ANNUAL REPORT

OF THE

CITY OF ALTOONA

BLAIR COUNTY, PENNSYLVANIA

****

FOR THE YEAR ENDED DECEMBER 31, 2018

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(CONTINUED)

Young, Oakes, Brown & Company, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

City of Altoona
Mayor and Council Members
City Hall
13th Avenue and 12th Street
Altoona, Pennsylvania 16601

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Altoona, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Qualified Opinion on Component Unit
The component units' financial statements were qualified as follows: The Parking Authority of the City of Altoona receives a substantial portion of its revenue consisting of daily rentals and coin collections. It was not practical to satisfy ourselves with respect to such revenues beyond the amounts recorded as received.

Qualified Opinion
In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Component Unit* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of the City of Altoona, Pennsylvania, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units other than The Parking Authority of the City of Altoona, each major fund, and the aggregate remaining fund information of the City of Altoona as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle
As discussed in Note II.P. to the financial statements, as of January 1, 2018, the City adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Defined Benefit Pension Plan information, Defined Benefit Postemployment Healthcare Plan information, and budgetary comparison information on pages 4 to 12 and 94 to 115 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona, Pennsylvania's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)
The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2019, on our consideration of the City of Altoona, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Altoona, Pennsylvania's internal control over financial reporting and compliance.

Young, Oakes, Brown & Company, P.C.

Altoona, Pennsylvania
July 16, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Altoona's annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

- The City's assets exceeded its liabilities by $344,457,260 *(net position)* for the fiscal year reported.

- Total net assets are comprised of the following:

  (1) Net investment in Capital assets of $375,751,088 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position of $15,894,234 are restricted by constraints imposed either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. These restricted net assets are composed of the following:

Capital Expenditures	$7,029,962
Recreation	205,867
Liquid Fuels	873,252
Shade Tree	2,346
Other Projects	7,782,807

  (3) Unrestricted net position represents the portion of net assets available to maintain the City's continuing obligations to citizens and creditors; however, as of December 31, 2018, the City of Altoona had a deficit in unrestricted net position of ($47,188,062).

- The City's governmental funds reported total ending fund balance of $28,400,501 this year. This compares to the prior year ending fund balance of $25,942,297 showing a $2,299,992 increase during the year. There was also a prior period adjustment related to a previously unrecorded investment owned by the City, which increased fund balance by $158,212. Unassigned fund balance of $7,790,752 for fiscal year 2018 shows a decrease of $5,156,280 from the prior year.
- At the end of fiscal year 2018, the unassigned fund balance for the General Fund was $7,790,752.
- During the course of 2018, the City established a Special Reserve Fund into which $7,363,422 of previously unassigned fund balance was transferred.

Overview of the Financial Statements

Management's discussion and analysis introduces the City's basic financial statements. The basic financial statements include the Government-Wide Financial Statements, i.e. the Statement of Net Assets and the Statement of Activities, as well as the Fund Financial Statements, i.e. the Balance Sheet-Governmental Funds, the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds, the Statement of Fiduciary Net Assets, and the Statement of Changes in Fiduciary Net Assets-Fiduciary Funds. The City also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net assets changed during fiscal year 2018. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the statement of activities is to show the financial reliance of the City's distinct activities and functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues from business-type activities; however, during 2018, the City operations consisted totally of governmental activities. Governmental activities include general government, public safety, public services, and culture and recreation. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

Governmental Funds

Governmental funds are reported in the fund financial statements and encompass basically the same functions reported as governmental activities in the government –wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government–wide statements to assist in understanding the differences between these two perspectives.

The City of Altoona maintains 22 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 Special Reserve fund, the Highway Aid fund, the Act 205 Pension fund, the Capital Expenditures fund, and the Housing and Community Development fund, all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City of Altoona maintains no proprietary funds.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Altoona's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Altoona's progress in funding its obligation to provide pension benefits to its employees. In addition, the City of Altoona adopts an annual appropriated budget for its General fund and Highway Aid fund. Budgetary comparison schedules, another component of *required supplementary information*, have been provided for these funds to demonstrate compliance with this budget.

The combining statements for non-major governmental funds referred to earlier are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Altoona, assets exceeded liabilities by $344,457,260, at the close of fiscal year 2018.

A significant portion of the City of Altoona's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Altoona's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, the other significant portions of the City of Altoona's restricted net assets are reflected below:

Capital Expenditures	$7,029,962
Recreation	205,867
Liquid Fuels	873,252
Shade Tree	2,346
Other Projects	7,782,807

CITY OF ALTOONA
Net Assets

	Governmental Activities 2017	2018	% Change
Current and other Assets	$35,422,711	$37,881,955	6.94%
Capital Assets	$417,268,008	$408,934,651	(2.00)
Total Assets	$452,690,719	$446,816,606	(1.30)
Deferred Outflows of Resources	$6,783,547	$19,319,627	184.77
Long-term liabilities outstanding	$70,171,555	$104,249,973	48.56
Other Liabilities	$8,139,875	$8,267,897	1.57
Total Liabilities	$78,311,430	$112,517,870	43.68
Deferred Inflows of Resources	$ 8,258,268	$ 9,161,103	10.93
Net Assets:			
Invested in capital assets, net of related debt	$375,224,721	$375,751,088	0.14
Restricted	$9,579,369	$15,894,234	65.92
Unrestricted	($11,899,522)	($47,188,062)	(296.55)
Total Net Assets/Position	$372,904,568	$344,457,260	(7.63)

At the end of fiscal year 2018, the City of Altoona is able to report positive balances in the first two categories of net assets; however, for the unrestricted portion, a deficit of ($47,188,062) is reported.

Governmental activities. Governmental activities decreased the City of Altoona's net assets/net position by ($6,598,560). Key elements of the changes are as follows:

CITY OF ALTOONA

Changes in Net Assets
Governmental Activities
2017 - 2018

	2017	2018	% Change
Revenues:			
Program Revenues:			
Charges for Services	6,937,448	7,388,354	6.50 %
Operating Grants and Contributions	6,888,262	5,805,694	(15.72)
Capital Grants	0	766,493	--
General Revenues and Transfers:			
Taxes	23,039,288	23,066,481	0.12
Payments In Lieu of Taxes	280,759	277,351	(1.21)
Land Related to Watershed Protection	132,253,550	0	0.00
Unrestricted Investment Income	190,096	344,704	81.33
Gain (Loss) on Disposal of Assets	(21,470)	49,614	331.09
Intra-Entity Transfer	223,701,014	4,277,135	(98.09)
Total Revenues	$393,268,947	41,975,826	(89.33)
Expenses:			
General Government	$5,220,876	$4,584,591	(12.19)
Public Safety	18,556,814	13,567,049	(26.89)
Public Works - Highway	27,525,867	11,862,172	(56.91)
Public Works – Sanitation	28,340	56,384	98.96
Other Public Works Enterprises	0	138,949	--
Culture-Recreation	751,106	1,164,180	55.00
Conservation and Development	3,001,180	2,427,534	(19.11)
Employer Paid Benefits	0	5,822,337	--
Insurance	0	11,136	--
Miscellaneous	14,800	57,530	288.72
Water and Wastewater	5,950,731	7,981,768	34.13
Interest on Long-Term Debt & Related Items	1,199,958	900,756	(24.93)
Total Expenses	$62,249,672	$48,574,386	(21.97)
Change in Net Assets/Position	$331,019,275	($6,598,560)	
Net Assets/Position-Beginning	$ 41,885,293	$372,904,568	790.30
Prior Period Adjustment	0	(21,848,748)	--
Net Assets/Position-Ending	$372,904,568	$344,457,260	(7.63)

- Revenue received from operating grants and contributions decreased significantly.
- Expenses related to water and waste water increased significantly from the prior year.
- Expenses related to public safety decreased significantly over the prior year expenses.
- Public Works-related expenses decreased significantly from the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the City of Altoona uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Altoona's 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 financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2018, the City of Altoona's governmental funds reported combined ending fund balances of $28,400,501, an increase of $2,299,992 in comparison to the prior year. There was also a prior period adjustment related to a previously unrecorded investment owned by the City, which increased fund balance by $158,212. The unassigned fund balance is $7,790,752. The remaining portion of the ending fund balance is restricted, and is not available for spending at the City's discretion, because it has already been committed for the following:

Capital Expenditures	$5,555,354
Retirement Plans	3,078,185
Employees' Future Worker's Compensation Claims	182,823
Recreation	205,867
Prepaid Expenses	1,826,003
Inventories	328,112
Highway Aid	873,252
Shade Tree	2,346
OPEB Plans	775,000
Other Projects (Includes Special Reserve Fund)	7,782,807

**During the course of 2018, the City established a Special Reserve Fund, and initially deposited $7,603,032 into this fund from unassigned reserves.*

The general fund is the chief operating fund of the City of Altoona. At the end of fiscal year 2018, the unassigned fund balance of the general fund was $7,790,752 while total fund balance of the general fund decreased to $9,430,428. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.18% of general fund expenditures, while total fund balance of the general fund represents 30.48% of general fund expenditures.

The fund balance of the City of Altoona's general fund decreased by $4,583,371 during fiscal year 2018. There was also a prior period adjustment related to a previously unrecorded investment owned by the City, which increased fund balance by $158,212. Key factors of this change are as follows:

- Total Expenditures increased by $684,033
- Transfers in from other funds, primarily from the Act 205 Fund, amounted to $4,730,401
- Approximately $7.6 million was transferred to the Special Reserve Fund

General Fund Budgetary Highlights

During the year, actual revenues trailed budgetary estimates by $3,096,154, and actual expenditures were $422,064 below budget.

Capital Asset and Debt Administration

Capital Assets. The City of Altoona's investment in capital assets for its governmental type activities as of December 31, 2018, amounts to $408,934,651 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, park facilities, roads, highways, and bridges, as well as all assets claimed from the Altoona Water Authority.

Major capital asset events for fiscal year 2018 included the following:

- Capital assets acquired during fiscal year 2018 included vehicles for the fire, police, and public works departments, as well as a major road resurfacing program.
- Repair and upgrade of City buildings and facilities.
- Machinery and equipment purchases were made for some City departments.

CITY OF ALTONA'S Capital Assets
(Net of Depreciation)
Governmental Activities

	2017	2018	% Change
Land	136,600,764	136,600,764	0.00%
Water and Wastewater Projects In Progress	1,750,904	3,010,393	71.93
Land Improvements	53,866,456	48,872,208	(9.27)
Buildings and Improvements	7,531,397	7,888,692	4.74
Machinery and Equipment	1,519,108	1,527,337	0.54
Water and Wastewater Related Assets	215,999,379	211,035,257	(2.30)
Total	$417,268,008	408,934,651	(2.00)

Additional information on the City of Altoona's capital assets can be found in Note II.C on pages 37-38 of this report.

Long-term debt. At the end of fiscal year 2018, the City of Altoona had total General Obligation Bonds and Notes outstanding of $33,154,938.

CITY OF ALTOONA'S Outstanding Debt
General Obligation Bonds and Notes

	2017	2018	% Change
General Obligation Bonds	$27,674,000	$26,483,000	(4.30)
General Obligation Notes	6,324,186	6,671,938	5.50
Total	$33,998,186	$33,154,938	(2.48)

The City of Altoona's total long-term debt decreased by $843,248 (net) during fiscal year 2018. The reason for this increase is directly related to payment of General Obligation Bonds.

- The City of Altoona maintained its rating from Standard and Poor's to "A" with a stable outlook in relation to general obligation debt.

Economic Factors and Next Year's Budget and Rates

- The City of Altoona has lost population since the 1930's. This trend continues to adversely affect the City's financial condition.
- A Countywide reassessment has led to an increase in Real Estate Tax Revenues. However, the assessed value of real estate within the City of Altoona is otherwise stagnant and this will undermine any potential for growth in revenues received from the City's Real Estate Tax going forward.
- In 2017, the City reclaimed assets managed by the Altoona Water Authority. Although this has, and will, increase the City's cash flow, the liabilities associated with maintaining these assets are not entirely known at this time and have the potential to become a financial burden on the City in the future
- The City's designation as a financially distressed municipality under Pennsylvania Act 47, as amended, was rescinded in September 2017. This rescission eliminated the City's ability to collect an additional Earned Income Tax under Act 47. The effects of this rescission have directly led to a decrease in projected revenue receipts from Earned Income Tax collection, and may adversely affect the City's financial stability going forward.

Requests for Information

Copies of the audit reports of the City's component units are available for review by contacting the Redevelopment Authority of Altoona's offices at 13th Avenue and 12th Street, Altoona, Pennsylvania 16601 and the Parking Authority of the City of Altoona's offices at 1225 Eleventh Avenue, Altoona, PA 16601.

This financial report is designed to provide a general overview of the City of Altoona's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Suite 104, 1301 Twelfth Street, Altoona, PA 16601.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	PRIMARY GOVERNMENT	COMPONENT UNITS		
	Governmental Activities	Altoona Water Authority	Redevelopment Authority of Altoona	The Parking Authority of the City of Altoona
ASSETS				
Cash and Cash Equivalents	$ 24,462,437	$ 2,420,679	$ 185,544	$ 109,885
Investments	318,323	4,484,450	0	0
Taxes Receivable	4,052,629	0	0	0
Accounts Receivable	0	4,460,455	0	442
Intergovernmental Receivables	704,134	0	0	0
Intergovernmental Receivable - Component Unit	4,376	0	0	0
Loans Receivable – Current	700,392	0	8,621	0
Other Receivables	185,773	29,077	1,356	0
Prepaid Expenses	1,826,003	307,825	0	1,904
Inventory	328,112	0	0	0
Loans Receivable – Long-Term	5,299,776	0	112,695	0
Restricted Investment	0	4,452,981	0	0
Right to Use Asset, Net	0	106,598,286	0	0
Capital Assets, Net of Accumulated Depreciation	408,934,651	0	258,030	2,087,672
TOTAL ASSETS	$446,816,606	$122,753,753	$ 566,246	$2,199,903
Deferred Outflows of Resources				
Deferred Charges:				
Bond Discounts	$ 189,052	$ 0	$ 0	$ 0
Defined Benefit Pensions	19,130,575	2,359,034	0	0
Total Deferred Outflows of Resources	$ 19,319,627	$ 2,359,034	$ 0	$ 0
LIABILITIES				
Accounts Payable	$ 1,315,333	$ 1,079,614	$ 4,657	$ 10,965
Accounts Payable - Primary Government	0	0	0	4,376
Accrued Payroll	360,601	0	0	2,875
Payroll Taxes and Benefits Payable	71,945	0	0	2,143
Accrued Expenses	0	352,761	0	0
Accrued Payroll and Taxes	0	274,897	0	0
Accumulated Compensated Absences	0	0	0	1,271
Intergovernmental Payable	0	0	25,000	0
Accrued Interest	316,487	0	0	705
Deposits Held	114,660	92,183	0	0
Unearned Revenues - Grants	6,088,871	0	0	0
Unearned Revenues - Rent Received in Advance	0	0	950	46,912
Noncurrent Liabilities:				
Due Within One Year	2,722,369	11,858,751	0	26,851
Due in More Than One Year	101,527,604	178,142,739	0	20,256
TOTAL LIABILITIES	$112,517,870	$191,800,945	$ 30,607	$ 116,354
Deferred Inflows of Resources				
Defined Benefit Pensions	$ 9,161,103	$ 642,998	$ 0	$ 0
NET POSITION				
Net Investment in Capital Assets	$375,751,088	$ 0	$ 258,030	$2,040,565
Restricted for:				
Highway Aid	873,252	0	0	0
Shade Tree	2,346	0	0	0
Capital Expenditures	7,029,962	0	0	0
Recreation	205,867	0	0	0
Other Projects	7,782,807	0	298,743	0
Water Authority	0	1,267,017	0	0
Unrestricted (Deficit)	(47,188,062)	(68,598,173)	(21,134)	42,984
TOTAL NET POSITION	$344,457,260	($ 67,331,156)	$ 535,639	$2,083,549

