	-	870,932	1,320	-	-	-	-	872,252
Due to other governments	-	-	-	-	200,000	-	-	200,000
Other liabilities	-	107,506	-	-	-	-	-	107,506
Total Liabilities	<u>\$ 179,345</u>	<u>\$ 1,669,032</u>	<u>\$ 1,320</u>	<u>\$ 85,678</u>	<u>\$ 225,031</u>	<u>\$ -</u>	<u>\$ 194,474</u>	<u>\$ 2,354,880</u>
Fund Balance:								
Restricted	<u>\$ 2,814,082</u>	<u>\$ 3,815,991</u>	<u>\$ 1,337,658</u>	<u>\$ 429,686</u>	<u>\$ 16,350</u>	<u>\$ 4,845,350</u>	<u>\$ 5,044,441</u>	<u>\$ 18,303,558</u>
Total Fund Balance	<u>2,814,082</u>	<u>3,815,991</u>	<u>1,337,658</u>	<u>429,686</u>	<u>16,350</u>	<u>4,845,350</u>	<u>5,044,441</u>	<u>18,303,558</u>
Total Liabilities and Fund Balance	<u>\$ 2,993,427</u>	<u>\$ 5,485,023</u>	<u>\$ 1,338,978</u>	<u>\$ 515,364</u>	<u>\$ 241,381</u>	<u>\$ 4,845,350</u>	<u>\$ 5,238,915</u>	<u>\$ 20,658,438</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2020

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Liquid Fuels	Community Development Block Grant	Revolving Loan	Trexler	Grants	Lease/A.O.	Stormwater	
Revenues:								
Investment earnings	\$ 8,553	\$ 2,207	\$ 2,552	\$ -	\$ -	\$ 2,976	\$ 11,606	\$ 27,894
Intergovernmental revenues	3,349,208	3,756,879	-	1,533,659	130,364	-	136,975	8,907,085
Other	114,128	139,890	-	26,008	-	171,478	5,748,733	6,200,237
Total Revenues	<u>3,471,889</u>	<u>3,898,976</u>	<u>2,552</u>	<u>1,559,667</u>	<u>130,364</u>	<u>174,454</u>	<u>5,897,314</u>	<u>15,135,216</u>
Expenditures:								
Current:								
General government	-	-	-	-	114,014	772	-	114,786
Community development	-	4,201,146	-	-	-	-	-	4,201,146
Public works	2,692,971	-	-	-	-	-	3,613,094	6,306,065
Parks and recreation	-	-	-	1,568,192	-	-	-	1,568,192
Debt Service								
Principal	-	-	-	-	-	2,223,245	-	2,223,245
Interest	-	-	-	-	-	264,641	-	264,641
Capital outlay	263,650	-	-	-	-	-	982,461	1,246,111
Total Expenditures	<u>2,956,621</u>	<u>4,201,146</u>	<u>-</u>	<u>1,568,192</u>	<u>114,014</u>	<u>2,488,658</u>	<u>4,595,555</u>	<u>15,924,186</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>515,268</u>	<u>(302,170)</u>	<u>2,552</u>	<u>(8,525)</u>	<u>16,350</u>	<u>(2,314,204)</u>	<u>1,301,759</u>	<u>(788,970)</u>
Other Financing Sources (Uses):								
Issuance of long-term debt	-	-	-	-	-	7,090,000	-	7,090,000
Issuance of capital leases	-	-	-	107,074	-	-	478,000	585,074
Transfers Out	(66,786)	-	-	-	-	(942,424)	(403,594)	(1,412,804)
Total other financing sources (uses)	<u>(66,786)</u>	<u>-</u>	<u>-</u>	<u>107,074</u>	<u>-</u>	<u>6,147,576</u>	<u>74,406</u>	<u>6,262,270</u>
Net Change in Fund Balance	448,482	(302,170)	2,552	98,549	16,350	3,833,372	1,376,165	5,473,300
Fund Balance:								
Beginning of year	<u>2,365,600</u>	<u>4,118,161</u>	<u>1,335,106</u>	<u>331,137</u>	<u>-</u>	<u>1,011,978</u>	<u>3,668,276</u>	<u>12,830,258</u>
End of year	<u>\$ 2,814,082</u>	<u>\$ 3,815,991</u>	<u>\$ 1,337,658</u>	<u>\$ 429,686</u>	<u>\$ 16,350</u>	<u>\$ 4,845,350</u>	<u>\$ 5,044,441</u>	<u>\$ 18,303,558</u>

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - CAPITAL PROJECTS FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,250,000	1,151,771	(98,229)
Other	-	7,242,160	3,424,763	(3,817,397)
Total revenues	-	8,492,160	4,576,534	(3,915,626)
Expenditures:				
Capital outlay	-	69,735,479	-	69,735,479
Public Works	-	-	6,006,951	(6,006,951)
Total Expenditures	-	69,735,479	6,006,951	63,728,528
Excess (Deficiency) of Revenues over Expenditures	-	(61,243,319)	(1,430,417)	59,812,902
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	18,388,736	18,388,736
Transfers in	-	69,658	13,658	(56,000)
Transfers out	-	-	(4,990,763)	(4,990,763)
Total other financing sources (uses)	-	69,658	13,411,631	13,341,973
Net Change in Fund Balance	\$ -	\$ (61,173,661)	11,981,214	\$ 73,154,875
Net effect of other income and expenditure accruals			948,623	
Net Change in Fund Balance			12,929,837	
Fund Balance:				
Beginning of year			3,939,299	
End of year			\$ 16,869,136	