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

Functions/Programs	Expenses	PROGRAM REVENUES Charges for Services	Operating Grants and Contributions	Capital Grants
Primary Government				
Governmental Activities				
General Government	$ 4,584,591	$ 1,922,547	$ 244,946	$ 0
Public Safety (Protection to Persons and Property)	13,567,049	520,032	318,906	0
Public Works - Sanitation	56,384	4,263	0	0
Public Works, Highways, Roads, and Streets	11,862,172	465,981	1,530,668	766,493
Other Public Works Enterprises	138,949	6,175	0	0
Culture – Recreation	1,164,180	(11,030)	0	0
Conservation and Development	2,427,534	290,737	2,121,406	0
Water and Wastewater	7,981,768	4,182,000	0	0
Employer Paid Benefits	5,822,337	7,649	1,589,768	0
Insurance	11,136	0	0	0
Miscellaneous	57,530	0	0	0
Interest on Long-Term Debt and Related Expenses	900,756	0	0	0
Total Primary Government	$48,574,386	$ 7,388,354	$5,805,694	$ 766,493
Component Units				
Water	$17,052,853	$21,613,487	$ 154,018	$ 0
Wastewater	12,474,240	14,997,700	47,024	0
Redevelopment and Housing	80,106	86,427	0	44,800
Parking	278,388	274,041	0	0
Total Component Units	$29,885,587	$36,971,655	$ 201,042	$ 44,800
Total	$78,459,973	$44,360,009	$6,006,736	$ 811,293
General Revenues and Transfers				
Taxes				
Payments in Lieu of Taxes				
Land Related to Watershed Protection				
Unrestricted Investment Income				
Gain (Loss) on Disposal of Assets				
Intra-Entity Transfer				
Total General Revenues				
Change in Net Position				
Net Position – Beginning				
Prior Period Adjustment				
Net Position – Beginning (Restated)				
Net Position – Ending				

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

--------------- NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION ---------------

PRIMARY GOVERNMENT	COMPONENT UNITS		
Governmental Activities	Altoona Water Authority	Redevelopment Authority of Altoona	The Parking Authority of the City of Altoona
($ 2,417,098)	$ 0	$ 0	$ 0
(12,728,111)	0	0	0
(52,121)	0	0	0
(9,099,030)	0	0	0
(132,774)	0	0	0
(1,175,210)	0	0	0
(15,391)	0	0	0
(3,799,768)	0	0	0
(4,224,920)	0	0	0
(11,136)	0	0	0
(57,530)	0	0	0
(900,756)	0	0	0
($ 34,613,845)	$ 0	$ 0	$ 0
$ 0	$ 4,714,652	$ 0	$ 0
0	2,570,484	0	0
0	0	51,121	0
0	0	0	(4,347)
$ 0	$ 7,285,136	$ 51,121	($ 4,347)
($ 34,613,845)	$ 7,285,136	$ 51,121	($ 4,347)
$ 23,066,481	$ 0	$ 0	$ 0
277,351	0	0	0
0	0	0	0
344,704	170,111	0	971
49,614	105,075	3,026	0
4,277,135	(4,277,135)	0	0
$ 28,015,285	($ 4,001,949)	$ 3,026	$ 971
($ 6,598,560)	$ 3,283,187	$ 54,147	($ 3,376)
$372,904,568	($ 70,614,343)	$ 481,492	$2,086,925
(21,848,748)	0	0	0
$351,055,820	($ 70,614,343)	$ 481,492	$2,086,925
$344,457,260	($ 67,331,156)	$ 535,639	$2,083,549

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	General Fund	Special Reserve	Highway Aid Fund	Act 205 Pension Fund
ASSETS				
Cash	$ 6,877,191	$7,364,672	$1,584,683	$2,036,179
Investments	112,213	0	0	0
Taxes Receivable	2,969,267	0	0	1,083,362
Intergovernmental Receivables	599,414	0	0	0
Loans Receivable - Current	0	0	0	0
Other Receivables	184,312	0	711	0
Inventory - Highway Yard	328,112	0	0	0
Due From Other Funds	1,028,526	0	0	0
Loans Receivable - Long-Term	0	0	0	0
Prepaid Expenses	351,395	0	0	0
TOTAL ASSETS	$12,450,430	$7,364,672	$1,585,394	$3,119,541
LIABILITIES				
Accounts Payable	$ 938,317	$ 1,250	$ 247,290	$ 32,501
Accrued Payroll	360,601	0	0	0
Payroll Taxes and Benefits Payable	71,945	0	0	0
Accumulated Compensated Absences	90,618	0	0	0
Due to Other Funds	3,226	0	464,852	8,855
Deposits Held	82,564	0	0	0
Unavailable Revenues - Property Taxes	1,439,426	0	0	0
Unearned Revenues - Grants	33,305	0	0	0
Total Liabilities	$ 3,020,002	$ 1,250	$ 712,142	$ 41,356
FUND BALANCE				
Nonspendable: Inventory and Prepaid Expenses	$ 679,507	$ 0	$ 0	$ 0
Committed for Employees' Future Worker's Compensation Claims	182,823	0	0	0
Restricted for Retirement Plans	0	0	0	3,078,185
Restricted for Shade Tree	2,346	0	0	0
Restricted for Highway Aid	0	0	873,252	0
Restricted for Capital Expenditures	0	0	0	0
Restricted for OPEB Plans	775,000	0	0	0
Assigned for Projects	0	7,363,422	0	0
Assigned for Recreation	0	0	0	0
Unassigned Fund Balance	7,790,752	0	0	0
Total Fund Balance	$ 9,430,428	$7,363,422	$ 873,252	$3,078,185
TOTAL LIABILITIES AND FUND BALANCE	$12,450,430	$7,364,672	$1,585,394	$3,119,541

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

Capital Expenditures	Housing and Community Development	Nonmajor Governmental Funds	Total
$5,935,609	$ 53,693	$ 610,410	$24,462,437
0	0	206,110	318,323
0	0	0	4,052,629
0	109,096	0	708,510
0	700,392	0	700,392
0	0	750	185,773
0	0	0	328,112
0	0	3,226	1,031,752
0	5,299,776	0	5,299,776
1,474,608	0	0	1,826,003
$7,410,217	$6,162,957	$ 820,496	$38,913,707
$ 65,847	$ 29,940	$ 188	$ 1,315,333
0	0	0	360,601
0	0	0	71,945
0	0	0	90,618
314,408	88,531	151,880	1,031,752
0	32,096	0	114,660
0	0	0	1,439,426
0	6,012,390	43,176	6,088,871
$ 380,255	$6,162,957	$ 195,244	$10,513,206
$1,474,608	$ 0	$ 0	$ 2,154,115
0	0	0	182,823
0	0	0	3,078,185
0	0	0	2,346
0	0	0	873,252
5,555,354	0	0	5,555,354
0	0	0	775,000
0	0	419,385	7,782,807
0	0	205,867	205,867
0	0	0	7,790,752
$7,029,962	$ 0	$ 625,252	$28,400,501
$7,410,217	$6,162,957	$ 820,496	$38,913,707

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances	$ 28,400,501
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	408,934,651
Other long-term assets are not available to pay for current period expenditures, and, are therefore, deferred or not recorded in the funds:	
Property Tax Receivable	1,439,426
Deferred charges related to bonds discounts are not reflected in the funds because they are measured on the accrual basis.	189,052
Deferred outflows/(inflows) of resources related to the defined benefit pension plans are not reflected in the funds because they are measured on the accrual basis. The effect is	9,969,472
The net pension liability is not due and payable in the current period, and, therefore, are not reported in the funds.	(37,051,003)
Certain liabilities are not due and payable currently, and, therefore, are not reported in the funds:	
Other Postretirement Benefits	(29,002,678)
Accrued Interest on Long-Term Debt	(316,487)
Long-Term Notes and Bonds Payable	(33,154,938)
Long-Term Capital Lease Obligation	(1,374,377)
Long-Term Portion of Vacation and Sick Payable	(2,999,434)
Long-Term Portion of Workers' Compensation Payable	(576,925)
Net Position of Governmental Activities	$344,457,260

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	General Fund	Special Reserve	Highway Aid Fund	Act 205 Pension Fund
Revenue				
Taxes	$18,134,425	$ 0	$ 0	$4,944,013
Licenses and Permits	2,064,949	0	0	0
Investment Earnings, Rents, and Royalties	210,705	35,418	11,076	7,649
Intergovernmental Revenue	3,902,170	0	1,502,586	0
Fines and Forfeits	157,104	0	0	0
Charges for Services (Departmental Earnings)	4,678,881	0	0	0
Miscellaneous Revenue	48,526	0	62,083	0
Total Revenue	$29,196,760	$ 35,418	$1,575,745	$4,951,662
Expenditures				
Current Expenditures				
General Government	$ 3,521,279	$ 1,250	$ 0	$ 148,320
Public Safety (Protection to Persons and Property)	13,417,017	0	0	0
Public Works - Sanitation	56,384	0	0	0
Public Works - Highways, Roads, and Streets	3,104,147	0	641,575	0
Other Public Works Enterprises	138,949	0	0	0
Culture - Recreation	294,050	0	0	0
Conservation and Development	850,031	0	0	0
Employer Paid Benefits	5,822,337	0	0	0
Insurance	11,136	0	0	0
Miscellaneous Expenditures or Expenses	53,353	0	0	0
Capital Expenditures				
General Government	23,085	28,904	0	0
Public Safety	31,354	0	0	0
Public Works - Highways, Roads, and Streets	759,150	0	580,801	0
Culture - Recreation	67,901	244,874	0	0
Conservation and Development	17,411	0	0	0
Debt Service				
Debt Service - Principal	1,962,293	0	0	0
Debt Service - Interest	809,990	0	0	0
Total Expenditures	$30,939,867	$ 275,028	$1,222,376	$ 148,320
Excess (Deficiency) of Revenue Over (Under) Expenditures	($ 1,743,107)	($ 239,610)	$ 353,369	$4,803,342
Other Financing Sources (Uses)				
Sale of Capital Assets	$ 60,367	$ 0	$ 0	$ 0
Transfer In	4,730,401	7,603,032	0	0
Transfer Out	(7,631,032)	0	(456,700)	(4,259,829)
Proceeds from Borrowings	0	0	0	0
Proceeds from Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	($ 2,840,264)	$7,603,032	($ 456,700)	($4,259,829)
Excess (Deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	($ 4,583,371)	$7,363,422	($ 103,331)	$ 543,513
Fund Balance - Beginning	$13,855,587	$ 0	$ 976,583	$2,534,672
Prior Period Adjustment	158,212	0	0	0
Fund Balance - Beginning (Restated)	$14,013,799	$ 0	$ 976,583	$2,534,672
Fund Balance - Ending	$ 9,430,428	$7,363,422	$ 873,252	$3,078,185

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

Capital Expenditures	Housing and Community Development	Nonmajor Governmental Funds	Total Governmental Funds
$ 0	$ 0	$ 0	$23,078,438
0	0	0	2,064,949
97,642	290,737	(8,928)	644,299
0	1,430,910	13,872	6,849,538
0	0	0	157,104
0	0	77,215	4,756,096
0	0	0	110,609
$ 97,642	$1,721,647	$ 82,159	$37,661,033
$ 100,283	$ 0	$ 4,638	$ 3,775,770
117,099	0	29,960	13,564,076
0	0	0	56,384
66,016	0	0	3,811,738
0	0	0	138,949
4,468	0	4,020	302,538
0	1,350,507	0	2,200,538
0	0	0	5,822,337
0	0	0	11,136
0	0	4,177	57,530
116,854	0	0	168,843
297,914	0	0	329,268
2,766,970	0	0	4,106,921
46,131	0	0	358,906
0	371,140	0	388,551
149,612	0	0	2,111,905
10,413	0	0	820,403
$ 3,675,760	$1,721,647	$ 42,795	$38,025,793
($ 3,578,118)	$ 0	$ 39,364	($ 364,760)
$ 2,756	$ 0	$ 0	$ 63,123
0	0	28,000	12,361,433
0	0	(13,872)	(12,361,433)
1,106,265	0	0	1,106,265
1,495,364	0	0	1,495,364
$ 2,604,385	$ 0	$ 14,128	$ 2,664,752
($ 973,733)	$ 0	$ 53,492	$ 2,299,992
$ 8,003,695	$ 0	$ 571,760	$25,942,297
0	0	0	158,212
$ 8,003,695	$ 0	$ 571,760	$26,100,509
$ 7,029,962	$ 0	$ 625,252	$28,400,501

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances – Total Governmental Funds	$2,299,992
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 as depreciation. This is the amount by which depreciation exceeded capital outlays in the current period.	(8,319,848)
Certain gains/losses related to disposal of capital assets have been reduced by the basis of these assets.	(13,509)
Intra-Entity Transfers of Capital Assets do not affect governmental funds. In addition, value of land related to watershed protection recognized for the first time did not impact the funds.	0
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Net change during the period is a decrease for property tax revenue.	(11,957)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued Interest on Bonds (Net Change)	(106,971)
Accrued Vacation and Sick Pay (Net Change)	226,625
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither has any effect on net position. Also, governmental funds report the effect of premium and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these items:	
Proceeds from Capital Lease	(1,495,364)
Repayment on Capital Lease Obligation	162,393
Proceeds from Notes Issued	(1,106,264)
Repayment of Bonded Debt/Notes	1,949,512
Amortization of Discounts	26,617
The reduction in pension expense associated with the defined benefit plans that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(82,451)
The additional other postemployment benefit expense associated with the defined benefit plans that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(127,335)
Change in Net Position of Governmental Activities	($6,598,560)

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	Pension Trust Funds
ASSETS	
Investments	$89,087,091
LIABILITIES	$ 0
NET POSITION	
Held in Trust for Pension Benefits	$89,087,091

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	Pension Trust Funds
Additions	
Contributions:	
Employer	$ 5,819,835
Plan Members	613,411
Total Contributions	$ 6,433,246
Investment Income:	
Net Realized and Unrealized Gains (Losses)	($12,825,882)
Interest and Dividend Income	3,607,572
Total Investment Income (Loss)	($ 9,218,310)
Less: Investment Expense	(251,724)
Net Investment Income (Loss)	($ 9,470,034)
Total Additions	($ 3,036,788)
Deductions	
Benefits	$ 7,171,680
Administrative Expenses	46,922
Total Deductions	$ 7,218,602
Net (Decrease)	($10,255,390)
Net Position Being Held in Trust for Pension Benefits – Beginning of Year	99,342,481
Net Position Being Held in Trust for Pension Benefits – End of Year	$89,087,091

See Accompanying Notes and Independent Auditor's Report

I. Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately in the government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City of Altoona (the "City"), which is located in Blair County, Pennsylvania, was incorporated in 1868 under the provisions of the Commonwealth of Pennsylvania. In May 2012, the City was designated a distressed municipality under the Commonwealth of Pennsylvania's Act 47 Financial Recovery Program. Act 47 provides for the restructuring of debt; enhances the City's ability to obtain government funding; and other provisions to relieve financial distress. In December 2012, the City adopted a Recovery Plan designed to assist the City in its ongoing struggle with fiscal distress. On September 13, 2017, the City came out of Act 47 status. The City of Altoona is a third-class Pennsylvania City organized under a council-manager form of government in which the seven-member council, including the mayor, are elected officials. City council appoints the city manager, who in turn, appoints department heads. The City council on behalf of the City makes policy decisions, borrows money, levies local taxes, and authorizes expenditures in accordance with the third-class city code of the Commonwealth of Pennsylvania. In addition, the City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units, none of which exists for the City, would be combined with data of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Each discretely presented component unit has a December 31 year-end.

Discretely Presented Component Unit

The Altoona Water Authority is responsible for operating the water and sewer systems of the City of Altoona. The members of the Authority's board are appointed by the City. The City is financially accountable for the Authority, considering the significance of its operational and financial relationship with the City.

The Redevelopment Authority of Altoona is responsible for implementing urban renewal initiatives, eliminating blight, and assisting in economic development. The members of the Authority's board are appointed by the City. The City, with respect to the Authority, has the ability to impose its will and incur a financial burden.

The Parking Authority of the City of Altoona is responsible for managing the City's public parking. The City appoints the Authority's board. The Authority is fiscally dependent upon the City because the City has provided advances for debt service and guarantees the Authority's bond issue.

I. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit (Continued)
Complete financial statements for each component unit may be obtained at the entities' administrative office.

Altoona Water Authority 900 Chestnut Avenue Altoona, Pennsylvania 16601	Redevelopment Authority of Altoona City Hall 13th Avenue and 12th Street Altoona, Pennsylvania 16601	The Parking Authority of the City of Altoona 1225 11th Avenue Altoona, Pennsylvania 16601

For purposes of these financial statements, it is the policy of the City not to eliminate transactions between the City and its component units.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has two discretely presented component units. While neither the Redevelopment Authority of Altoona nor the Parking Authority of the City of Altoona are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions between the City and its component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds
The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund.
- The *Highway Aid Fund* is used to account for financial resources received for the Commonwealth of Pennsylvania's Department of Transportation's Liquid Fuels Taxes from the State's Motor License Fund, which must be used on the roads and streets for which the City is responsible.
- The *Act 205 Pension Fund* is used to account for the portion of the earned income tax which accumulates resources to provide for the payment of pension expenses.

I. Summary of Significant Accounting Policies (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

Governmental Funds (Continued)

- The *Capital Projects Fund* accounts for financial resources used to acquire or construct major capital facilities.
- The *Community Development Block Grant Fund* is used to account for funds received from the U.S. Department of Housing and Urban Development to develop viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low or moderate income.
- The *Special Revenue Fund* is used to account for financial resources to fund expenditures for non-operational purposes across a broad spectrum of potential projects and uses.

Fiduciary Fund Types
Additionally, the City reports the following fund type:

- The *pension trust funds* report fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being *measured such as current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

I. Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The 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 expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The pension benefit trust *funds are reported using the economic resources measurement focus* and the *accrual basis of accounting.*

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Cash Equivalents*

The City maintains a cash and investment pool that is available for use by the general and capital expenditures fund. Each fund's portion of this pool is displayed on the combined balance sheet as cash. Deposits are stated at cost. 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, including investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Insurance Trust (PLGIT).

2. *Investments*

Investments are separately held by several of the City's funds. Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. Cash deposits are reported at carrying amounts which approximate fair values.

3. *Inventories and Prepaid Items*

Inventories consist of items used at the Highway Yard and are valued at cost, using the first-in, first-out (FIFO) method. The cost of such inventories is recorded as expenditures when consumed rather than when purchased.

I. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

3. *Inventories and Prepaid Items* (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements for the Parking Authority of the City of Altoona. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Capital Assets*

Capital assets with useful lives of more than one year, which include land, land improvements, buildings, building improvements, computer hardware, office furniture and equipment, other equipment, and vehicles are reported in the government-wide financial statements. The City defines capital assets as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

In 2005, dollar thresholds changed and various asset classes were valued and depreciated in accordance with the following chart:

GASB 34 Asset Class	Examples	Estimated Useful Life	Dollar Threshold
Land		N/A Non-depreciable	$ 3,000
Land Improvements	Parking lots, curbs, sidewalks	15 - 20 years	$10,000
Buildings	HVAC, electrical, capitalized interest	30 - 40 years	$10,000
Building/Leasehold Improvements	Renovations, major repairs	30 - 40 years	$10,000
Computer Hardware	PC's, printers, network hardware	3 years	$ 3,000
Office Furniture	Office furniture, appliances	10 years	$ 3,000
Office Equipment	Fax, copiers, telephone system	5 years	$ 3,000
Vehicles	Autos, trucks	5 years	$ 3,000

In order to comply with GASB 34 requirements, all infrastructure assets were inventoried and assigned a dollar threshold and useful life during calendar year 2007. Therefore, beginning in year 2007, the various infrastructure asset classes were valued and depreciated in accordance with the following chart:

GASB 34 Infrastructure Asset Class	Examples	Estimated Useful Life	Dollar Threshold
Roads	Streets and Avenues	20 years	$ 5,000/Mile
Bridges and Culverts	Eighth Street Bridge	50 years	$20,000/Project
Storm Sewers	Storm Sewers	40 years	$20,000/Project
Signs	Stop Sign, Speed Limit Sign	10 years	$10,000 Project
Street Lights	Street Light	25 years	$ 5,000/Project
Traffic Signals	Traffic Signal	20 years	$ 5,000/Project
Handicap Ramps	Handicap Ramp	50 years	$ 5,000/Project
Guiderail	Guiderail	50 years	$ 5,000/Project

I. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. The first represents unamortized discounts on bonds, which will be amortized through September 1, 2033. The second represents the differences between expected and actual experience related to defined benefit pension plans, which will be amortized through 2022; changes in assumptions related to defined benefit pension plans, which will be amortized through 2020; the third represents the net difference between projected and actual earnings on defined pension plan investments, which will be amortized through 2023.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items, which arises only under the accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, which represents differences between expected and actual experience of the defined benefit pension plans and will be amortized through 2035; and net difference between projected and actual earnings on defined pension plan investments, which will be amortized through 2022 and are not reported in the governmental funds balance sheet.

6. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

7. *Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been

I. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

7. Fund Balance Flow Assumptions (Continued)

depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by Mayor and Council policy (e.g., encumbrances or future anticipated costs). The governing council is the highest level of decision-making authority for the government that can, prior to the end of the fiscal year, commit fund balance. Once committed, the limitation imposed by the policy remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The mayor and council assign fund balance. The mayor and council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - amounts that cannot be spent because they are in a nonspendable form (e.g., inventory or prepaid expenses) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted - amounts limited by external parties or legislation (e.g., grants or donations).

Committed - amounts limited by the Mayor and Council policy (e.g., encumbrances or future anticipated costs).

Assigned - amounts that are intended for a particular purpose, such as a rate stabilization fund or segregation of an amount intended to be used at some time in the future.

Unassigned - amounts available for consumption or not restricted in any manner.

I. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

8. Fund Balance Policies (Continued)

Management ensures that fund balance reporting be consistent with Governmental Accounting Standards Board (GASB) statements.

All references to fund balance shall be assumed to be unrestricted, undesignated, and unassigned unless specifically stated otherwise.

The responsibility for designating fund to specific classifications shall be as follows:

1. Nonspendable - shall be assigned by the finance director.
2. Restricted - shall be assigned by the finance director.
3. Committed - shall be assigned by the Mayor and Council.
4. Assigned - shall be assigned by the Mayor and Council.

Management shall be responsible for the enforcement of this policy.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied as of January 1 on land property values assessed on the same date. The tax levy was billed in March 2018.

A levy of 5.129 mills was made for general expenses. A 2% discount is given to taxpayers if paid by April 30. The face amount of the taxes are then due until June 30; and thereafter, a 10% penalty is charged on the taxes.

Taxes not collected by the tax collector by December 31, 2018 are returned to the Blair County Tax Claim Bureau for collection.

In the governmental fund financial statements, property taxes receivable are recorded at year-end. These receivables represent delinquent taxes. Any delinquent taxes not paid within 60 days after year-end are recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the City regardless of when cash is received. Over time, substantially all property taxes are collected.

I. Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses (Continued)

3. Intergovernmental Receivables and Unavailable Revenue

Intergovernmental receivables are comprised of amounts due from other governments. Revenue is recorded as earned when eligibility requirements are met. Revenue received prior to meeting all eligibility requirements are considered unavailable until such time as the eligibility requirements are met.

4. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused sick leave. Sick leave is accumulated continuously for full-time employees at rates determined by contracts to a maximum specified in these contracts. Police are paid for 50% of the accumulated sick leave upon retirement or termination up to 250 days, and firemen are paid for 40% of the accumulated sick leave upon retirement or termination up to 175 days.

AFSCME non-uniformed employees may accumulate their unused sick leave up to a maximum of 120 days. When these employees retire, they shall be paid for their accumulated unused sick leave in accordance with the schedule below:

Days Available at Retirement	Percentage Buyout
51 - 100	40%
101 - 175	50%
176 - 250	60%

AFSCME School Crossing Guard employees may accumulate their unused sick leave up to a maximum of 120 days. When these employees retire with at least 15 years of service they shall be paid for their accumulated unused sick leave in accordance with the schedule below:

Days Available at Retirement	Percentage Buyout
0 - 100	30%
101 and above	50%

Full-time employees have various days of vacation leave per year dependent upon employment classification and length of service. Vacation leave may be carried beyond the leave year of January 1 to December 31 only with the City Manager's approval. In the government-wide financial statements, the cost of vacation and sick leave is recognized when incurred. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees.

I. Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses (Continued)

4. Compensated Absences (Continued)

Employees who subsequently accumulate over 120 days will receive an annual sick leave incentive bonus, as follows:

Number of Full Days	Percentage of Pay Buyout
0 - 5	10% of pay rate for each day
6 - 10	30% of pay rate for each day
11 - 15	50% of pay rate for each day

As of December 31, 2013, any employee who had a maximum accumulation for sick and vacation leave exceeding the stated maximum specified within the Fire, Police, and AFSCME contracts were entitled to maintain those total number of days accumulated.

II. Detailed Notes on All Activities and Funds

A. *Cash and Investments*

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy permits assets pledged as collateral to be pooled in accordance with Act 72, relating to pledges of assets to secure deposits of public funds, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). The City encourages the purchase and sale of securities and certificates of deposit through a competitive and negotiated process involving telephone solicitation of at least three bids for each transaction. **Custodial credit risk** for deposits is not formally addressed by pension trust policies.

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust. At year end, the City's carrying amount of bank deposits was $24,462,437 and the bank balance was $25,643,764. Of the bank balance, $972,929 was covered by federal depository insurance and $22,800,906 was covered by collateral held in the pledging bank's trust department, but not in the City's name. In addition, $1,869,929 of the bank balance and book balance was invested in an external investment pools from which the City purchased a prorata share of all investments and deposits, which are held in the name of the fund, which is considered to be a cash equivalent by the City.

II. Detailed Notes on All Activities and Funds (Continued)

A. *Cash and Investments* (Continued)

Investments

As of December 31, 2018, the City's reporting entity had the following investments:

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
Primary Government				
Non-Pooled Investments:				
Cash and Cash Equivalents	$ 10,344	$ 10,344	N/A	N/A
Taxable Fixed Income Funds	68,784	71,673	(3)	(3)
Domestic Equity Mutual Funds and ETFs	69,914	72,589	N/A	N/A
Real Estate Mutual Fund	8,353	8,655	N/A	N/A
International Funds and ETFs	33,743	33,227	N/A	N/A
Hedge Funds	14,768	15,280	N/A	N/A
Prudential Stock *	112,213	0	N/A	N/A
Accrued Interest	204	204	N/A	N/A
Total Primary Government Investments (non-fiduciary)	$ 318,323	$ 211,972		
Fiduciary Funds				
Cash and Cash Equivalents	$ 236,999	$ 236,999	N/A	N/A
Open-End Mutual Fund	86,542,426	97,894,988	(3)	(3)
Unclassified	2,307,665	2,307,665	N/A	(3)
Total Fiduciary Investments	$89,087,090	$100,439,652		

Fair Value is determined by comparison to readily available market prices.

(1) Ratings are provided where applicable to indicate associated **Credit Risk.** N/A indicates not applicable.

(2) **Interest Rate Risk** is estimated using either duration or weighted average months to maturity depending on the respective policy. Amounts are shown in months except as otherwise noted. The City manages its exposure to decline in fair value by limiting maturity of Certificates of Deposit to original maturity of one year.

(3) Information unavailable.

* This is not a permitted investment in the General Fund.

Investments Policies

Investment policies for the City's reporting entity are maintained by the City's Chief Finance Officer. Summarizations follow in subsequent sections of this Note.

City Policy

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's Chief Finance Officer, except for the Martin Goodman Trust for which greater flexibility in investments exists in comparison to the following information. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes and the City Charter. City funds may be invested in: (1) United States Treasury bills; (2) short-term obligations of the United States Government or its agencies or instrumentalities; (3) deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance corporation (FDIC) or Federal Savings &

II. Detailed Notes on All Activities and Funds (Continued)

A. *Cash and Investments* (Continued)

City Policy (Continued)
Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund or their successor agencies; (4) obligations of the United States of America 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 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; (5) shares of an investment company registered under the Investment Company Act of 1940, whose share are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Municipal funds listed in (1) through (4); (6) certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. For deposits in savings accounts, time deposits, share accounts, or certificates of deposit the City's policy requires that any amount above the insured maximum be collateralized by a pledge or assignment of assets of the institution.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. **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 in the possession of an outside party. Interest Rate Risk and Custodial Credit Risk are not addressed by the City's investment policy.

Pension Trust Policy
The City's three pension trusts are the City of Altoona Non-Uniformed Employees' Pension Plan, the Firefighter's Pension Fund of the City of Altoona, and the Altoona Police Pension Fund Association. The Council of the City of Altoona is authorized to hold and supervise the investment of the assets of the Non-Uniformed Employees' Pension Plan. Funds in the Non-Uniformed Plan may be invested in securities which are at the time legal investments for fiduciaries under the Pennsylvania Fiduciaries Investment Act or funds may be placed in a deposit bank. The Firefighter's Pension Fund plan authorized the Board of Managers to make investment decisions on its own or to retain an investment counselor or broker. Firefighter's Pension Fund Plan funds are to be invested as authorized under Chapter 73 of the *Probate Estates and Fiduciaries Code Laws of 1972*, Act No. 164, effective July 1, 1972, as amended. The Police Pension Fund Board has full charge and management of all matters pertaining to investment of the Altoona Police Pension Fund. The Police plan does not specify authorized types of investments.

Credit Risk, Interest Rate Risk, Concentration of Credit Risk, and Custodial Credit Risk are not addressed by the pension trust policies.

II. Detailed Notes on All Activities and Funds (Continued)

A. *Cash and Investments* (Continued)

Component Unit - Cash and Investments

Altoona Water Authority

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Commonwealth of Pennsylvania recognizes this risk. Under its Act 72, deposits of public funds (in excess of FDIC insurance) held by banks must be collateralized. Banks must place on deposit with a third-party (usually a Federal Reserve Bank) securities with an aggregate market value in excess of all of its uninsured balances. The Authority requires this protection for its funds.