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Expenditures:</u>				
Current:				
General government	\$ -	\$ -	\$ 5,630	\$ (5,630)
Debt service - principal	6,594,000	6,594,000	4,509,000	2,085,000
Debt service - interest	2,179,749	2,179,749	2,107,366	72,383
Total Expenditures	<u>8,773,749</u>	<u>8,773,749</u>	<u>6,621,996</u>	<u>2,151,753</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,773,749)</u>	<u>(8,773,749)</u>	<u>(6,621,996)</u>	<u>2,151,753</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	8,773,749	8,773,749	6,621,996	(2,151,753)
Total other financing sources (uses)	<u>8,773,749</u>	<u>8,773,749</u>	<u>6,621,996</u>	<u>(2,151,753)</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Intergovernmental revenues:				
PA Liquid Fuels Tax	\$ 3,161,083	\$ 3,161,083	\$ 3,221,188	\$ 60,105
State aid for pension	148,494	148,494	128,020	(20,474)
Total intergovernmental revenues	<u>3,309,577</u>	<u>3,309,577</u>	<u>3,349,208</u>	<u>39,631</u>
Other income:				
Interest income	20,100	20,100	8,553	(11,547)
Miscellaneous	<u>69,720</u>	<u>69,720</u>	<u>114,128</u>	<u>44,408</u>
Total other income	<u>89,820</u>	<u>89,820</u>	<u>122,681</u>	<u>32,861</u>
Total Revenues	<u>3,399,397</u>	<u>3,399,397</u>	<u>3,471,889</u>	<u>72,492</u>
<u>Expenditures:</u>				
Public Works:				
Department of Public Works:				
Streets	<u>4,080,757</u>	<u>4,118,086</u>	<u>2,956,621</u>	<u>1,161,465</u>
Total public works	<u>4,080,757</u>	<u>4,118,086</u>	<u>2,956,621</u>	<u>1,161,465</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,080,757</u>	<u>4,118,086</u>	<u>2,956,621</u>	<u>1,161,465</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(681,360)</u>	<u>(718,689)</u>	<u>515,268</u>	<u>1,233,957</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	-	-	-	-
Transfers out	<u>(66,786)</u>	<u>(66,786)</u>	<u>(66,786)</u>	<u>-</u>
Total other financing sources (uses)	<u>(66,786)</u>	<u>(66,786)</u>	<u>(66,786)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (748,146)</u>	<u>\$ (718,689)</u>	448,482	<u>\$ 1,233,957</u>
Net effect of other income and expenditure accruals			<u>-</u>	
Net Change in Fund Balance			448,482	
Fund Balance:				
Beginning of year			<u>2,365,600</u>	
End of year			<u>\$ 2,814,082</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Intergovernmental revenues:				
CDBG Grant Revenue	\$ 3,478,139	\$ 3,478,139	\$ 3,905,354	\$ 427,215
Program Revenue	-	-	159,239	159,239
Rental\Rehab Loan Repayments	-	-	107,019	107,019
Interest on Rental\Rehab Cash Acct	-	-	2,206	2,206
State Aid	-	-	-	-
Program Income\Home	-	-	(115,416)	(115,416)
Total intergovernmental revenues	<u>3,478,139</u>	<u>3,478,139</u>	<u>4,058,402</u>	<u>580,263</u>
 Total Revenues	 <u>3,478,139</u>	 <u>3,478,139</u>	 <u>4,058,402</u>	 <u>580,263</u>
<u>Expenditures:</u>				
CDBG				
Community Development				
CDBG, Home & ESG	4,050,530	4,050,530	4,256,360	(205,830)
Total CDBG	<u>4,050,530</u>	<u>4,050,530</u>	<u>4,256,360</u>	<u>(205,830)</u>
Total Expenditures	<u>4,050,530</u>	<u>4,050,530</u>	<u>4,256,360</u>	<u>(205,830)</u>
 Excess (Deficiency) of Revenues over Expenditures	 <u>(572,391)</u>	 <u>(572,391)</u>	 <u>(197,958)</u>	 <u>374,433</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>\$ (572,391)</u>	 <u>\$ (572,391)</u>	 <u>(197,958)</u>	 <u>\$ 374,433</u>
 Net effect of other income and expenditure accruals			 <u>(104,212)</u>	
Net Change in Fund Balance			<u>(302,170)</u>	
 Beginning of year			 <u>4,118,161</u>	
End of year			 <u>\$ 3,815,991</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - TREXLER FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
<u>Intergovernmental revenues:</u>				
Trexler Maintenance Grant	\$ 1,800,000	\$ 1,910,965	\$ 1,331,964	\$ (579,001)
Springwood Trust	22,000	22,000	28,158	6,158
State aid for pension	57,606	57,606	55,393	(2,213)
Recovery Act/Stimulus Act	-	6,395	6,395	-
Rental Fees\Misc	-	-	-	-
Total intergovernmental revenues	<u>1,879,606</u>	<u>1,996,966</u>	<u>1,421,910</u>	<u>(575,056)</u>
 Total Revenues	 <u>1,879,606</u>	 <u>1,996,966</u>	 <u>1,421,910</u>	 <u>(575,056)</u>
 <u>Expenditures:</u>				
<u>Parks & Recreation</u>				
Department of Parks & Recreation				
Grounds Maintenance	1,610,470	1,724,622	1,461,118	263,504
Total Parks & Recreation	<u>1,610,470</u>	<u>1,724,622</u>	<u>1,461,118</u>	<u>263,504</u>
Total Expenditures	<u>1,610,470</u>	<u>1,724,622</u>	<u>1,461,118</u>	<u>263,504</u>
 Excess (Deficiency) of Revenues over Expenditures	 <u>269,136</u>	 <u>272,344</u>	 <u>(39,208)</u>	 <u>(311,552)</u>
 <u>Other Financing Sources (Uses):</u>				
Transfers out	<u>(270,000)</u>	<u>(429,100)</u>	<u>-</u>	<u>429,100</u>
Total other financing sources (uses)	<u>(270,000)</u>	<u>(429,100)</u>	<u>-</u>	<u>429,100</u>
 Net Change in Fund Balance	 <u>\$ (864)</u>	 <u>\$ (156,756)</u>	 <u>(39,208)</u>	 <u>\$ 117,548</u>
 Net effect of other income and expenditure accruals			 <u>137,757</u>	
 Net Change in Fund Balance			 98,549	
 Fund Balance:				
Beginning of year			<u>331,137</u>	
End of year			<u>\$ 429,686</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - GRANTS FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Intergovernmental revenues:				
Other Grants	\$ -	\$ -	\$ 31,250	\$ 31,250
Federal Grants	-	-	(3,368)	(3,368)
State Funds	-	262,682	82,764	(179,918)
Total intergovernmental revenues	-	262,682	110,646	(152,036)
 Total Revenues	 -	 262,682	 110,646	 (152,036)
<u>Expenditures:</u>				
Non-Departmental	-	2,478,351	31,250	2,447,101
Police	-	201,017	82,764	118,253
Community Development	-	739,225	-	739,225
Total Expenditures	-	3,418,593	114,014	3,304,579
 Excess (Deficiency) of Revenues over Expenditures	 -	 (3,155,911)	 (3,368)	 3,152,543
 Net Change in Fund Balance	 \$ -	 \$ (3,155,911)	 (3,368)	 \$ 3,152,543
 Net effect of other income and expenditure accruals			 19,718	
Net Change in Fund Balance			16,350	
 Fund Balance:				
Beginning of year			-	
End of year			\$ 16,350	