Cash

The table below presents the Authority's deposit risk classifications:

Cash Deposits - Bank Balances	
Water Division	$ 744,287
Wastewater Division	1,477,385
Total	$2,221,672
FDIC Insured or Collateralized	$ 250,000
Secured under Pennsylvania Act 72	1,971,672
Total	$2,221,672

Investments

Under State Law and its Trust Indenture(s), the Authority is permitted to invest in U.S. Treasury Bills, short-term U.S. Government or agency obligations, deposits in savings accounts, time deposits or share accounts, obligations of the United States, or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities obligations of any state of the United States, or any of its agencies or instrumentalities, commercial paper rated, on the date of acquisition, in one of the two highest categories, and written repurchase agreements.

The Authority is also permitted to invest in mutual funds including those offered through the Pennsylvania Local Government Investment Trust (PLGIT) which are subject to the same types of restrictions described above relating to investments by governments in general.

The table below presents the Authority's investment risk classification, as described above.

II. Detailed Notes on All Activities and Funds (Continued)

A. *Cash and Investments* (Continued)

Component Unit - Cash and Investments (Continued)

Altoona Water Authority (Continued)

Investments (Continued)

PLGIT Accounts	
Water Division	$ 6,737
Wastewater Division	1,709
Other - Collateralized Under Act 72	
Water Division	1,139,138
Wastewater Division	3,336,866
	$4,484,450
Market Value	
Water Division	$1,145,875
Wastewater Division	3,338,575
	$4,484,450

Restricted Assets

Under the terms of its Trust Indentures securing various issues of its Water Revenue Bonds, the Authority has assets on deposit with the trustee, the use of which is restricted to certain purposes. The investment/credit risk associated with these deposits is shown below.

U.S. Government and Agency Obligations	
Water Division	$1,267,017
Wastewater Division	3,185,964
	$4,452,981
Market Value	
Water Division	$1,267,017
Wastewater Division	3,185,964
	$4,452,981

II. Detailed Notes on All Activities and Funds (Continued)

A. *Cash and Investments* (Continued)

Component Unit - Cash and Investments (Continued)

Redevelopment Authority of Altoona

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party.

The deposit and investments of the Authority adhere to state statutes. Deposits of the governmental funds are maintained in demand deposits.

Deposits of the Authority's reporting entity are insured or collateralized with securities held by the Authority, its agent, or by the pledging financial institution's trust department or agent in the name of the Redevelopment Authority of Altoona.

At year end, the carrying amount of the government's deposits was $185,544 and the bank balance was $187,189. All of the bank balance was covered by federal depository insurance.

Investments

At year end, the Redevelopment Authority of Altoona had no investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Authority's investing activities are managed under the custody of the Board of Directors. Investing is performed in accordance with state statutes.

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Redevelopment Authority of Altoona will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

II. Detailed Notes on All Activities and Funds (Continued)

A. *Cash and Investments* (Continued)

Component Unit - Cash and Investments (Continued)

The Parking Authority of the City of Altoona

Deposits
Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party.

The deposit and investments of the Authority adhere to state statutes. Deposits of the fund are maintained in demand deposits.

Deposits of the Authority's reporting entity are insured or collateralized with securities held by the Authority, its agent, or by the pledging financial institution's trust department or agent in the name of the Authority.

At year end, the carrying amount of the government's deposits was $109,885 and the bank balance was $109,442. Of the bank balance, all was covered by federal depository insurance.

Investments
As of December 31, 2018, the Parking Authority of the City of Altoona had no investments.

The Authority has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address specific types of risk to which it is exposed.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Authority's investing activities are managed under the custody of the Board of Directors. Investing is performed in accordance with state statutes.

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

II. Detailed Notes on All Activities and Funds (Continued)

B. Receivables

Receivables and Uncollectible Accounts

Significant receivables include amounts due from businesses, landlords, and homeowners who have received loans from the City's Housing and Community Development fund. Once these loans are made, repayment terms are established. Because the City places liens against the property generating the receivable, it is the City's policy to use the direct write-off method for bad debts, which generally is not materially different from the allowance method.

In the General Fund, significant receivables represent moneys due related to the TV Cable franchise fees; a payment in lieu of taxes; and street cuts. Other less significant receivables represent amounts due from licenses, district justices, and other miscellaneous sources. Because most of these material amounts are received in a timely manner, it is the City's policy to use the direct write-off method for bad debts, which generally is not materially different from the allowance method.

In the Highway Aid Fund, other receivables represents amount owed to the City from damage caused by motorists. Because most of these motorists are insured and the fact that the City police are involved, it is the City's policy to use the direct write-off method for bad debts, which generally is not materially different from the allowance method.

C. Capital Assets

Capital asset activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Governmental Activities					
Capital Assets, not being depreciated:					
Land	$136,600,764	$ 0	$ 0	$ 0	$136,600,764
Water and Wastewater Projects in Progress	1,750,904	1,294,910	0	(35,421)	3,010,393
Total Capital Assets, Not Being Depreciated	$138,351,668	$ 1,294,910	$ 0	($ 35,421)	$139,611,157
Capital Assets, being depreciated:					
Land Improvements	$201,764,415	$ 3,469,283	$ 0	$ 0	$205,233,698
Buildings and Improvements	15,644,506	681,740	0	0	16,326,246
Machinery and Equipment	17,418,579	1,201,467	(411,484)	0	18,208,562
Water and Wastewater Related Assets	349,707,576	2,982,225	(577,605)	35,421	352,147,617
Total Capital Assets, Being Depreciated	$584,535,076	$ 8,334,715	($989,089)	$ 35,421	$591,916,123
Accumulated Depreciation for:					
Land Improvements	$147,897,959	$ 8,463,531	$ 0	$ 0	$156,361,490
Building and Improvements	8,113,109	324,445	0	0	8,437,554
Machinery and Equipment	15,899,471	1,179,729	(397,975)	0	16,681,225
Water and Wastewater Related Assets	133,708,197	7,981,768	(577,605)	0	141,112,360
Total Accumulated Depreciation	$305,618,736	$17,949,473	($975,580)	$ 0	$322,592,629
Total Capital Assets, Being Depreciated, Net	$278,916,340	($ 9,614,758)	($ 13,509)	$ 35,421	$269,323,494
Governmental Activities, Capital Assets, Net	$417,268,008	($ 8,319,848)	($ 13,509)	$ 0	$408,934,651

II. Detailed Notes on All Activities and Funds (Continued)

C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General Government	$ 380,616
Public Safety	426,418
Public Works - Highways, Roads, and Streets	8,082,804
Culture and Recreation	861,642
Conservation and Development	216,225
Water and Wastewater	7,981,768
Total Depreciation Expense - Governmental Activities	$17,949,473

Component Units

Altoona Water Authority

Right to Use Asset Under Leases and Related Liability

On March 23, 2017 the Authority entered into a series of agreements with the City of Altoona (the "City'). Pursuant to the Water and Sewer System Asset Conveyance Agreement, deeds were signed to convey all the Authority's right, title, and interest to all the real property assets of its water system ("Water") and sewer system ("Sewer") to the City.

Concurrently, the City leased the water and sewer systems to the Authority, giving it lawful possession to operate and set rates for the systems. The lease terms extend throughout the remaining term of all PENNVEST loans, provided that either party may terminate the lease after twenty years, with the consent of PENNVEST.

Under the lease agreement, the required annual payments are as follows:

	Water	Sewer	Total
2017	$2,624,000	$1,476,000	$4,100,000
2018	$2,676,480	$1,505,520	$4,182,000
2019	$2,730,010	$1,535,630	$4,265,640
2020	$3,799,870	$2,137,427	$5,937,297
2021	$3,833,628	$2,156,415	$5,990,043
2022	$3,868,060	$2,175,784	$6,043,844
2023	$4,288,000	$2,412,000	$6,700,000
2024	$4,416,000	$2,484,000	$6,900,000

Annual lease payments for the remaining years of the term of the lease will be negotiated by the Authority and the City beginning in 2025. If the parties are unable to come to an agreement the lease payments will increase by 3% compounded annually for the remaining year term of the lease.

II. Detailed Notes on All Activities and Funds (Continued)

C. Capital Assets (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Right to Use Asset Under Leases and Related Liability (Continued)
The Authority has chosen to early-adopt Statement No. 87 of the Government Accounting Standards Board and, in accordance with the statement, capitalize the right to use the water and sewer systems as an asset along with a related long-term liability. In conjunction with this lease the Authority recognized right to use assets of $63,922,722 for the water system and $53,449,974 for the sewer system. The Authority also recorded an obligation liability of $117,372,696.

The right to use asset consists of the following at December 31, 2018:

	Water	Sewer
Right to Use Asset	$63,922,722	$53,449,974
Less: Accumulated Amortization	(5,461,430)	(5,312,980)
Right to Use Asset, Net	$58,461,292	$48,136,994

The right to use assets were computed based on the net present value of the future lease payments (including the default 3% per year increase) discounted using the weighted-average interest rates of the outstanding bonds and PENNVEST loans of the respective systems. Such discount rates were 4.34% and 2.87% for the Water and Sewer right to use assets, respectively.

During the year ended December 31, 2018, the Authority recorded $6,070,090 of amortization expense as shown.

Future required payments on the lease obligation are as follows:

Water:

	Principal	Interest
2019	$ 1,070,345	$ 2,659,665
2020	1,186,658	2,613,212
2021	1,271,917	2,561,711
2022	1,361,550	2,506,510
2023	1,840,581	2,447,419
2024-2028	12,595,545	10,849,597
2029-2033	19,639,037	7,540,306
2034-2037	22,316,974	2,511,739
Total	$61,282,607	$33,690,159

II. Detailed Notes on All Activities and Funds (Continued)

C. Capital Assets (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Right to Use Asset Under Leases and Related Liability (Continued)

Sewer:

	Principal	Interest
2019	$ 44,375	$ 1,491,255
2020	647,445	1,489,982
2021	685,015	1,471,400
2022	724,044	1,451,740
2023	981,040	1,430,960
2024-2028	6,515,232	6,672,662
2029-2033	9,726,246	5,562,138
2034-2038	13,778,988	3,944,443
2039-2043	18,857,722	1,688,592
Total	$51,960,107	$25,203,172

While the Authority retains nominal title to equipment and other personal property, such titles are for administrative convenience and the assets are considered owned by the City. Under the terms of the leases, the City can compel the Authority to deliver any of its assets to the City upon request.

Subject to the approval of the City the Authority's borrowings are limited to, 1) bridge loans not exceeding a single two year term for any particular project, 2) loans from a government lender, or 3) equipment loans, including, without limitation, lease purchase agreements. The Authority may not issue bonds; the City will issue any required bonded indebtedness and the lease payments will be adjusted to pay 100% of the debt service.

Redevelopment Authority of Altoona

Changes in Capital Assets
The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, NOT DEPRECIATED	CAPITAL ASSETS, DEPRECIATED		
	Land	Furniture Machinery, And Equipment	Land Improvement	Totals
Governmental Activities				
Balance - December 31, 2017	$ 60,019	$231,094	$40,400	$331,513
Increases	1,953	77,006	0	78,959
Decreases	0	0	0	0
Balance - December 31, 2018	$ 61,972	$308,100	$40,400	$410,472

II. Detailed Notes on All Activities and Funds (Continued)

C. Capital Assets (Continued)

Component Units (Continued)

Redevelopment Authority of Altoona (Continued)

Changes in Capital Assets (Continued)

	CAPITAL ASSETS, NOT DEPRECIATED	CAPITAL ASSETS, DEPRECIATED		
	Land	Furniture Machinery, And Equipment	Land Improvement	Totals
Accumulated Depreciation				
Balance - December 31, 2017	$ 0	$137,967	$ 8,072	$146,039
Increases	0	5,120	1,283	6,403
Decreases	0	0	0	0
Balance - December 31, 2018	$ 0	$143,087	$ 9,355	$152,442
Balance - December 31, 2018 - Net	$ 61,972	$165,013	$31,045	$258,030

All depreciation expense was charged to the Redevelopment and Housing function.

The Parking Authority of the City of Altoona

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS NOT DEPRECIATED	CAPITAL ASSETS, DEPRECIATED			
	Land	Parking Garage	Improvements	Furniture Machinery, and Equipment	Totals
Business-Type Activities					
Balance - December 31, 2017	$308,318	$2,636,394	$1,670,863	$123,752	$4,739,327
Increases	0	0	0	0	0
Balance - December 31, 2018	$308,318	$2,636,394	$1,670,863	$123,752	$4,739,327
Accumulated Depreciation					
Balance - December 31, 2017	$ 0	$1,363,437	$1,164,529	$ 54,761	$2,582,727
Increases	0	39,651	20,020	9,257	68,928
Balance - December 31, 2018	$ 0	$1,403,088	$1,184,549	$ 64,018	$2,651,655

All depreciation expense was charged to the parking function.

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans

Single-Employer Plans

1. Plan Descriptions, Contribution Information, and Funding Policies

The City's reporting entity participates in three single-employer plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

Primary Government

City of Altoona Non-Uniformed Pension Plan (NUPP) provides retirement benefits for substantially all full-time non-uniformed employees of the primary government.

City of Altoona Police Pension Plan (PPP) provides retirement benefits for all policemen of the reporting entity.

City of Altoona Paid Firemen's Pension Plan (PFPP) provides retirement benefits for all paid firemen of the reporting entity.

Unless otherwise indicated, information for each plan in this note is provided as of the latest actuarial valuation, January 1, 2017.

Actuarially valuations are performed on a biennial basis.

These plans are defined benefit plans but do not issue stand-alone financial reports, nor are they included in the report of a Public Employee Retirement System or another entity. The following is a summary of funding policies, contribution methods, and benefit provisions:

	NUPP	PPP	PFPP
Year established and governing authority	01/15/30; City Council Ordinance	09/4/45; City Council Ordinance	09/10/45; City Council Ordinance
Determination of contribution requirements	Actuarially Determined	Actuarially Determined	Actuarially Determined
Contributions:			
Employer	Minimum Municipal Obligation (MMO) after deduction for employee contributions	Minimum Municipal Obligation (MMO) after deduction for employee contributions	Minimum Municipal Obligation (MMO) after deduction for employee contributions
Plan Members	5% of Compensation	5% of Compensation Plus $5/month until age 65 for those hired before 1/1/14; 5% of wages for those hired on/after 1/1/14.	5% of Total Compensation
Funding of administrative costs	Investment earnings	Investment earnings	Investment earnings
Period required to vest	12 Years	12 Years	12 Years

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

1. Plan Descriptions, Contribution Information, and Funding Policies (Continued)

	NUPP	PPP	PFPP
Post-retirement benefit increases	None	For those hired before 1/1/14, every officer in good standing of the Police Pension Fund Association who retires on or after 1/1/96, shall receive an annual cost of living adjustment, not to exceed 50% of the original pension benefit. The annual adjustment will be based on the annual percentage increase in the Consumer Price Index on a yearly basis from October to October of the prior year. In addition, such accumulated COLA increases shall not, at anytime, exceed 50% of the current salary being paid patrolman of the highest pay grade. There is no COLA for those hired on/after 1/1/14.	For retirements after 12/31/95, annual increases based on the Consumer Price Index, capped at 50% of the original benefit. At no time can the total pension benefit received exceed 50% of the salary paid to fireman of highest pay grade.
Deferred Retirement Option Plan (DROP) Benefit	None	None	Yes
Eligibility for distributions	Later of age 60 or completion of 20 years of credited service.	For those hired on/after 1/1/14, later of age 50 and completion of 20 years of service. For those hired prior to 1/1/14, an officer may retire immediately after 20 years of service.	20 Years of Service
Provisions for:			
Disability Benefits	For total and permanent disablement which occurs after the completion of 10 years of service, member receives Normal Retirement Benefit.	Service Related: basic normal retirement benefit. For those hired prior to 1/1/14, Non-Service Related: if less than 10 years of service, 25% of salary; otherwise 50%. There is no non-service related benefit to those hired on/after 1/1/14.	Service Related: normal Retirement benefit Non-Service Related: if less than 10 years of service, 25% of salary; otherwise 50%.
Retirement Benefits	Monthly benefit equal to 50% of average monthly compensation (highest 5 years of compensation).	For those hired prior to 1/1/14, 50% of base salary plus service increment. For those hired on or after 1/1/14, 50% of base salary.	Monthly benefit equal to 50% of pay at retirement. Also, a service increment of 1/8th of monthly pension per years of service in excess of 20 years is payable to a maximum of $500. In addition, a monthly $100 contractual bonus is payable at retirement. Participants hired after 12/31/13 do not receive the $100 contractual bonus, service increment or a cost-of-living adjustment. Additionally, there is an age 50 requirement for retirement and pensions are calculated on 50% of the base wage.