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - STORMWATER FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues:</u>				
Interest	\$ 11,000	\$ 11,000	\$ 11,606	\$ 606
State aid for pension	135,181	135,181	125,065	(10,116)
Stormwater Fee	5,547,600	5,547,600	5,487,299	(60,301)
Stormwater Fee- Prior Years	95,000	95,000	129,130	34,130
Collection Fees- Prior Years	-	11,910	11,910	-
Other Grants & Misc	-	-	6,754	6,754
Total Revenues	<u>5,788,781</u>	<u>5,800,691</u>	<u>5,771,764</u>	<u>(28,927)</u>
<u>Expenditures:</u>				
Stormwater:				
Department of Public Works:				
General expenditures	<u>5,707,636</u>	<u>5,968,112</u>	<u>4,346,599</u>	<u>(1,621,513)</u>
Total stormwater	5,707,636	5,968,112	4,346,599	(1,621,513)
Capital Outlay	-	-	-	-
Total Expenditures	<u>5,707,636</u>	<u>5,968,112</u>	<u>4,346,599</u>	<u>(1,621,513)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>81,145</u>	<u>(167,421)</u>	<u>1,425,165</u>	<u>1,592,586</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>(125,945)</u>	<u>(169,145)</u>	<u>(169,145)</u>	<u>-</u>
Total other financing sources (uses)	<u>(125,945)</u>	<u>(169,145)</u>	<u>(169,145)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 81,145</u>	<u>\$ (167,421)</u>	1,425,165	<u>\$ 1,592,586</u>
Net effect of other income and expenditure accruals			<u>(49,000)</u>	
Net Change in Fund Balance			1,376,165	
Fund Balance:				
Beginning of year			<u>3,668,276</u>	
End of year			<u>\$ 5,044,441</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETARY BASIS - A.O. FUND
 YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment Earnings	\$ 18,000	\$ 18,000	\$ 2,976	\$ (15,024)
Other	400,000	400,000	158,119	(241,881)
Total revenues	<u>418,000</u>	<u>418,000</u>	<u>161,095</u>	<u>(256,905)</u>
Expenditures:				
General Government	1,500	1,780	772	1,008
Debt service - principal	420,000	420,000	2,223,245	(1,803,245)
Debt service - interest	18,000	155,791	264,641	(108,850)
Total Expenditures	<u>439,500</u>	<u>577,571</u>	<u>2,488,658</u>	<u>(1,911,087)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(21,500)</u>	<u>(159,571)</u>	<u>(2,327,563)</u>	<u>(2,167,992)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	500,000	500,000	7,090,000	6,590,000
Transfers in Capital	-	-	-	-
Transfers out	(316,146)	(339,529)	(942,424)	(602,895)
Total other financing sources (uses)	<u>183,854</u>	<u>160,471</u>	<u>6,147,576</u>	<u>5,987,105</u>
Net Change in Fund Balance	<u>\$ 162,354</u>	<u>\$ 900</u>	3,820,013	<u>\$ 3,819,113</u>
Net effect of other income and expenditure accruals			<u>13,359</u>	
Net Change in Fund Balance			3,833,372	
Fund Balance:				
Beginning of year			<u>1,011,978</u>	
End of year			<u>\$ 4,845,350</u>	

CITY OF ALLENTOWN, PENNSYLVANIA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 DECEMBER 31, 2020

Component Unit Pension Trust Funds				
	Police Pension Fund	Firemen Pension Fund	Officers and Employees Pension Fund	Total
<u>Assets</u>				
Interest Receivable	\$ 30,154	\$ 52,656	\$ 19,882	\$ 102,692
Due from City of Allentown	36,504	27,043	173	63,720
Investments, at fair value				
Money market funds	5,023,939	3,165,863	999,752	9,189,554
Equity mutual funds	132,267,477	83,923,779	4,949,465	221,140,721
Bond mutual funds	37,814,255	15,230,278	-	53,044,533
Collective investment trust	17,239,973	11,633,929	-	28,873,902
Corporate bonds	1,424,463	2,430,828	744,836	4,600,127
U.S. government obligations	4,023,678	6,687,612	2,299,321	13,010,611
U.S. government agency obligations	1,578,066	2,652,640	1,018,032	5,248,738
Total Assets	<u>199,438,509</u>	<u>125,804,628</u>	<u>10,031,461</u>	<u>335,274,598</u>
<u>Liabilities</u>				
Accounts Payable	<u>21,184</u>	<u>21,328</u>	<u>16,338</u>	<u>58,850</u>
Total Liabilities	<u>21,184</u>	<u>21,328</u>	<u>16,338</u>	<u>58,850</u>
<u>Net Position</u>				
Restricted for pension benefits	<u>\$ 199,417,325</u>	<u>\$ 125,783,300</u>	<u>\$ 10,015,123</u>	<u>\$ 335,215,748</u>

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CITY OF ALLENTOWN, PENNSYLVANIA

STATISTICAL SECTION

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

Contents **Table**

Financial Trends **1 – 5**

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

Revenue Capacity **6 – 9**

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

Debt Capacity **10 – 13**

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

Economic & Demographic Information **14 – 15**

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

Operating Information **16 – 18**

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

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CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 1

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net Investment in Capital Assets	\$ 30,108,596	\$ 32,494,392	\$ 126,410,580	\$ 143,512,599	\$ 149,413,132	\$ 151,528,530	\$ 189,628,005	\$ 192,129,736	\$ 200,846,817	\$ 195,284,967
Restricted	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881	10,117,790	16,159,253	16,770,597	35,172,694
Unrestricted	(26,754,250)	(33,811,444)	(182,008,900)	(189,614,176)	(234,253,739)	(248,954,870)	(298,573,683)	(363,578,871)	(362,037,301)	(370,877,511)
Total governmental activities net position	<u>10,003,324</u>	<u>10,957,947</u>	<u>107,337,847</u>	<u>113,735,444</u>	<u>(75,280,058)</u>	<u>(88,887,459)</u>	<u>(98,827,888)</u>	<u>(155,289,882)</u>	<u>(144,419,887)</u>	<u>(140,419,850)</u>
Business - type activities										
Net Investment in Capital Assets	63,445,317	64,695,490	68,128,410	5,551,723	5,267,292	4,965,265	4,971,644	5,512,206	5,202,335	4,993,363
Unrestricted	17,482,965	18,313,389	17,236,205	6,693,350	6,662,427	5,292,360	4,864,161	5,388,229	(822,631)	(1,275,950)
Total business - type activities net position	<u>80,928,282</u>	<u>83,008,879</u>	<u>85,364,615</u>	<u>12,245,073</u>	<u>11,929,719</u>	<u>10,257,625</u>	<u>9,835,805</u>	<u>10,900,435</u>	<u>4,379,704</u>	<u>3,717,413</u>
Primary government										
Net Investment in Capital Assets	93,553,913	97,189,882	194,538,990	149,064,322	154,680,424	156,493,795	194,599,649	197,641,942	206,049,152	200,278,330
Restricted	6,648,978	12,274,999	162,936,167	159,837,021	9,560,549	8,538,881	10,117,790	16,159,253	16,770,597	35,172,694
Unrestricted	(9,271,285)	(15,498,055)	(164,772,695)	(182,920,826)	(227,591,312)	(243,662,510)	(293,709,522)	(358,190,642)	(362,859,932)	(372,153,461)
Total primary government activities net position	<u>\$ 90,931,606</u>	<u>\$ 93,966,826</u>	<u>\$ 192,702,462</u>	<u>\$ 125,980,517</u>	<u>\$ (63,350,339)</u>	<u>\$ (78,629,834)</u>	<u>\$ (88,992,083)</u>	<u>\$ (144,389,447)</u>	<u>\$ (140,040,183)</u>	<u>\$ (136,702,437)</u>