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

1. Plan Descriptions, Contribution Information, and Funding Policies (Continued)

	NUPP	PPP	PFPP
Provisions for:			
Death Benefits	Before retirement, refund of Contributions without interest. After retirement, none, unless, at retirement, member chose a joint and survivor option.	For those hired prior to 1/1/14, before retirement, survivor benefits of 25% of salary if death occurs before 10 years of service. For all officers, before retirement with 10 or more years of service, survivor benefits are 50% of salary. After retirement, for all officers survivor benefit of 100% of pension participant was receiving or was entitled to receive at date of death. In the event of the spouse's death, each of the participant's dependent children will receive an equal share of benefit until their 18th birthday.	Vested or killed in service: spouse receives 100% of benefit payments participant was receiving or entitled to at death. In event of spouse's death, dependent children will receive an equal share of benefit until their 18th birthday. If not vested or killed in service, refund of contributions to designated beneficiary.

Memberships of the plans are as follows:

	As of 12/31/18 NUPP	As of 12/31/18 PPP	As of 12/31/18 PFPP
Active Members	93	56	59
Retirees and Beneficiaries Currently Receiving Benefits	96	100	110
DROP Participants	0	0	1
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	2	5	1
Total	191	161	171

2. Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits for all plans. The plans held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds five percent or more of net position available for benefits.

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

3. Components of Net Pension Liability as of December 31, 2018 Measurement Date

	NUPP	PPP	PFPP
Total Pension Liability	$23,168,854	$49,638,541	$53,285,162
Plan Fiduciary Net Position	17,930,404	35,508,802	35,602,348
Net Pension Liability	$ 5,238,450	$14,129,739	$17,682,814
Fiduciary Net Position as a Percentage of Total Pension Liability	77.4%	71.53%	66.81%
Estimated Covered Payroll	$ 4,199,354	$ 4,077,231	$ 3,779,253
Net Liability as a Percentage of Covered Payroll	124.7%	346.55%	467.89%

4. Sensitivity of the Net Pension Liability to Changes in the Discount Rate as of December 31, 2018

A. Non-Uniformed Pension Plan (NUPP)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$7,493,751	$5,238,450	$3,302,780

B. Police Pension Plan (PPP)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$20,207,401	$14,129,739	$ 9,106,280

C. Paid Fireman's Pension Plan (PFPP)

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net Pension Liability	$24,324,290	$17,682,814	$12,178,195

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

5. Investments

Target allocation and long-term expected real rate of return for each asset class:

A. NUPP

	Target Allocation	Long-Term Expected Real Rate of Return
Equities	Information	5% - 7%
Fixed Income	Not Provided	1% - 3%
Cash	by Actuary	0% - 1%

B. PPP

	Target Allocation	Long-Term Expected Real Rate of Return: Gross Return	Long-Term Expected Real Rate of Return: Real Return
Domestic Equity	35%	8.20%	5.70%
International Equity	35%	8.20%	5.70%
Fixed Income	29%	3.10%	.60%
Cash	1%	2.50%	0.00%
	100%	6.66%	4.16%

Long-Term (15 years) inflation rate of 2.5%

C. PFPP

	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	7%	5.3%
Mid-Cap Equities	6%	5.9%
Small Cap Equities	6%	6.0%
International Equities	15%	5.0%
Emerging Market Equities	20%	6.7%
Short-Term Fixed Income	12%	.2%
Intermediate Fixed Income	12%	.6%
Long-Term Fixed Income	12%	.7%
Hedge Fund (Merger Arbitrage)	10%	3.00%

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

6. Changes in Net Pension Liability

NUPP

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at December 31, 2017	$22,226,355	$19,938,556	$ 2,287,799
Changes for the Year:			
Service Cost	$ 414,193	$ 0	$ 414,193
Interest	1,603,158	0	1,603,158
Contributions - Employer	0	588,619	(588,619)
Contributions - Employee	0	211,414	(211,414)
Net Investment Income	0	(1,657,764)	1,657,764
Benefit Payments and Refunds of Employee Contributions	(1,074,852)	(1,074,852)	0
Administrative Expense	0	(75,569)	75,569
Net Changes	$ 942,499	($ 2,008,152)	$ 2,950,651
Balances at December 31, 2018	$23,168,854	$17,930,404	$ 5,238,450

PPP

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at December 31, 2017	$50,306,602	$39,360,888	$10,945,714
Changes for the Year:			
Service Cost	$ 743,700	$ 0	$ 743,700
Interest	3,759,228	0	3,759,228
Differences between Expected and Actual Experience	(2,248,947)	0	(2,248,947)
Benefit Payments	(2,922,042)	(2,922,042)	0
Contributions - Employer (1)	0	2,669,372	(2,669,372)
Contributions - Employee	0	204,018	(204,018)
Net Investment Income	0	(3,782,859)	3,782,859
Administrative Expense	0	(20,575)	20,575
Net Changes	($ 668,061)	($ 3,852,086)	$ 3,184,025
Balances at December 31, 2018	$49,638,541	$35,508,802	$14,129,739

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

6. Changes in Net Pension Liability (Continued)

PFPP

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2017	$52,138,180	$40,009,769	$12,128,411
Changes for the Year:			
Service Cost	$ 843,472	$ 0	$ 843,472
Interest	3,594,258	0	3,594,258
Differences between Expected and Actual Experience	(73,019)	0	(73,019)
Benefit Payments	(3,217,729)	(3,217,729)	0
Contributions - Employer (1)	0	2,561,844	(2,561,844)
Contributions - Employee	0	243,007	(243,007)
Net Investment Income	0	(3,973,444)	3,973,444
Administrative Expense	0	(21,099)	21,099
Net Changes	$ 1,146,982	($ 4,407,421)	$ 5,554,403
Balances at December 31, 2018	$53,285,162	$35,602,348	$17,682,814

(1) - Includes State Aid

7. Deferred Outflows of Resources and Deferred Inflows of Resources

NUPP

	Deferred Outflows	Deferred Inflows
Differences between Expected and Actual Experience	$ 0	$ 742,397
Changes of Assumptions	78,610	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,013,516	703,486
Total	$3,092,126	$1,445,883

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

Year Ended	Amount
2019	$570,741
2020	279,321
2021	177,821
2022	618,360
2023	0
Thereafter	0

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

7. Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

PPP

	Deferred Outflows	Deferred Inflows
Differences between Expected and Actual Experience	$ 0	$3,135,020
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,429,280	2,105,994
Total	$8,429,280	$5,241,014

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

Year Ended	Amount
2019	$1,421,210
2020	1,421,210
2021	751,876
2022	590,072
2023	1,116,568
Thereafter	(2,112,670)

PFPP

	Deferred Outflows	Deferred Inflows
Differences between Expected and Actual Experience	$ 233,876	$ 783,303
Changes in Assumptions	971,544	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	6,403,749	1,690,903
Total	$7,609,169	$2,474,206

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

Year Ended	Amount
2019	$1,957,831
2020	1,129,308
2021	670,067
2022	1,388,896
2023	(11,139)
Thereafter	0

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

8. Annual Pension Expense

Components of Pension Expense for the year ended December 31, 2018:

NUPP

Service Cost	$ 414,193
Interest	1,603,158
Recognition of Difference between Expected and Actual Experience	(319,011)
Recognition of Changes of Assumptions	71,465
Employee Contributions	(211,414)
Projected Earnings on Pension Plan Investments	(1,434,040)
Recognition of Differences between Projected and Actual Earnings on Plan Investments	818,285
Administrative Expenses	75,569
Total Pension Expense	$1,018,205

PPP

Service Cost	$ 743,700
Interest	3,759,228
Recognition of Differences between Expected and Actual Experience	(204,470)
Employee Contributions	(204,018)
Projected Earnings on Pension Plan Investments	(2,822,335)
Recognition of Differences between Projected and Actual Earnings on Plan Investments	1,625,680
Administrative Expenses	20,575
Total Pension Expense	$2,918,360

PFPP

Service Cost	$ 843,472
Interest	3,594,258
Difference between Expected and Actual Experience	(240,444)
Changes of Assumptions	571,498
Employee Contributions	(243,007)
Projected Earnings on Pension Plan Investments	(2,786,722)
Differences between Projected and Actual Earnings on Plan Investments	1,626,777
Administrative Expenses	21,099
Total Pension Expense	$3,386,931

9. City Contributions

The City contributions for 2018 for each Plan is as follows:

NUPP	$ 588,619
PPP	2,669,372
PFPP	2,561,844

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

10. Plan Related Financial Statement Items
As of December 31, 2018 and for the year then ended, the Plan's had the following:

	NUPP	PPP	PFPP
Plan Related Assets	$17,952,908	$35,531,835	$35,602,348
Deferred Outflows of Resources	3,092,126	8,429,280	7,609,169
Net Pension Liability	5,238,450	14,129,739	17,682,814
Deferred Inflows of Resources	1,445,883	5,241,014	2,474,206
Pension Expense	1,018,205	2,918,360	3,386,931
Pension Expenditures	588,619	2,669,372	2,561,844

Component Unit

Altoona Water Authority

Summary of Significant Accounting Policies

Basis of Accounting
These statements have been prepared on the accrual basis of accounting. Contributions and pension payments are recognized in the period that they are due.

Valuation of Investments
Plan investments are at fair value as reported by the M&T Trust Company.

Plan Description

Plan Administration
The Altoona Water Authority Employees' Pension Plan is a single-employer defined benefit pension plan. The Plan was established effective January 15, 1930. The Plan was amended and restated by Resolution No. 03-02-235, effective January 1, 2002. The Plan is governed by the Board of Directors of the Altoona Water Authority which may amend the plan provisions, and which is responsible for the management of Plan assets. The Board of Directors has delegated the authority to manage certain Plan assets to the M&T Trust Company. The plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2017.

Plan Membership
The plan provides pensions for full-time employees of the Authority. As of December 31, 2018, pension plan membership consists of:

• Active Employees	121
• Retirees and Beneficiaries Currently Receiving Benefits	61
• Terminated Employees Entitled to Benefits But Not Yet Receiving Them	10
Total	192

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Plan Description (Continued)

Benefit Program
Pension plan benefit provisions are as follows:

- Eligibility Requirements

Normal Retirement:	Age 62
Early Retirement:	Age 55 and 5 years of service.
Vesting:	100% after 5 years of service.

- Retirement Benefit: A monthly benefit payable for life equal to 1/12 of 75% of total member contributions made while an active member. Disabled member receives benefit credit equal to 1.5% of the monthly rate of annual earnings immediately prior to disablement for each month the member remains disabled. The minimum normal retirement benefit is $16.67 times credited service, up to a maximum of $500.

- Death Benefit

Before Vesting:	Refund of contributions plus interest.
After Vesting But Before Retirement:	The participant may elect the following: If a participant dies after becoming vested and before retirement, the spouse will receive a benefit payable at the later of the participant's date of death or earliest retirement date, equal to 50% of the joint and 50% survivor benefit, payable as if the participant had terminated employment at the date of death, survived to earliest retirement date and commenced payment of benefits.
After Retirement:	Benefit in force at participants death.

II. **Detailed Notes on All Activities and Funds** (Continued)

D. **Pension Plans** (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Plan Description (Continued)

Benefit Program (Continued)

- Disability Benefit

Service Related:	Normal Retirement benefit, after 5 years of service, calculated at date of disability, payable at Normal retirement date. Participants may elect earlier commencement of reduced benefits, but this causes the special benefit credit to cease.
Non-Service Related:	Same.
• Vesting Benefit	Retirement Benefit as calculated as termination date is payable at Normal Retirement date.
• Early Retirement	Retirement Benefit calculated at termination is reduced by 0.5% for each month early.
• Member Contributions	
Amount or Rate:	2.0%
Interest Rate Credited to Member Contributions:	6.0%

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. Any financial requirements established by the MMO must be funded by the employer.

Employees are required to contribute 2 percent of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

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

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Deposits and Investment at Risk Disclosures

Deposits
At December 31, 2018, the Plan held $1,232 in deposits. All deposts are fully insured by the Federal Deposit Insurance Corporation.

Investments
The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

Asset Class	Target Percentages
Equity	65%
Fixed Income	35%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The plan has no investment policy for credit risk. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

Investment Type	Fair Value	Credit Rating
Cash Equivalents	$ 438,173	NR
Fixed Income Funds	1,583,690	NR
Exchange Traded Funds - Fixed	148,715	NR
Corporate Debt	413,748	A
Corporate Debt	141,984	AA
Corporate Debt	453,232	BBB
Total	$3,179,542	

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2018, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The plan has no investment policy for interest rate risk other than the 35 percent limit on fixed income securities. The maturities of the plan's debt investments are listed on the table below.

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Deposits and Investment at Risk Disclosures (Continued)

Investments (Continued)

Investment Type	Fair Value	Less Than 1	1 - 5.99	6-10	More Than 10
Fixed Income Funds*	$1,583,690	$309,862	$ 601,922	$ 265,297	$406,609
U.S. Government Agency Securities	994,313	0	723,051	271,262	0
Exchange Traded Funds - Fixed	148,715	0	148,715	0	0
Corporate Debt	1,008,964	138,863	659,008	211,093	0
Total	$3,735,682	$448,725	$2,132,696	$ 747,652	$406,609

*average portfolio maturity

Net Pension Liability

The components of the net pension liability at December 31, 2018 are as follows:

Total Pension Liability*	$16,506,212
Plan Fiduciary Net Position	(12,235,144)
Net Pension Liability	$ 4,271,068
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.1%

Actuarial Assumptions

*The total pension liability was determined by an actuarial as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation:	2.75%
Salary Increase:	4.5% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar Adjustment, with rates set forward 5 years for disabled members. Mortality improvements based on the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Actuarial Assumptions (Continued)

Expected Long-Term Rate of Return: 7.25%, applied to all periods

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) 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 percentages and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset claim included in the target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Real ROR
Equity	5.0% - 7.0%
Fixed Income	1.0% - 3.0%
Cash and Cash Equivalents	0.0% - 1.0%

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligations. Based on those assumptions, the pension 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 payment to determine the total pension liability.

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Changes in Net Pension Liability

	-------- Increase (Decrease) --------		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2017	$15,627,115	$13,057,057	$2,570,058
Changes for the Year:			
Service Cost	$ 345,424	$ 0	$ 345,424
Interest	1,136,538	0	1,136,538
Contributions - Employer	0	362,000	(362,000)
Contributions - Employee	0	128,301	(128,301)
Net Investment Income	0	(605,828)	605,828
Benefit Payments and Refunds of Employee Contributions	(602,865)	(602,865)	0
Administrative Expense	0	(103,521)	103,521
Net Changes	$ 879,097	($ 821,913)	$1,701,010
Balances at 12/31/2018	$16,506,212	$12,235,144	$4,271,068

Sensitivity of the net pension liability to changes in the discount rate: The following shows effect of a 1% change in the discount rate on the net pension liability.

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$6,116,041	$4,271,068	$2,687,115

At December 31, 2018, the Authority did not owe anything to the Plan.

II. Detailed Notes on All Activities and Funds (Continued)

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Changes in Net Pension Liability (Continued)

Net Pension Liability (Continued)
Components of Pension Expense for the Year Ended December 31, 2018:

Service Cost	$ 345,424
Interest on the Total Pension Liability	1,136,538
Recognition of Differences Between Expected and Actual Experience	(49,075)
Recognition of Changes in Assumptions	147,196
Employee Contributions	(128,301)
Projected Earnings on Pension Plan Investments	(934,593)
Recognition of Differences Between Projected and Actual Earnings on Plan Investments	422,586
Pension Plan Administrative Expense	103,521
Total Pension Expense	$1,043,296

At December 31, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$229,185
Changes of Assumptions	839,018	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,520,016	413,803
Total	$2,359,034	$642,988

Amounts reported as deferred outflows of resources and (deferred inflows of resources) related to pension will be recognized in pension expense as follows:

Year ended December 31:

2019	$ 520,705
2020	303,514
2021	268,272
2022	406,206
2023	126,554
Thereafter	90,795
Net	$1,716,046

II. Detailed Notes on All Activities and Funds (Continued)

E. Deferred Retirement Option Plan (DROP) Agreement

Effective April 1, 2009, a Retirement Benefit distribution option is available to those firefighters who qualify and voluntarily elect to participate. This option shall not affect a member's eligibility for a City Pension. Additionally, participants in the DROP program are considered to be active firefighters and will continue to be members of the collective bargaining unit. However, if while in the DROP program, contractual benefits change which affect retirement, any member already participating in the DROP will abide by the contract language which was in effect at the time he/she entered the DROP. Otherwise, participants in the DROP program are subject to all rights and responsibilities provided by the collective bargaining agreement until no longer performing the duties of firefighter and terminate employment with the City of Altoona.

A member must have a minimum of twenty (20) year's service to be eligible for the DROP. Members eligible to participate in the DROP plan shall include all members hired subsequent to January 1, 2005 who do NOT have the option to buy the post-retirement health care coverage provided by the city with accrued sick leave. Furthermore, any member hired prior to January 1, 2005 may use their accrued sick leave to purchase either post-retirement health care OR buy into the DROP, but not both. In any case, buying into the DROP or post-retirement health care shall mean trading in one hundred two (102) sick days for the option chosen.

Any employee hired before January 1, 2005 must waive the requirement to be paid for accumulated sick leave to participate in the DROP. Firefighters must have accumulated fifty percent (50%) of the maximum allowed sick leave to participate in the DROP and have attained twenty (20) years of service necessary for normal retirement, and will be paid the value of twenty percent of all accumulated sick days in excess of one-hundred and two (102) up to the maximum number. For purposes of the DROP, retirement shall mean when the employee is no longer employed as a Firefighter for the City.

A member participating in DROP must establish a date certain upon which the member shall resign from service as a City Firefighter. This date certain must be prior to completion of the maximum participation period. As a condition of participation in the DROP program, the individual member acknowledges that the Union and the City shall have no responsibility for the financial impact and/or consequences of a member's participation in DROP, including but not limited to, the investment of the contents of a member's DROP account, the performance of any such investments, the member's decision to participate in DROP, or any tax consequences flowing from the DROP participation.

Upon deciding to participate in the DROP, a member must submit, on forms provided by the City: (a) a binding letter of resignation from regular employment with the City which discloses the members' intent to retire; and (b) a written election to participate in the DROP that details the members' rights and obligations under the DROP and includes an agreement to forgo:

(i) active membership in the pension plan
(ii) any growth in the salary base used for calculating the regular retirement benefit
(iii) any additional benefit accrual for retirement purposes

II. Detailed Notes on All Activities and Funds (Continued)

E. Deferred Retirement Option Plan (DROP) Agreement (Continued)

Upon entry into the DROP, a member's pensionable service, and the average applicable compensation shall be frozen and his/her pension and retirement payments shall be calculated as if he/she actually retired on the date he/she entered the DROP. The monthly DROP pension payment, plus any applicable COLA, shall be paid to an individual DROP investment account managed by Wachovia Securities in their FundSource Program (or comparable mutually agreed upon Program). Wachovia Securities shall maintain the account, independent of the City of Altoona.

Each member shall upon electing to enter the DROP meet with a member of Wachovia Securities to establish a FundSource Account (or comparable Account) and select the investments in his/her individual investment account from an array of options as offered by the FundSource Program (or comparable Program). The Third Party will be the party responsible for all investment options and record keeping of all assets transferred to the member's FundSource Account (or comparable Account) from the Pension Fund. All investment and administrative costs incurred with the Third Party shall be charged against the individual DROP investment accounts of the participants.

If at any time Wachovia Securities is no longer able to provide the Individual Drop Account satisfactorily as described in this agreement, the City and Union agree to select a mutually agreed upon Third Party to administer the Individual Drop Accounts.

Upon entry into the DROP, all City and Employee Contributions to the Firemen's Pension Fund shall cease, with no additional costs to the City.

An eligible member may participate in the DROP plan for no more than sixty (60) months. At any time up to sixty (60) months, the member may terminate his or her employment and enact the payment options with their Individual DROP Account. Once the maximum participation has been achieved, the member must terminate employment and separate from service.

Commensurate with DROP participation, a member shall make an election, on appropriate forms, selecting the payout option(s) he/she wishes at the termination of the DROP period. This election may be changed at any time prior to termination. The distribution options are as follows:

(1) A full and lump sum distribution.
(2) Rollover to another qualified retirement plan (as permitted by law) or to an IRA.
(3) Purchase of an annuity.
(4) Keep the monies in the individual DROP investment account. Monies kept in the individual DROP Investment Account may be withdrawn in any manner desired by the member.
(5) Any other distribution provided by the Third Party Administrator or any manner permitted by law.

II. Detailed Notes on All Activities and Funds (Continued)

E. Deferred Retirement Option Plan (DROP) Agreement (Continued)

As with the decision to participate in the DROP program, the City assumes no responsibility for the consequences of the rollover election made by a participating member, including, tax consequences and issues of the legality of a rollover, of the manner of distribution which a member selects for the distribution and the individual DROP participants agree to hold the City harmless for any consequences flowing from the member's receipt of a full or partial distribution of the contents of the member's DROP account.

Commensurate with DROP participation, a member shall make an election, on appropriate forms, designating the beneficiary or beneficiaries he/she wishes to receive the monies in his/her individual DROP Investment Account in the event of his/her death before all monies have been distributed.

A member who becomes permanently disabled during the DROP period shall be retired from service and, thereafter, shall revert to his/her normal pension retirement pension. He will directly receive those pension payments which were being deposited into his/her DROP investment account. The participant will then have access to the distributions from his/her individual DROP Investment Account.

If a member becomes temporarily disabled during his/her participation in DROP, the time period while on disability counts toward the sixty (60) month participation limit. During such period of temporary disability, a member shall receive disability pay in the same amount as disabled firefighters that are not participating in DROP. In no event shall a member on temporary disability have the ability to draw from the DROP Account.

However, if a member is disabled and has not returned to work as of the date of his required retirement, such retirement shall take precedence over all other provisions and said member shall immediately resign.

The members agree that any costs or fees associated with the management and/or Administration or the DROP accounts shall be paid directly from the Individual Drop Account and not by the City.

In expressing the normal cost and administrative expense requirements as a dollar amount under Act 205, the City shall exclude the compensation of all DROP participants from the payroll of the active membership of the pension plan. For purposes of computing and reporting the applicable number of units under Act 205, a DROP participant shall not be reported to the Auditor General as an active employee.

Any amendment to the DROP Plan shall be consistent with the provisions covering deferred retirement option plans set forth in the collective bargaining agreement and shall be binding upon all future DROP participants and upon all DROP participants who have balances in their deferred retirement option accounts. The DROP Plan may only be amended upon a written instrument. The members agree to act promptly and in good faith to amend this DROP plan to ensure compliance with Act 205 and any other applicable law.

II. Detailed Notes on All Activities and Funds (Continued)

E. Deferred Retirement Option Plan (DROP) Agreement (Continued)

Participation in the DROP program does not create any separate entitlement to employment. In addition, nothing shall be construed as a change to the parties practice of calculating pensionable compensation, and except for the ability to establish a DROP Account and participate in the DROP Program, nothing is intended to create new pension benefits of any kind which did not exist as of December 31, 2007.

F. Post-Employment Benefits - Single Employer

Police Postretirement Benefits

Police Plan Description

The City's Police Postretirement Plan is a non-contributory, single-employer defined benefit postretirement benefit plan that covers full-time uniformed police officers of the City that were hired prior to 2014. The Plan provides postretirement medical benefits upon retirement or disability to Plan members and their beneficiaries, pursuant to City ordinances and the collective bargaining agreement between the City and its Police officers. Eligible members with other medical coverage may elect to receive opt-out payments in lieu of these benefits and may later elect to receive plan benefits if the other coverage is discontinued. The Plan may be amended by the City through its ordinances and union contracts. The Plan is administered by an administrator appointed by the City Council.

Separate financial statements are not issued for this plan.

Memberships of the plan are as follows:

	12/31/18
Active Members	40
Retirees and Beneficiaries Currently Receiving Benefits	39
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Total	79

Plan Funding

Officers who retire and are receiving postretirement benefits under the Plan are required to pay the cost of dental and vision coverage and dependent coverage.

The Plan does not have a funding policy. The medical premiums for retired members are paid from the City's General Fund, and, as a result, the City's subsidy of the premiums for retired members are from the City's General Fund.

Valuation Date

July 1, 2017

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Police Postretirement Benefits (Continued)

Actuarial Assumptions

Inflation
2.5%

Interest Rate
4.0%. The interest rate represents the 20-year AA/Aa municipal bond rates.

Salary Increases
Active plan members' salaries are assumed to increase by 4.5% per year. As Plan benefits are not pay-related, this assumption was used solely to determine the normal costs under the actuarial cost method.

Mortality
RP-2000 Table for healthy males and females, using the combined mortality table for active and retired members, projected using scale AA. 25% of active member's deaths are assumed to be in the line of duty. Mortality for disabled lives is assumed to be that of healthy members who are ten years older.

Turnover
Table T-1. The following is a list of the annual rates of withdrawal (employee turnover) at selected ages under the table:

Age	Rate of Turnover
20	5.5000%
25	4.9706%
30	3.8011%
35	2.4866%
40	1.3283%
45	0.6233%
50	0.6475%
55	1.4036%
60	1.5555%

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Police Postretirement Benefits (Continued)

Actuarial Assumptions (Continued)

Disability
1992 Railroad Retirement Board Disability Table. The following is a list of the annual rates of disablement at selected ages:

Age	Rate of Disability
20	0.08%
25	0.08%
30	0.08%
35	0.08%
40	0.37%
45	0.86%
50	1.48%
55	2.46%
60	4.81%

Retirement
Officers are assumed to retire at the latest of age 54, completion of 20 years of service or their age at the valuation date.

Percent Married
85% of retiring members are assumed to be married at the time of retirement.

Member Elections
85% of retiring members are assumed to elect coverage under the Plan. 10% of members who elect coverage are assumed to elect the cash out instead of receiving medical coverage under the Plan.

Medicare Eligibility
10% of retired members reaching age 65 are assumed not to be eligible for Medicare benefits.

Medical Claims Rates
Medical claim rates are based on the current premium rates, adjusted based on the factors used by the insurer to adjust the composite group insurance premiums rates to reflect the age of retired plan members. The adjustment factors by age and sex are as follows:

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Police Postretirement Benefits (Continued)

Actuarial Assumptions (Continued)

Medical Claims Rates (Continued)

Ages	Female Factors	Male Factors
40-44	1.345	0.796
45-49	1.476	1.022
50-54	1.668	1.354
55-59	2.053	1.939
60+	2.506	2.689

Medical Inflation
For the medical coverage (doctor, hospitalization, major medical and prescription drug) coverage, premium rates are assumed to increase at the following rates, based on the Gentzen Model of Long-Run Medical Cost Trends:

Year	Rate of Increase
2017	5.6%
2018-2019	5.4%
2020-2044	5.3%
2045-2046	5.1%
2047-2049	5.0%
2050-2053	4.9%
2054-2059	4.8%
2060-2065	4.7%
2066	4.6%
2067	4.5%
2068-2069	4.4%
2070	4.3%
2071	4.2%
2072-2073	4.1%
2074	4.0%
2075+	3.9%

Census Data
The actuarial valuation was prepared using census data and plan benefits and costs as of January 1, 2017.

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Police Postretirement Benefits (Continued)

Actuarial Assumptions (Continued)

Actuarial Cost Method

The actuarial cost method is the way that unfunded Plan costs are allocated over future years, including the current year. The Plan uses the entry age normal actuarial cost method. Under this method, the normal cost and actuarial accrued liability are determined on an individual basis. The unfunded actuarial accrued liability is determined as the excess of the actuarial accrued liability over the actuarial value of assets. If the actuarial accrued liability exceeds the actuarial value of Plan assets, the unfunded actuarial accrued liability is amortized over future years as part of the annual contribution requirement. The amortization amounts are determined based on the source of each piece of the unfunded actuarial accrued liability (e.g., actuarial gains and losses, plan amendments, changes in assumptions, etc.). If the actuarial value of assets exceeds the actuarial accrued liability, 10% of this excess is used to reduce the Plan's financial requirement.

Components of Net OPEB Liability as of December 31, 2018 Measurement Date

Total Pension Liability	$16,686,194
Plan Fiduciary Net Position	0
Net OPEB Liability	$16,686,194
Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Payroll	$ 3,062,984
Net Liability as a Percentage of Covered Payroll	544.77%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of December 31, 2018

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Net Pension Liability	$18,979,944	$16,686,194	$14,786,468

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Police Postretirement Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates as of December 31, 2018

	1% Decrease in Medical Trend Rate	Current Medical Trend Rate%	1% Increase in Medical Trend Rate
Net Pension Liability	$14,298,026	$16,686,194	$19,663,078

Investments and Discount Rate

Since there are no plan assets, the discount rate is based on a 20 year High-Grade Municipal Rate Index.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1, 2018	$16,413,619	$ 0	$16,413,619
Changes for the Year:			
Service Cost	$ 552,195	$ 0	$ 552,195
Interest	659,843	0	659,843
Employer Contributions	0	939,463	(939,463)
Benefit Payments	(939,463)	(939,463)	0
Net Changes	$ 272,575	$ 0	$ 272,575
Balances at December 31, 2018	$16,686,194	$ 0	$16,686,194

Deferred Outflows of Resources and Deferred Inflows of Resources

There are no Deferred Outflows/Inflows related to this Plan.