Note:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
General government	\$ 13,916,289	\$ 16,164,160	\$ 16,865,074	\$ 19,866,840	\$ 18,476,854	\$ 14,922,641	\$ 14,870,717	\$ 17,862,356	\$ 16,641,885	\$ 11,517,854
Public safety	52,607,308	54,635,907	48,764,915	53,806,692	57,643,493	65,369,233	67,712,399	70,750,446	65,999,897	57,217,622
Community development	9,773,209	8,126,929	7,909,900	7,443,093	6,521,109	9,774,957	8,735,099	11,768,151	11,243,886	11,034,659
Public works	11,920,300	12,066,315	13,962,846	19,032,550	16,755,390	21,801,546	21,464,580	21,858,634	20,916,551	29,650,419
Health and sanitation	3,373,570	2,763,477	3,116,962	2,944,949	3,201,951	3,276,428	3,527,955	3,374,484	3,814,779	4,390,225
Parks and recreation	3,038,880	2,910,615	3,938,834	5,687,877	6,267,874	6,622,705	6,806,202	6,623,619	7,411,353	7,166,384
Other	-	-	-	1,033,067	-	-	-	-	-	-
Interest on long-term debt	5,481,742	5,331,070	4,997,583	4,419,672	4,822,575	4,964,746	4,601,557	4,341,979	4,812,958	4,609,638
Total governmental activities expenses	100,111,298	101,998,473	99,556,114	114,234,740	113,689,246	126,732,256	127,718,509	136,579,669	130,841,309	125,586,801
Business - type activities:										
Water fund	11,308,214	10,999,925	8,718,973	-	-	-	-	-	-	-
Sewer fund	13,533,543	14,242,086	9,673,907	-	-	-	-	-	-	-
Solid waste fund	13,170,266	14,549,004	14,529,054	14,599,155	15,027,563	14,590,672	14,377,533	14,389,435	15,701,270	15,009,176
Municipal golf course	1,152,872	1,167,107	1,204,675	1,220,773	1,180,801	1,207,239	1,259,924	1,230,685	1,225,306	1,156,632
Total business - type activities expenses	39,164,895	40,958,122	34,126,609	15,819,928	16,208,364	15,797,911	15,637,457	15,620,120	16,926,576	16,165,808
Total primary government expenses	\$ 139,276,193	\$ 142,956,595	\$ 133,682,723	\$ 130,054,668	\$ 129,897,610	\$ 142,530,167	\$ 143,355,966	\$ 152,199,789	\$ 147,767,885	\$ 141,752,609
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 4,680,342	\$ 4,131,189	\$ 4,080,763	\$ 4,087,754	\$ 3,761,333	\$ 4,452,307	\$ 4,333,343	\$ 5,252,229	\$ 5,468,069	\$ 4,802,479
Public safety	3,792,692	3,627,974	3,820,867	3,935,055	3,889,699	4,772,625	4,890,164	4,623,068	4,407,864	2,234,458
Community development	3,249,126	3,325,198	3,839,739	3,996,649	3,409,113	3,539,435	3,893,058	6,514,071	5,411,553	5,480,748
Public works	192,673	189,821	277,561	236,424	358,278	1,139,669	1,053,964	6,508,377	6,595,548	6,407,327
Health and sanitation	192,961	436,682	309,931	329,332	344,749	390,794	379,396	397,593	374,413	264,037
Parks and recreation	424,910	418,634	461,267	505,205	314,298	528,225	530,315	589,419	634,297	470,709
Other	-	-	-	-	-	-	-	-	-	-
Water and sewer	-	-	3,430,049	6,227,905	4,870,740	5,973,852	4,292,734	4,967,803	5,190,913	4,981,141
Operating grants and contributions	13,696,509	13,496,058	17,010,242	16,149,411	13,172,892	12,775,516	8,285,549	19,945,131	13,527,175	12,859,939
Capital grants and contributions	5,335,856	5,654,879	24,157,607	14,981,948	12,033,696	6,282,366	698,555	802,464	340,703	6,400,538
Total governmental activities program revenues	31,565,069	31,280,435	57,388,026	50,449,683	42,154,798	39,854,789	28,357,078	49,600,155	41,950,535	43,901,376
Business - type activities:										
Charges for services:										
Water fund	14,878,781	15,525,790	8,782,028	-	-	-	-	-	-	-
Sewer fund	15,595,169	14,331,640	8,798,348	-	-	-	-	-	-	-
Solid waste fund	13,692,905	14,837,965	14,935,518	14,675,253	14,901,702	14,543,018	16,052,450	14,461,730	14,590,321	14,386,329
Municipal golf course	1,321,422	1,383,066	1,279,247	1,237,609	1,281,661	1,201,372	1,248,675	1,219,555	1,523,123	1,562,064
Operating grants and contributions	828,291	1,630,127	887,428	621,636	411,842	508,689	555,724	1,060,856	552,475	990,913
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	46,316,568	47,708,588	34,682,569	16,534,498	16,595,205	16,253,079	17,856,849	16,742,141	16,665,919	16,939,306
Total primary government program revenues	\$ 77,881,637	\$ 78,989,023	\$ 92,070,595	\$ 66,984,181	\$ 58,750,003	\$ 56,107,868	\$ 46,213,927	\$ 66,342,296	\$ 58,616,454	\$ 60,840,682
Net (expense)/revenue:										
Governmental activities	\$ (68,546,229)	\$ (70,718,038)	\$ (42,168,088)	\$ (63,785,057)	\$ (71,534,448)	\$ (86,877,467)	\$ (99,361,431)	\$ (86,979,514)	\$ (88,890,774)	\$ (81,685,425)
Business - type activities	7,151,673	6,750,466	555,960	714,570	386,841	455,168	2,219,392	1,122,021	(260,657)	773,498
Total primary government net expense	\$ (61,394,556)	\$ (63,967,572)	\$ (41,612,128)	\$ (63,070,487)	\$ (71,147,607)	\$ (86,422,299)	\$ (97,142,039)	\$ (85,857,493)	\$ (89,151,431)	\$ (80,911,927)

(Continued) (Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 2

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes and other taxes	\$ 51,955,525	\$ 57,041,497	\$ 58,031,788	\$ 58,012,491	\$ 59,959,705	\$ 63,611,493	\$ 73,585,762	\$ 78,881,070	\$ 85,451,237	\$ 74,723,537
Grants and charges not restricted to specific purposes	12,298,352	10,216,783	10,290,239	11,484,314	12,631,023	12,970,519	14,592,416	11,798,217	12,294,357	9,359,985
Investment earnings	4,608	19,651	69,236	28,820	19,919	61,158	88,062	609,832	579,507	139,840
Gain on sale of asset	-	-	-	-	-	-	-	-	85,238	11,731
Transfers	5,071,076	4,394,730	71,674,238	1,029,924	954,004	876,988	1,154,762	1,364,031	1,350,430	1,450,369
Total governmental activities	<u>69,329,561</u>	<u>71,672,661</u>	<u>140,065,501</u>	<u>70,555,549</u>	<u>73,564,651</u>	<u>77,520,158</u>	<u>89,421,002</u>	<u>92,653,150</u>	<u>99,760,769</u>	<u>85,685,462</u>
Business - type activities:										
Investment earnings	-	-	132,218	-	-	-	-	-	74,784	14,580
Transfers	(5,071,076)	(4,394,730)	(71,674,238)	(1,029,924)	(954,004)	(876,988)	(1,154,762)	(1,364,031)	(1,350,430)	(1,450,369)
Total business - type activities	<u>(5,071,076)</u>	<u>(4,394,730)</u>	<u>(71,542,020)</u>	<u>(1,029,924)</u>	<u>(954,004)</u>	<u>(876,988)</u>	<u>(1,154,762)</u>	<u>(1,364,031)</u>	<u>(1,275,646)</u>	<u>(1,435,789)</u>
Total primary government	<u>\$ 64,258,485</u>	<u>\$ 67,277,931</u>	<u>\$ 68,523,481</u>	<u>\$ 69,525,625</u>	<u>\$ 72,610,647</u>	<u>\$ 76,643,170</u>	<u>\$ 88,266,240</u>	<u>\$ 91,289,119</u>	<u>\$ 98,485,123</u>	<u>\$ 84,249,673</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>\$ (1,299,079)</u>	<u>\$ (372,895)</u>	<u>\$ -</u>	<u>\$ (4,250,092)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position										
Governmental activities	\$ 954,623	\$ 97,897,413	\$ 6,770,492	\$ 2,030,203	\$ (9,357,309)	\$ (9,940,429)	\$ 5,673,636	\$ 5,673,636	\$ 10,869,995	\$ 4,000,037
Business - type activities	2,355,736	(70,986,060)	(688,249)	(567,163)	(421,820)	1,064,630	(242,010)	(242,010)	(1,536,303)	(662,291)
Total primary government	<u>\$ 3,310,359</u>	<u>\$ 26,911,353</u>	<u>\$ 6,082,243</u>	<u>\$ 1,463,040</u>	<u>\$ (9,779,129)</u>	<u>\$ (8,875,799)</u>	<u>\$ 5,431,626</u>	<u>\$ 5,431,626</u>	<u>\$ 9,333,692</u>	<u>\$ 3,337,746</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.
For the year ending 2013 all remaining assets, liabilities and net position for the Water and Sewer Fund were transferred to the General Fund.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 3

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

<u>Year</u>	<u>Total</u> <u>Taxes</u>	<u>General</u> <u>Property</u> <u>Tax</u>	<u>Earned</u> <u>Income</u> <u>Tax</u>	<u>Business</u> <u>Privilege</u> <u>Tax</u>	<u>Other</u> <u>Local</u> <u>Taxes</u>
2011	\$ 51,955,525	\$ 29,310,491	\$ 12,744,483	\$ 6,795,191	\$ 3,105,360
2012	57,041,497	29,823,087	17,731,754	6,636,744	2,849,912
2013	58,031,788	29,711,628	19,148,315	6,307,675	2,864,170
2014	58,012,491	29,604,712	18,411,370	6,805,224	3,191,185
2015	59,959,705	30,121,707	19,429,021	6,939,406	3,469,571
2016	64,969,817	30,800,125	23,840,629	6,571,105	3,757,958
2017	73,709,271	32,519,646	29,802,821	7,483,984	3,902,820
2018	76,648,713	31,353,086	33,789,071	7,904,804	3,601,752
2019	84,529,132	36,860,819	35,592,554	8,082,551	3,993,208
2020	84,055,189	38,365,253	34,419,934	7,263,912	4,006,090

CITY OF ALLENTOWN, PENNSYLVANIA

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Restricted	147,000	704,228	794,058	769,097	981,135	862,397	-	-	-	-
Assigned	1,771,079	-	21,588,122	15,534,027	8,872,191	6,434,577	-	800,480	1,634,591	2,352,171
Unassigned	2,467	(1,445,400)	24,022,470	17,715,206	18,038,567	12,237,375	13,251,806	18,095,666	21,829,026	23,242,112
Total general fund	<u>1,920,546</u>	<u>(741,172)</u>	<u>46,404,650</u>	<u>34,018,330</u>	<u>27,891,893</u>	<u>19,534,349</u>	<u>13,251,806</u>	<u>18,896,146</u>	<u>23,463,617</u>	<u>25,594,283</u>
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted	14,228,537	10,880,822	9,484,961	8,749,937	19,711,402	14,875,182	14,155,933	16,159,253	16,770,597	35,172,694
Assigned	-	-	-	-	-	46,047	-	-	-	-
Unassigned	(96,134)	(29,306)	(151,609)	(44,940)	-	(298,517)	(118,840)	(246,234)	-	-
Total all other governmental funds	<u>14,132,403</u>	<u>10,851,516</u>	<u>9,333,352</u>	<u>8,704,997</u>	<u>19,711,402</u>	<u>14,622,712</u>	<u>14,037,093</u>	<u>15,913,019</u>	<u>16,770,597</u>	<u>35,172,694</u>
TOTAL	<u>\$ 16,052,949</u>	<u>\$ 10,110,344</u>	<u>\$ 55,738,002</u>	<u>\$ 42,723,327</u>	<u>\$ 47,603,295</u>	<u>\$ 34,157,061</u>	<u>\$ 27,288,899</u>	<u>\$ 34,809,165</u>	<u>\$ 40,234,214</u>	<u>\$ 60,766,977</u>

Notes:

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

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

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

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

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 52,770,021	\$ 55,787,638	\$ 57,865,676	\$ 57,874,403	\$ 59,786,702	\$ 64,853,652	\$ 71,512,921	\$ 76,085,821	\$ 86,200,830	\$ 84,325,272
Licenses and permits	5,030,946	5,250,576	5,781,973	6,309,428	5,845,880	5,907,269	6,095,884	8,768,619	7,648,361	7,512,497
Charges for services	4,824,140	4,898,943	6,615,357	8,271,223	6,312,663	5,422,775	4,450,086	6,094,400	6,582,276	5,228,472
Fines and forfeits	518,350	634,724	672,105	748,687	690,926	1,180,590	593,368	623,181	377,686	263,588
Investment earnings	4,608	19,686	69,236	28,820	19,919	61,159	87,816	609,832	579,507	123,953
Intergovernmental revenues	28,695,423	26,927,447	49,185,888	39,416,740	36,574,646	30,798,475	24,512,139	32,875,745	26,192,040	27,104,518
Other	4,906,361	3,945,339	3,961,421	3,766,919	1,610,936	2,910,028	2,989,734	8,842,875	9,348,091	7,400,008
Total revenues	96,749,849	97,464,353	124,151,656	116,416,220	110,841,672	111,133,948	110,241,948	133,900,473	136,928,791	131,958,308
Expenditures										
General government	13,765,436	14,417,230	18,108,503	16,352,843	14,227,338	9,925,924	10,073,023	17,015,637	12,330,677	11,622,331
Public safety	50,839,312	53,491,745	196,455,831	47,934,281	49,929,150	58,337,847	61,595,723	64,725,057	65,867,143	66,463,915
Community development	9,731,882	7,835,133	7,669,312	7,047,296	6,199,566	9,625,276	8,523,967	11,500,007	11,194,135	10,843,958
Public works	9,631,143	9,658,216	12,262,727	12,413,386	13,658,527	14,558,597	15,009,623	16,589,541	14,469,632	24,592,850
Health and sanitation	2,809,068	2,673,529	3,420,443	2,877,343	3,095,730	3,301,982	3,543,585	3,489,864	3,712,218	4,150,877
Parks and recreation	2,467,866	2,467,730	3,963,487	5,008,229	5,427,035	5,833,745	5,939,343	5,889,408	6,225,680	5,923,640
Other	-	-	-	1,033,067	-	-	-	-	-	-
Debt service:										
Principal	6,514,100	3,395,750	3,874,400	8,898,300	14,310,040	7,933,320	17,121,284	13,686,108	18,967,566	10,568,245
Interest	4,423,008	4,180,843	3,827,906	3,733,786	3,841,537	3,271,606	2,899,745	2,459,911	2,523,288	2,372,007
Payment of loan issuance costs	-	-	-	-	-	-	-	-	-	-
Capital outlay	9,912,486	10,610,482	28,386,348	24,851,039	18,815,450	14,164,247	10,728,546	5,834,064	10,421,825	1,871,347
Total expenditures	110,094,301	108,730,658	277,968,957	130,149,570	129,504,373	126,952,544	135,434,839	141,189,597	145,512,164	138,409,170
Excess (deficiency) of revenues over (under) expenditures	(13,344,452)	(11,266,305)	(153,817,301)	(13,733,350)	(18,662,701)	(15,818,596)	(25,192,891)	(7,289,124)	(8,583,373)	(6,450,862)
Other Financing Sources (uses):										
Issuance of long term debt	13,690,000	5,910,000	-	-	17,003,395	1,427,418	13,491,272	11,973,631	12,649,529	22,810,000
Refunding bonds issued	-	-	-	-	11,425,000	-	-	-	-	-
Premium on refunded bonds	-	-	-	-	745,551	-	-	-	-	-
Payment to refunded bonds escrow agent	-	(5,828,246)	-	-	(6,634,456)	-	-	-	-	-
Bond premium	38,630	-	-	-	-	-	232,667	184,212	-	1,943,521
Bond discount	(126,066)	(16,111)	-	-	-	-	-	-	-	-
Capital lease	-	-	102,950	-	-	-	3,295,820	1,174,098	-	585,074
Sale of capital asset	-	-	-	-	-	-	-	-	92,525	72,925
Transfers in	13,793,454	13,651,068	213,779,083	19,680,797	20,551,091	15,826,665	26,303,545	20,508,704	25,754,047	11,001,453
Transfers out	(8,669,127)	(8,393,011)	(14,437,074)	(18,589,227)	(19,547,912)	(14,881,721)	(24,998,575)	(19,031,255)	(24,287,679)	(9,429,348)
Total other financing sources and uses	18,726,891	5,323,700	199,444,959	1,091,570	23,542,669	2,372,362	18,324,729	14,809,390	14,208,422	26,983,625
Special Item	-	-	-	-	(372,895)	-	-	-	-	-
Net change in fund balances	\$ 5,382,439	\$ (5,942,605)	\$ 45,627,658	\$ (12,641,780)	\$ 4,507,073	\$ (13,446,234)	\$ (6,868,162)	\$ 7,520,266	\$ 5,625,049	\$ 20,532,763
Debt service as a percentage of noncapital expenditures	10.9%	7.7%	3.1%	12.0%	16.3%	9.9%	16.1%	11.9%	15.9%	9.5%

Notes:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 6

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

Fiscal Year Ended	Real Property					Total Taxable Assessed 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					
December 31										
2011	\$ 1,053,338,550	\$ 351,299,450	\$ 230,313,050	\$ 53,052,000	\$ 15,463,150	\$ 1,703,466,200	\$ 484,513,100	0.01753	\$ 3,406,932,400	50%
2012	1,051,702,800	351,225,450	230,099,250	53,044,800	16,477,600	1,702,549,900	476,375,100	0.01753	3,405,099,800	50%
2013	3,000,528,700	1,137,984,800	772,716,200	177,743,400	43,352,100	5,132,325,200	1,503,378,200	0.00580	5,132,325,200	100%
2014	2,992,534,800	1,167,818,000	771,111,300	176,876,300	47,110,300	5,155,450,700	1,518,849,200	0.00581	5,155,450,700	100%
2015	2,989,816,700	1,409,920,500	772,448,100	178,204,100	47,602,100	5,397,991,500	1,526,983,200	0.00581	5,397,991,500	100%
2016	2,988,820,300	1,282,432,100	775,529,400	175,946,800	50,594,800	5,273,323,400	1,663,243,900	0.00581	5,273,323,400	100%
2017	2,989,073,100	1,233,981,000	785,079,000	181,837,400	51,656,800	5,241,627,300	1,699,800,400	0.00581	5,241,627,300	100%
2018	2,990,553,500	1,281,765,900	782,654,900	185,016,600	58,322,200	5,298,313,100	1,707,931,600	0.00581	5,298,313,100	100%
2019	2,871,421,345	1,445,225,744	686,999,649	173,009,480	91,673,282	5,268,329,500	1,696,212,500	0.00731	5,268,329,500	100%
2020	2,990,646,200	1,334,679,300	783,615,400	185,644,800	55,779,500	5,350,365,200	1,711,705,200	0.00728	5,350,365,200	100%

Notes:

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

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 7

Property Tax Rates
Direct and Overlapping Governments
Last Ten Years

	<u>Direct Rates</u>	<u>Overlapping Rates</u>		Total Direct & Overlapping Rates
	<u>Allentown City</u>	<u>School District</u>	<u>County</u>	
Fiscal Year	Total City Millage(1)	Total School Millage	Total County Millage	
2011	17.53	45.592	11.90	75.02
2012	17.53	49.332	11.90	78.76
2013	5.81	17.3155	3.79	26.92
2014	5.81	18.329	3.750	27.89
2015	5.81	18.329	3.680	27.82
2016	5.81	18.329	3.640	27.78
2017	5.81	19.025	3.640	28.48
2018	5.81	19.729	3.640	29.18
2019	7.31	20.074	3.780	31.16
2020	7.28	20.877	3.780	31.94

Notes:

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

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

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

(1) 7.2814 is the base on which the land value tax is calculated (23.5376 - land and 4.4528 - improvements).

CITY OF ALLENTOWN, PENNSYLVANIA

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total taxable Assessed Valuation
Five City Center OP LP	\$ 45,857,700	1	0.86%			
Two City Center OP LP	45,000,000	2	0.84%			
Home Properties Trexler Park LLC	34,614,100	3	0.65%	\$ 10,411,550	2	0.61%
One City Center OP LP	29,000,000	4	0.54%			
Three City Center OP LP	25,529,300	5	0.48%			
Congress Associates	25,200,000	6	0.47%	6,575,850	3	0.39%
EPC-Allentown LLC	22,354,200	7	0.42%	4,060,850	10	0.24%
IPX MF Lakes Apartment Assoc. LLC	21,834,500	8	0.41%	5,961,050	4	0.35%
Pennsylvania Power & Light Co.	21,509,700	9	0.40%			
Tower Six OP LP	21,474,000	10	0.40%			
Lehigh Valley Hospital Inc.				5,372,750	6	0.32%
Morris Allentown Associates LP ET				5,535,000	5	0.32%
Plaza at 835 W Hamilton Street LP				21,570,550	1	1.27%
Westmont LP				5,156,050	7	0.30%
Allentown Commerce Park Corp.				4,900,000	8	0.29%
230 Riverbend Apartments LLC				4,290,000	9	0.25%
Total	<u>\$ 292,373,500</u>		<u>5.47%</u>	<u>\$ 73,833,650</u>		<u>4.34%</u>