Annual OPEB Expense

Components of OPEB Expense for the year ended December 31, 2018:

Service Cost	$ 552,195
Interest	659,843
Total OPEB Expense	$1,212,038

City Contributions

The City's contributions for the year ended December 31, 2018 was $939,463.

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Police Postretirement Benefits (Continued)

Plan Related Financial Statement Items

As of December 31, 2018 and for the year then ended, the Plan's had the following:

Plan Related Assets	$ 0
Deferred Outflows of Resources	0
Net OPEB Liability	(16,686,194)
Deferred Inflows of Resources	0
OPEB Expense	1,212,038
OPEB Expenditures	939,463

Firemen's Postretirement Benefits Plan

Firemen Plan Description

The City's Firemen's Postretirement Plan is a non-contributory, single-employer defined benefit postretirement benefit plan that covers full-time uniformed firemen of the City that were hired prior to 2005. The Plan provides postretirement medical benefits upon retirement or disability to Plan members and their beneficiaries, pursuant to City ordinances and the collective bargaining agreement between the City and its Firemen. Eligible members with other medical coverage may elect to receive opt-out payments in lieu of these benefits and may later elect to receive plan benefits if the other coverage is discontinued. The Plan may be amended by the City through its ordinances and union contracts. The Plan is administered by an administrator appointed by the City Council.

Separate financial statements are not issued for this plan.

Memberships of the plan are as follows:

	12/31/18
Active Members	20
Retirees and Beneficiaries Currently Receiving Benefits	25
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Total	45

Plan Funding

Firemen who retire and are receiving postretirement benefits under the Plan are required to pay the cost of dental and vision coverage and dependent coverage.

The Plan does not have a funding policy. The medical premiums for retired members are paid from the City's General Fund, and, as a result, the City's subsidy of the premiums for retired members are from the City's General Fund.

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Firemen's Postretirement Benefits Plan (Continued)

Firemen Plan Description (Continued)

Valuation Date
July 1, 2017

Actuarial Assumptions

Inflation
2.5%

Interest Rate
4.0%. The interest rate represents the 20-year AA/Aa municipal bond rates.

Salary Increases
Active plan members' salaries are assumed to increase by 4.5% per year. As Plan benefits are not pay-related, this assumption was used solely to determine the normal costs under the actuarial cost method.

Mortality
RP-2000 Table for healthy males and females, using the combined mortality table for active and retired members, projected using scale AA. 25% of active member's deaths are assumed to be in the line of duty. Mortality for disabled lives is assumed to be that of healthy members who are ten years older.

Turnover
Table T-1. The following is a list of the annual rates of withdrawal (employee turnover) at selected ages under the table:

Age	Rate of Turnover
20	5.5000%
25	4.9706%
30	3.8011%
35	2.4866%
40	1.3283%
45	0.6233%
50	0.6475%
55	1.4036%
60	1.5555%

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Firemen's Postretirement Benefits Plan (Continued)

Actuarial Assumptions (Continued)

Disability
UAW 1995 Table. The following list Table T-1. The following is a list of the annual rates of disablement at selected ages:

Age	Rate of Disability Females Males
20	0.04% 0.03%
25	0.05% 0.03%
30	0.06% 0.04%
35	0.08% 0.05%
40	0.10% 0.07%
45	0.15% 0.10%
50	0.26% 0.18%
55	0.49% 0.36%
60	1.21% 0.90%

Retirement
Firefighters are assumed to retire at the later of age 56 or normal retirement eligibility.

Percent Married
85% of retiring members are assumed to be married at the time of retirement. Female spouses are assumed to be three years younger than male spouses.

Member Elections
85% of retiring members are assumed to elect coverage under the Plan. 10% of members who elect coverage are assumed to elect the cash out instead of receiving medical coverage under the Plan.

Medicare Eligibility
10% of retired members reaching age 65 are assumed not to be eligible for Medicare benefits.

Medical Claims Rates
Medical claim rates are based on the current premium rates, adjusted based on the factors used by the insurer to adjust the composite group insurance premiums rates to reflect the age of retired plan members. The adjustment factors by age and sex are as follows:

Ages	Female Factors	Male Factors
40-44	1.345	0.796
45-49	1.476	1.022
50-54	1.668	1.354
55-59	2.053	1.939
60+	2.506	2.689

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Firemen's Postretirement Benefits Plan (Continued)

Actuarial Assumptions (Continued)

Medical Inflation
For the medical coverage ((doctor, hospitalization, major medical and prescription drug) coverage, premium rates are assumed to increase at the following rates, based on the Gentzen Model of Long-Run Medical Cost Trends:

Year	Rate of Increase
2017	5.6%
2018-2019	5.4%
2020-2044	5.3%
2045-2046	5.1%
2047-2049	5.0%
2050-2053	4.9%
2054-2059	4.8%
2060-2065	4.7%
2066	4.6%
2067	4.5%
2068-2069	4.4%
2070	4.3%
2071	4.2%
2072-2073	4.1%
2074	4.0%
2075+	3.9%

Census Data
The actuarial valuation was prepared using census data and plan benefits and costs as of January 1, 2017.

Actuarial Cost Method
The actuarial cost method is the way that unfunded Plan costs are allocated over future years, including the current year. The Plan uses the entry age normal actuarial cost method. Under this method, the normal cost and actuarial accrued liability are determined on an individual basis. The unfunded actuarial accrued liability is determined as the excess of the actuarial accrued liability over the actuarial value of assets. If the actuarial accrued liability exceeds the actuarial value of Plan assets, the unfunded actuarial accrued liability is amortized over future years as part of the annual contribution requirement. The amortization amounts are determined based on the source of each piece of the unfunded actuarial accrued liability (e.g., actuarial gains and losses, plan amendments, changes in assumptions, etc.). If the actuarial value of assets exceeds the actuarial accrued liability, 10% of this excess is used to reduce the Plan's financial requirement.

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Firemen's Postretirement Benefits Plan (Continued)

Components of Net OPEB Liability as of December 31, 2018 Measurement Date

Total Pension Liability	$12,316,484
Plan Fiduciary Net Position	0
Net OPEB Liability	$12,316,484
Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Payroll	Information Not Provided by Actuary
Net Liability as a Percentage of Covered Payroll	

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of December 31, 2018

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Net Pension Liability	$13,965,529	$12,316,484	$10,955,200

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates as of December 31, 2018

	1% Decrease in Medical Trend Rate	Current Medical Trend Rate	1% Increase in Medical Trend Rate
Net Pension Liability	$10,688,122	$12,316,484	$14,302,071

Investments and Discount Rate

Since there are no plan assets, the discount rate is based on a 20 year High-Grade Municipal Rate Index.

II. Detailed Notes on All Activities and Funds (Continued)

F. Post-Employment Benefits - Single Employer (Continued)

Firemen's Postretirement Benefits Plan (Continued)

Changes in Net OPEB Liability

	---------- Increase (Decrease) ----------		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1, 2018	$12,488,301	$ 0	$12,488,301
Changes for the Year:			
Service Cost	$ 210,464	$ 0	$ 210,464
Interest	490,495	0	490,495
Employer Contributions	0	872,776	(872,776)
Benefit Payments	(872,776)	(872,776)	0
Net Changes	($ 171,817)	$ 0	($ 171,817)
Balances at December 31, 2018	$12,316,484	$ 0	$12,316,484

Deferred Outflows of Resources and Deferred Inflows of Resources
There are no Deferred Outflows/Inflows related to this Plan.

Annual OPEB Expense
Components of OPEB Expense for the year ended December 31, 2018:

Service Cost	$ 210,464
Interest	490,495
Total OPEB Expense	$ 700,959

City Contributions
The City's contributions for the year ended December 31, 2018 was $872,776.

Plan Related Financial Statement Items
As of December 31, 2018 and for the year then ended, the Plan's had the following:

Plan Related Assets	$ 0
Deferred Outflows of Resources	0
Net OPEB Liability	(12,316,484)
Deferred Inflows of Resources	0
OPEB Expense	700,959
OPEB Expenditures	872,776

II. Detailed Notes on All Activities and Funds (Continued)

G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; errors and omissions; and natural disasters for which the City carries commercial insurance. In addition, the City maintains a limited self-insurance program for Worker's Compensation.

The City is self-insured with respect to worker's compensation in order to pay worker's compensation claims of City employees and minimize the total annual costs of worker's compensation to the City. A third-party administrator determines payments to be made by the City based on actual incurred workers compensation claims by City employees. Annual claims are paid from the general fund. Claims incurred but not paid of $108,895 have been recorded as a payable in the general fund as of December 31, 2018. Additional claims are estimated to be $576,925. During 2010, the Commonwealth of Pennsylvania's Department of Labor and Industry's Bureau of Workers' Compensation calculated the funding status of the City's workers' compensation dedicated asset account, pursuant to revised self-insurance regulations. Due to these revised regulations, the estimate of the City's required reserve decreased from $2,033,934 to $576,925, and, historically, this reserve has been used by the City to estimate the long-term portion of its workers' compensation liability.

The City's specific excess annual retention for each accident or each employee for disease are as follows:

a. As respects to the loss comprised of medical and rehabilitation expenses:

   i. the first $110,000 incurred during the first retention period
   ii. the first $60,000 incurred during the second retention period
   iii. the first $50,000 incurred during the third and each other retention period

b. As respects to the loss comprised of periodic income benefits: The first $27,000 due during each retention period.

c. $450,000, as respects to the loss:

   i. comprised of liability imposed by law for damages
   ii. comprised of lump-sum benefits (including lump-sum benefits payable in installments) rather than periodic income benefits
   iii. for which you purchase an annuity or make other financial arrangement to discharge your liability for payment of periodic income benefits
   iv. for which any governmental entity requires you to make a deposit to fund the payment of periodic income benefits

d. subject to a maximum retention of $450,000

II. Detailed Notes on All Activities and Funds (Continued)

G. Risk Management (Continued)

The annual changes to worker's compensation liabilities for claims as of December 31, 2018 are as follows:

January 1, 2018	Net Change	December 31, 2018	Due Within One Year
$636,857	$48,963	$685,820	$108,895

The City has recognized, as due within one year, the payments made under the City's self-insured program through March 31, 2019.

H. Lease Obligations

Operating Leases

The City is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases with month-to-month terms.

I. Long-Term Debt

General Obligation Note, Series of 2011

In April 2011, the City issued $1,000,000 General Obligation Note, Series of 2011 to acquire and construct park and recreation facilities and pay related expenses.

The interest rate is fixed at 4.25% per annum.

Annual debt service requirements to maturity on this Note is as follows:

Governmental Activities

Date	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
04/01/2019	$ 55,521	$ 7,465	$ 62,986	
10/01/2019	56,700	6,286	62,986	$ 125,972
04/01/2020	57,905	5,081	62,986	
10/01/2020	59,136	3,850	62,986	125,972
04/01/2021	60,392	2,594	62,986	
10/01/2021	61,676	1,310	62,986	125,972
	$351,330	$ 26,586	$ 377,916	$ 377,916

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

General Obligation Notes

During 2003, the City issued $10,795,000 General Obligation Notes, Series A of 2003 (Tax-Exempt) to provide funds for capital improvements, advance refund a portion ($3,354,277 to eliminate $3,025,000 of principal) of the City's General Obligation Bonds, Series of 1998, and to pay the costs and expenses related to this issuance.

In addition, the City issued $1,500,000 General Obligation Notes, Series B of 2003 (Federally Taxable) to provide funding of the City's self-insured Worker's Compensation Fund as required by the Commonwealth of Pennsylvania and to pay the costs related to this issuance.

The General Obligation Notes are general obligations of the City of Altoona, payable from its tax and other revenues, and the City has pledged its full faith, credit, and taxing power. The $10,795,000 General Obligation Notes, Series A of 2003 (Tax-Exempt) interest rates range from 4.0% to 4.3% and the $1,500,000 General Obligation Notes, Series B of 2003 (Federally Taxable) interest rates range from 4.6% to 5.0%.

The City currently refunded a portion of these Federally Tax-Exempt Notes ($4,055,000) with the General Obligation Bonds, Series of 2014 and the remaining portion of these Federally Tax-Exempt Notes ($6,690,000) with the General Obligation Bonds, Series of 2016.

Annual debt service requirements to maturity for the Series B of 2003 are as follows:

$1,500,000 General Obligation Notes, Series B of 2003 (Federally Taxable)

Governmental Activities

Date	Coupon Rate	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
03/01/2019			$ 35,500	$ 35,500	
09/01/2019	5.000%	$ 630,000	35,500	665,500	$ 701,000
03/01/2020			19,750	19,750	
09/01/2020	5.000%	660,000	19,750	679,750	699,500
03/01/2021			3,250	3,250	
09/01/2021	5.000%	130,000	3,250	133,250	136,500
		$1,420,000	$117,000	$1,537,000	$1,537,000

General Obligation Bonds, Series of 2008

In October 2008, the City issued General Obligation Bonds, Series of 2008 in the principal amount of $7,000,000. The bond proceeds were used (1) to currently refund a portion of the City's General Obligation Bonds, Series of 1998; (2) to acquire, construct, and equip improvements for the fire, police, public works, and code enforcement departments of the City, information technology equipment, parking, and other facilities for the City; and (3) to pay the costs of issuing these bonds.

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2008 (Continued)
The General Obligation Bonds are general obligations of the City of Altoona, payable from its tax and other revenues, and the City has pledged its full faith, credit, and taxing power. The $7,000,000 General Obligation Bonds interest rates range from 3% to 4.5%.

The City currently refunded a portion of these Bonds ($2,630,000) with the General Obligation Bonds, Series of 2014.

These Bonds were fully redeemed in 2018.

General Obligation Bonds, Series of 2009
In March 2009, the City issued General Obligation Bonds, Series of 2009 in the principal amount of $8,000,000. The bond proceeds will be used to provide funds (1) to construct various improvements to buildings and facilities in the City; (2) capitalize interest on the Bonds; and (3) to pay the costs of issuing these bonds.

The General Obligation Bonds are general obligations of the City of Altoona, payable from its tax and other general revenues, and the City has pledged its full faith, credit, and taxing power. The $8,000,000 General Obligation Bonds interest rates range from 3% to 4.45%.

The City advance refunded a portion of these Bonds ($1,740,000) with the General Obligation Bonds, Series of 2014. In addition, the City currently refunded a portion ($2,905,000) with the General Obligation Bonds, Series of 2016. Finally, the City currently refunded a portion of these Bonds ($330,000) with the General Obligation Bonds, Series of 2017.

These Bonds were fully redeemed in 2018.

General Obligation Bonds, Series of 2013
As of November 12, 2013, the City issued $2,980,000 General Obligation Bonds, Series of 2013 to finance building and road improvements and acquire vehicles and equipment for the City's public works, police, fire, and administrative departments as well as paying the allocable costs of issuing these bonds.

The General Obligation Bonds are general obligations of the City of Altoona, payable from its tax and other general revenues, and the City has pledged its full faith, credit, and taxing power. The $2,980,000 General Obligation Bonds interest rates range from .6% to 4.1%.

The City advance refunded a portion of these Bonds ($1,790,000) with the General Obligation Bonds, Series of 2017.