Source:
City of Allentown Property Tax File

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 9

Property Tax Levies and Collections
Last Ten Years

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 29,481,538	\$ 28,274,829	95.9%	\$ 638,377	\$ 28,913,206	97.9%
2012	29,700,657	28,426,793	95.7%	677,283	29,104,076	97.7%
2013	29,788,671	28,335,558	95.1%	742,370	29,077,928	97.1%
2014	29,614,100	28,313,759	95.6%	317,809	28,631,568	96.6%
2015	30,427,086	28,803,546	94.7%	130,955	28,934,501	95.0%
2016	31,040,343	29,551,096	95.2%	65,411	29,616,507	95.4%
2017	30,594,033	29,187,108	95.4%	77,024	29,264,132	95.5%
2018	30,465,047	29,346,327	96.3%	346,047	29,692,374	96.3%
2019	38,647,946	37,285,155	96.5%	680,160	37,965,315	98.2%
2020	38,959,783	37,246,147	95.6%	-	37,246,147	95.6%

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 10

Ratios of Outstanding Debt By Type
Last Ten Years

Fiscal Year	Governmental Activities		Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Water			Sewer					
			Revenue Bonds and Note	General Obligation Bonds	Other	Revenue Bonds	General Obligation Bonds	Capital Leases			
2011	103,285,937	906,186	6,255,200	6,005,000	-	7,455,000	5,185,000	465,098	129,557,421	2.83%	1,098
2012	102,750,151	654,732	4,471,200	5,190,000	2,140,123	6,240,000	5,075,000	644,817	127,166,023	2.69%	1,077
2013	100,262,568	853,070	0	-	-	0	-	411,604	101,527,242	2.01%	860
2014	92,923,268	1,855,031	-	-	-	-	-	691,887	95,470,186	1.85%	809
2015	103,141,746	1,427,208	-	-	-	-	-	490,635	105,059,589	1.97%	890
2016	98,341,716	1,002,341	-	-	-	-	-	395,189	99,739,246	1.77%	845
2017	96,708,953	3,756,786	-	-	-	-	-	499,495	100,965,234	1.75%	855
2018	97,127,878	4,003,545	-	-	-	-	-	704,351	101,835,774	1.68%	863
2019	92,812,488	3,009,918	-	-	-	-	-	436,137	96,258,543	1.51%	816
2020	109,113,518	2,681,322	-	-	-	-	-	160,110	111,954,950	1.60%	890

Notes:

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 11

Ratios of General Bonded Debt Outstanding
Last Ten Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2011	\$ 114,475,937 (1)	3.36%	970
2012	113,015,151	3.32%	957
2013	100,262,568	1.95%	849
2014	92,923,268	1.80%	787
2015	103,141,746	1.91%	874
2016	98,341,716	1.86%	833
2017	96,708,953	1.85%	819
2018	97,127,878	1.83%	823
2019	92,812,488	1.76%	786
2020	109,113,518	2.04%	867

Notes:

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 12

Direct and Overlapping Governmental Activities Debt
As of December 31, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Allentown School District	\$ 203,897,310	100.0%	\$ 203,897,310
Lehigh County General Obligation Bonds	160,239,584	19.4%	<u>31,086,479</u>
Subtotal, overlapping debt			234,983,789
City of Allentown Direct Debt			<u>111,794,840</u>
Total direct and overlapping debt			<u>\$ 346,778,629</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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 274,575,453	\$ 290,328,835	\$ 307,220,837	\$ 320,307,425	\$ 320,424,234	\$ 321,470,730	\$ 237,373,525	\$ 162,999,145	\$ 189,698,814	\$ 187,293,730
Total net debt applicable to limit	<u>72,730,937</u>	<u>73,124,883</u>	<u>71,670,638</u>	<u>70,648,299</u>	<u>86,278,954</u>	<u>83,779,057</u>	<u>87,805,739</u>	<u>88,956,423</u>	<u>83,647,406</u>	<u>99,854,840</u>
Legal debt margin	<u>\$ 201,844,516</u>	<u>\$ 217,203,952</u>	<u>\$ 235,550,199</u>	<u>\$ 249,659,126</u>	<u>\$ 234,145,280</u>	<u>\$ 237,691,673</u>	<u>\$ 149,567,786</u>	<u>\$ 74,042,722</u>	<u>\$ 106,051,408</u>	<u>\$ 87,438,890</u>
Total net debt applicable to the limit as a percentage of debt limit	26.49%	25.19%	23.33%	22.06%	26.93%	26.06%	36.99%	54.57%	44.09%	53.31%

Legal Debt Margin Calculation for Fiscal year 2019

Borrowing base (1)	\$ 114,859,428
Percentage limitation	250%
Net debt limit	287,148,570
Debt applicable to limit:	
General obligation debt (2)	111,794,840
Less: Amount set aside for pension funding liability	<u>(11,940,000)</u>
	<u>99,854,840</u>
	<u>\$ 187,293,730</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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 14

Demographic and Economic Statistics
Last Ten Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2011	118,032	\$ 4,582,946,496	\$ 38,828	17,748	11.7%
2012	118,032	4,732,493,040	40,095	17,239	11.5%
2013	118,032	5,059,441,680	42,865	17,362	6.5%
2014	118,032	5,171,808,144	43,817	19,974	4.8%
2015	118,032	5,334,220,176	45,193	20,287	3.9%
2016	118,032	5,638,388,640	47,770	20,804	4.6%
2017	118,032	5,766,807,456	48,858	20,939	4.3%
2018	118,032	6,075,579,168	51,474	21,813	3.9%
2019	118,032	6,387,891,840	54,120	20,725	4.5%
2020	125,845	7,006,420,375	55,675	21,277	6.6%

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

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2020</u>			<u>2011</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	3,365	1	5.10%	1,436	6	2.15%
Allentown School District	2,496	2	3.78%	2,705	1	4.06%
St Lukes Hospital/Health Care	2,421	3	3.67%			
Muhlenberg College	1,933	4	2.93%			
Lehigh County & Institutions	1,682	5	2.55%	1,599	4	2.40%
ADP Inc	1,393	6	2.11%			
Allied Personnel Services	1,312	7	1.99%			
Integrity Staffing Solutions	1,212	8	1.84%	978	9	1.47%
PPL Co.	1,168	9	1.77%	1,811	3	2.72%
Good Shepherd Rehabilitation Network	1,017	10	1.54%			
City of Allentown				1,086	8	1.63%
Sacred Heart Hospital/Health Care				1,096	7	1.64%
Breckenridge Enterprises				1,477	5	2.22%
Commonwealth of Pennsylvania				1,824	2	2.74%
Performance Personnel				928	10	1.39%
	<u>17,999</u>		<u>27.28%</u>	<u>14,940</u>		<u>22.42%</u>

Source:
Berkheimer Associates

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

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 16

Full-Time Equivalent Employees By Function
Last Ten Years

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government	93	101.5	96	96	97	95	88	93	106	117
Public Safety										
Police										
Officers	209	219	214	216	222	222	222	222	222	222
Civilians	27	25	21	27	28	26.7	22	22	22	22
E-911	32	33	33	33	33	33.3	31	30	0	0
Fire										
Firefighters and officers	143	144	126	125	125	125	126	126	125	129
Civilians	1	1	1	1	1	1	1	1	2	2
EMS	32	41	32	32	32	34	34	34	34	38
Highways and Streets	46	46	86	82	80	79.1	83	63	62	58
Sanitation/Recycling	33	33	34	36	38	38	41	42	43	42
Building Maintenance	12	13	16	15	15	15	15	15	15	15
Building Standards & Safety	38	47.6	36	33	31	31.3	34	38	41	41
Culture and Recreation	22	24	50	56	55	55.5	56	56	58	57
Golf	6	6	6	6	6	6	5	5	5	4
Health	35	35	35	32	35	35	35	36	36	36
Water	85	84	0	0	0	0	0	0	0	0
Sewer	96	93	0	0	0	0	0	0	0	0
Stormwater	0	0	0	0	0	0	0	26	26	26
Total	910	946	786	790	798	797	793	809	797	809

Notes:

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

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

As of January 1, 2019, the 911 responsibility was transferred to Lehigh County. The City 911 employees became County employees.

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police										
Law violations	13,794	13,801	13,844	13,022	11,269	11,742	11,839	10,406	10,068	9,553
Traffic violations (5)	10,560	10,182	10,466	11,225	8,258	8,500	9,000	4,768	2,403	2,795
Fire										
Number of calls answered	11,719	9,409	11,685	11,606	12,036	11,497	10,445	9,930	10,982	11,809
Inspections and investigations (1)	2,351	1,149	950	901	1364	954	862	836	940	851
Highways and Streets										
Street reconstruction (miles)	0.00	0.10	0.28	1.83	0.16	0.09	0.80	0.18	0.13	0.00
Overlays (miles)	4.9	3.7	2.1	3.2	4.3	2.8	1.7	0.8	1.9	1.9
Potholes repaired	9,673	4,355	6,236	10,923	14,186	7,223	11,286	18,971	9,566	9,009
Sanitation										
Refuse collected (tons/year)	36,174	37,274	33,143	37,355	35,511	35,780	40,536	39,461	39,860	42,596
Recyclables collected (tons/year)	9,267	11,603	10,104	9,735	10,510	10,730	12,177	10,277	12,532	13,265
Sweep tickets issued	6,854	7,514	6,997	4,809	6,877	5,719	5,317	8,025	9,706	6,100
Animal related complaints	1,268	1,441	1,286	1,378	1,482	1,556	1,706	1,638	1,680	1,086
Health										
Home hazard surveys (7)	311	274	277	443	215	173	37	231	19	6
Food service inspections	1,306	1,613	1,712	1,615	1,853	1,693	1,675	1,703	1,875	920
Number of home visits	428	478	593	393	284	437	379	336	295	281
Total lead screenings/Healthy home visits (2)	916	788	227	0	17	5	240	207	219	71
Persons tested & counseled for HIV infection	2,624	2,517	2,290	2,036	2,077	2,032	2,071	2,009	2,085	661
Recreation										
Pavilion permits	294	297	523	648	629	503	703	678	373	246
Swimming pool season passes	159	253	680	263	294	256	355	1,019	112	0
Swimming pool patrons (non season pass)	47,365	36,584	50,895	31,509	33,081	25,458	32,449	37,488	45,383	0
Water (3)										
Water connection permits	47	8	3	0	0	0	0	0	0	0
Water main breaks	23	13	6	0	0	0	0	0	0	0
Average daily consumption (millions of gallons)	14.39	16.00	18.36	0.00	0	0	0	0	0	0
Wastewater										
Average daily sewage treatment (millions of gallons)	31.64	30.91	31.17	0.00	0.00	0.00	0	0	0	0

(Continued)

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 17

Operating Indicators By Function
Last Ten Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Golf										
Number of patrons (4)	45,799	48,500	45,600	64,396	64,956	61,500	59,500	50,000	66,053	73,123
Number of days of service	285	310	285	251	266	270	256	247	250	208
E-911 (6)										
Number of calls:										
Police	127,315	119,686	120,355	123,840	119,647	110,260	113,749	98,063	0	0
EMS	14,628	14,528	13,998	14,583	15,542	15,595	15,531	15,814	0	0
Fire	11,753	9,409	11,685	11,607	12,036	11,497	10,452	9,930	0	0
Other	9,653	7,901	7,843	8,630	9,455	11,497	11,397	10,366	0	0

Source:
Various city departments.

- Notes:
- (1) Prior to 2012, Inspections and Investigations included follow up visits.
 - (2) The Lead Screening part of the program ended in June 2013. The focus has shifted to assessing the homes of children with lead poisoning.
 - (3) Reflects activity up to August 7, 2013.
 - (4) Starting 2014 number includes golf course and driving range patrons
 - (5) 2015 number changed to actual, originally used estimate, 2016 is also estimated
 - (6) As of January 1, 2019, the 911 responsibility was transferred to Lehigh County
 - (7) The 2018 amount included 207 Home Healthy Visits in error
 - (8) Due to COVID-19, the swimming pools were not open in 2020

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

CITY OF ALLENTOWN, PENNSYLVANIA

TABLE 18

Capital Asset Statistics By Function
Last Ten Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Police officers	197	209	200	208	211	218	210	208	210	213
Patrol units	90	108	114	114	107	108	124	120	123	120
Fire:										
Stations	6	6	6	6	6	6	6	6	6	6
Fire fighters	102	120	123	120	118	122	121	121	123	120
Sanitation										
Collection trucks	3	4	4	4	3	3	5	3	5	5
Highways and Streets										
Streets (miles)	427.5	427.5	427.5	427.5	427.5	427.5	433.9	433.9	433.9	433.9
Streetlights	8097	8097	8106	8106	8136	8461	8461	8476	8622	8622
Traffic signals (1)	1622	1622	1622	195	198	196	196	196	196	196
Recreation										
Parks acreage	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022
Parks (2)	32	32	32	32	45	45	45	45	45	45
Swimming pools	4	4	4	4	4	4	4	4	4	4
Playgrounds	19	19	19	19	19	21	21	21	21	21
Water										
Water mains (miles)	310	310	310	310	310	310	310	310	310	310
Fire hydrants	1820	1817	1817	1817	1817	1817	1817	1817	1817	1817
Maximum daily capacity (millions of gallons)	30	35	35	35	35	35	35	35	35	35
Sewer										
Sanitary sewers (miles)	283	283	283	283	283	283	283	283	283	283
Storm sewers (miles)	165	165	165	165	165	165	165	165	165	165
Maximum daily treatment capacity (millions of gallons)	40	40	40	40	40	40	40	40	40	40
Golf										
Number of courses	1	1	1	1	1	1	1	1	1	1

Source:
Various city departments.

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

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

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 U.S generally accepted auditing standards.
- Full disclosure should be provided in The Annual Comprehensive 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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