Annual debt service requirements to maturity for these General Obligation Bonds are as follows:

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2013 (Continued)

Date	Principal	Interest Rate	Interest	Total
03/01/2019			$ 4,532	$ 4,532
09/01/2019	$185,000	2.3%	4,532	189,532
03/01/2020			2,405	2,405
09/01/2020	185,000	2.6%	2,405	187,405
	$370,000		$13,874	$383,874

General Obligation Bonds, Series of 2014

As of February 28, 2014, the City issued $8,910,000 General Obligation Bonds, Series of 2014 to currently refund a portion ($4,055,000) of the City's General Obligation Notes, Series of 2003 (Federally Tax-Exempt); currently refund a portion ($2,630,000) of the City's General Obligation Bonds, Series of 2008; advance refund a portion ($1,740,000) of the City's General Obligation Bonds, Series of 2009; and pay the costs of issuing the Bonds.

The General Obligation Bonds are general obligations of the City of Altoona, payable from its tax and other general revenues, and the City has pledged its full faith, credit, and taxing power. The $8,910,000 General Obligation Bonds interest rates range from 1.0% to 3.5%.

Annual debt service requirements to maturity for these General Obligation Bonds are as follows:

Governmental Activities

Date	Principal	Interest Rate	Interest	Semi-Annual Debt Service	Annual Debt Service
03/01/2019			$ 96,905	$ 96,905	
09/01/2019	$ 595,000	2.000%	96,905	691,905	$ 788,810
03/01/2020			90,955	90,955	
09/01/2020	610,000	2.000%	90,955	700,955	791,910
03/01/2021			84,855	84,855	
09/01/2021	925,000	2.375%	84,855	1,009,855	1,094,710
03/01/2022			73,871	73,871	
09/01/2022	865,000	2.650%	73,870	938,870	1,012,741
03/01/2023			62,410	62,410	
09/01/2023	1,070,000	3.000%	62,409	1,132,409	1,194,819
03/01/2024			46,360	46,360	
09/01/2024	915,000	3.050%	46,359	961,359	1,007,719
03/01/2025			32,406	32,406	
09/01/2025	940,000	3.200%	32,405	972,405	1,004,811
03/01/2026			17,366	17,366	
09/01/2026	915,000	3.375%	17,365	932,365	949,731
03/01/2027			1,925	1,925	
09/01/2027	110,000	3.500%	1,925	111,925	113,850
	$6,945,000		$1,014,101	$ 7,959,101	$ 7,959,101

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2016

As of October 18, 2016, the City issued $9,955,000 General Obligation Bonds, Series of 2016 to currently refund the City's General Obligation Notes, Series A of 2013 ($6,690,000); currently refund a portion ($2,905,000) of the City's General Obligation Bonds, Series of 2009; and pay the costs of issuing the Bonds.

The General Obligation Bonds are general obligations of the City of Altoona, payable from its tax and other general revenues, and the City has pledged its full faith, credit, and taxing power. The $9,955,000 General Obligation Bonds interest rates range from 1% to 2.35%.

Governmental Activities

Date	Principal	Interest Rate	Interest	Semi-Annual Debt Service	Annual Debt Service
03/01/2019			$ 109,991	$ 109,991	
09/01/2019	$ 5,000	1.350%	109,991	114,991	$ 224,982
03/01/2020			109,957	109,957	
09/01/2020	5,000	1.400%	109,957	114,957	224,914
03/01/2021			109,923	109,923	
09/01/2021	5,000	2.000%	109,923	114,923	224,846
03/01/2022			109,873	109,873	
09/01/2022	420,000	3.000%	109,873	529,873	639,746
03/01/2023			103,572	103,572	
09/01/2023	325,000	2.000%	103,572	428,572	532,144
03/01/2024			100,323	100,323	
09/01/2024	525,000	2.000%	100,323	625,323	725,646
03/01/2025			95,073	95,073	
09/01/2025	540,000	2.000%	95,073	635,073	730,146
03/01/2026			89,672	89,672	
09/01/2026	770,000	2.000%	89,672	859,672	949,344
03/01/2027			81,972	81,972	
09/01/2027	1,625,000	2.100%	81,972	1,706,972	1,788,944
03/01/2028			64,910	64,910	
09/01/2028	1,030,000	2.200%	64,910	1,094,910	1,159,820
03/01/2029			53,580	53,580	
09/01/2029	1,045,000	2.350%	53,580	1,098,580	1,152,160
03/01/2030			41,301	41,301	
09/01/2030	1,075,000	2.350%	41,301	1,116,301	1,157,602
03/01/2031			28,670	28,670	
09/01/2031	1,100,000	2.350%	28,670	1,128,670	1,157,340
03/01/2032			15,745	15,745	
09/01/2032	1,125,000	2.350%	15,745	1,140,745	1,156,490
03/01/2033			2,526	2,526	
09/01/2033	215,000	2.350%	2,526	217,526	220,052
	$9,810,000		$2,234,176	$12,044,176	$12,044,176

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2017

As of December 22, 2017, the City issued $9,359,000 General Obligation Bonds, Series of 2017 to advance refund a portion ($1,790,000) of the City's outstanding General Obligation Bonds, Series of 2013 (the "Refunded 2013 Bonds"). In addition, a portion of the proceeds were deposited into a sinking fund held by the Escrow Agent for the City's General Obligation Bonds, Series of 2009 to redeem and retire $330,000 outstanding principal amount thereof. Proceeds of the Bonds also will pay the costs of issuing the Bonds, and all remaining proceeds will be deposited into a capital projects account to fund various capital projects of the City.

The General Obligation Bonds are general obligations of the City of Altoona, payable from its tax and other general revenues, and the City has pledged its full faith, credit, and taxing power. The interest rate on these Bonds is 2.56%.

Annual debt service requirements to maturity for these General Obligation Bonds are as follows:

Date	Principal	Interest Rate	Interest	Total
03/01/2019	$ 0	2.56%	$ 119,782	$ 119,782
09/01/2019	448,000	2.56%	119,782	567,782
03/01/2020	0	2.56%	114,048	114,048
09/01/2020	463,000	2.56%	114,048	577,048
03/01/2021	0	2.56%	108,122	108,122
09/01/2021	921,000	2.56%	108,122	1,029,122
03/01/2022	0	2.56%	96,333	96,333
09/01/2022	759,000	2.56%	96,333	855,333
03/01/2023	0	2.56%	86,618	86,618
09/01/2023	699,000	2.56%	86,618	785,618
03/01/2024	0	2.56%	77,670	77,670
09/01/2024	713,000	2.56%	77,670	790,670
03/01/2025	0	2.56%	68,544	68,544
09/01/2025	734,000	2.56%	68,544	802,544
03/01/2026	0	2.56%	59,149	59,149
09/01/2026	750,000	2.56%	59,149	809,149
03/01/2027	0	2.56%	49,549	49,549
09/01/2027	770,000	2.56%	49,549	819,549
03/01/2028	0	2.56%	39,693	39,693
09/01/2028	790,000	2.56%	39,693	829,693
03/01/2029	0	2.56%	29,581	29,581
09/01/2029	555,000	2.56%	29,581	584,581
03/01/2030	0	2.56%	22,477	22,477
09/01/2030	571,000	2.56%	22,477	593,477
03/01/2031	0	2.56%	15,168	15,168
09/01/2031	585,000	2.56%	15,168	600,168
03/01/2032	0	2.56%	7,680	7,680
09/01/2032	600,000	2.56%	7,680	607,680
	$9,358,000		$1,788,828	$11,146,828

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

General Obligation Note, Series of 2015
As of March 25, 2015, the City entered into a Note with S & T Bank for the maximum principal amount of $2,145,000 to acquire vehicles and equipment, and construct street and other capital improvements and pay related expenses.

The General Obligation Note constitutes a general obligation of the City of Altoona, payable from its tax and other general revenues, and the City has pledges its full faith, credit, and taxing power. The $2,145,000 General Obligation Note interest is fixed at 2.384% until March 31, 2025. On April 1, 2025 and the first business day of each subsequent month, the interest rate shall be adjusted to equal the one-month LIBOR rate 2.30%, not to exceed 4.75%.

As of December 31, 2018, $1,513,172 had been drawn on this Note.

Annual debt service requirements to maturity for this General Obligation Note are as follows:

Governmental Activities

Date	Principal	Interest Rate	Interest	Semi-Annual Debt Service	Annual Debt Service
04/01/2019	$ 70,840	2.384%	$ 13,493	$ 84,333	
10/01/2019	71,690	2.384%	15,265	86,955	$ 171,288
04/01/2020	72,540	2.384%	14,410	86,950	
10/01/2020	73,400	2.384%	13,546	86,946	173,896
04/01/2021	74,280	2.384%	12,671	86,951	
10/01/2021	75,160	2.384%	11,785	86,945	173,896
04/01/2022	76,060	2.384%	10,889	86,949	
10/01/2022	76,970	2.384%	9,983	86,953	173,902
04/01/2023	77,880	2.384%	9,065	86,945	
10/01/2023	78,810	2.384%	8,137	86,947	173,892
04/01/2024	79,750	2.384%	7,197	86,947	
10/01/2024	80,700	2.384%	6,247	86,947	173,894
04/01/2025	81,670	2.384%	5,285	86,955	
10/01/2025	73,020	4.750%*	4,311	77,331	164,286
04/01/2026	74,750	4.750%*	2,577	77,327	
10/01/2026	33,762	4.750%*	802	34,564	111,891
	$1,171,282		$ 145,663	$1,316,945	$1,316,945

* Interest rate at maximum capped rate of 4.75%.

General Obligation Note, Series A of 2015
As of December 9, 2015, the City entered into a Note with Mifflinburg Bank and Trust Company for the maximum principal amount of $4,855,000 to finance the City's 2016 and 2017 capital budget projects.

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

General Obligation Note, Series A of 2015 (Continued)
The General Obligation Note constitutes a general obligation of the City of Altoona, payable from its tax and other general revenues, and the City has pledges its full faith, credit, and taxing power. The $4,855,000 General Obligation Note interest is fixed at 2.53% until October 1, 2025; however, in order to provide the City with a fixed rate, a series of nine individual notes will be used.

As of December 31, 2018, $4,737,326 had been drawn on this Note.

As of December 31, 2018, the various notes had the following amounts drawn, with their respective maturity dates, and Note 1 for $501,000 matured in 2017 and Note 2 for $507,000 matured in 2018.

Note	Maturity Date	Principal	Available	Rate
3	10/01/19	$ 514,000	$514,000	1.76%
4	10/01/20	523,000	523,000	2.07%
5	10/01/21	534,000	534,000	2.35%
6	10/01/22	547,000	547,000	2.49%
7	10/01/23	560,000	560,000	2.73%
8	10/01/24	576,000	576,000	2.89%
9	10/01/25	475,326	593,000	3.14%
		$3,729,326		

Annual debt service requirements to maturity, based upon draws as of December 31, 2018, for this General Obligation Note are as follows:

Year Ended December 31	Principal	Interest	Total
2019	$ 514,000	$ 92,631	$ 606,631
2020	523,000	83,855	606,855
2021	534,000	73,029	607,029
2022	547,000	60,480	607,480
2023	560,000	46,860	606,860
2024	576,000	31,572	607,572
2025	475,326	14,925	490,251
	$3,729,326	$403,352	$4,132,678

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended December 31, 2018 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Workers Compensation	$ 576,925	$ 0	$ 0	$ 576,925	$ 0
General Obligation Bonds	27,674,000	0	(1,191,000)	26,483,000	1,233,000
General Obligation Notes	6,324,186	1,106,264	(758,512)	6,671,938	1,398,751
Accumulated Compensated Absences	3,324,731	0	(234,679)	3,090,052	90,618
Capital Lease Obligation	41,406	1,495,364	(162,393)	1,374,377	0
Net Pension Liability	25,361,924	11,689,079	0	37,051,003	0
Net OPEB Liability	28,875,343	127,335	0	29,002,678	0
Total Government Activity Long-Term Liabilities	$92,178,515	$14,418,042	($ 2,346,584)	$104,249,973	$2,722,369

The accumulated compensated absences will be paid by the fund for which the employee worked. The only amount of accumulated compensated absences recognized as due within one year is the incentive payment made in February 2019.

Component Units

Altoona Water Authority

Loans Payable - PENNVEST

The capital debt of the Authority has been obtained primarily by borrowing from Pennsylvania Infrastructure Investment Authority (PENNVEST) and issuing revenue bonds. Long-Term bonds and notes issued and outstanding as of December 31, 2018 are as follows:

Water Division

PENNVEST loan no. 50035, issued November 7, 1994 in the original amount of $20,000,000, repayable in monthly installments of $71,518 including interest at an annual rate of 1%.	$4,928,474
PENNVEST loan no. 12590 issued January 7, 2003 in the original amount of $7,204,016, repayable in monthly installments of $32,818 including interest at an annual rate of 1%.	2,354,205
PENNVEST loan no. 89197 issued June 28, 2013, in the original amount of $6,466,636 currently repayable in interest only payments until closing. The interest rate is fixed at 1%.	4,513,767
Total - Water Division	$11,796,446

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Loans Payable - PENNVEST (Continued)

Wastewater Division

PENNVEST loan no. 27787 issued February 16, 2010, in the original amount of $20,000,000, repayable in monthly installments of $94,444 including interest. The interest rate is fixed at 1.274% for the first 5 years and then adjusts to 2.547% for the remaining 15 years.	$14,298,113
PENNVEST loan no. 72400 issued April 20, 2011, in the original amount of $10,000,000, repayable in monthly installments of $32,164 including interest. The interest rate is fixed at 1.00%.	7,570,806
PENNVEST loan no. 71402 issued September 2, 2014, in the original amount of $6,116,523 currently repayable in monthly installments of $28,120 including interest. The interest rate is fixed at 1.00%.	5,202,046
Total Wastewater Division	$27,070,965
Total PENNVEST	$38,867,411
Less: Current Portion	(2,974,950)
Net PENNVEST Long Term Position	$35,892,461

All PENNVEST loans are secured by the Authority's full faith and credit and a pledge of the gross receipts and revenues of the Division benefited by the loan(s).

Aggregate payments due under the loans are as follows:

	Water Principal	Water Interest	Water Total	Sewer Principal	Sewer Interest	Sewer Total
2019	$1,531,207	$ 77,697	$1,604,614	$1,443,743	$ 479,055	$ 3,532,639
2020	1,510,389	98,515	1,598,465	1,472,180	450,618	3,545,862
2021	1,525,562	83,342	1,628,814	1,501,260	421,538	3,595,773
2022	1,540,886	68,018	1,659,835	1,531,001	391,797	3,646,554
2023	1,556,367	52,537	1,691,547	1,561,418	361,380	3,698,225
2024-2028	2,904,866	122,658	7,419,452	8,288,207	1,325,783	14,183,918
2029-2033	1,227,169	33,018	5,563,358	7,480,313	480,438	11,851,606
2034-2038	0	0	0	2,191,054	126,620	4,382,108
2039-2043	0	0	0	1,601,789	39,012	3,203,578

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Loans Payable - Bank
On March 8, 2018, the Authority secured a $3,400,000 Water Revenue Note Series of 2018. The note is considered a demand note and functions like a line of credit to draw down and is payable biannually for interest only at a variable interest rate based on 30 day LIBOR, rounded, plus 1% basis points, starting at 2.75%. The note has no prepayment penalty and is due to be paid in full by March 8, 2020. During the year ended December 31, 2018, the Authority had drawn $1,464,081 to finance capital purchases, the full amount of which remains outstanding at December 31, 2018.

Bonds Payable
The Authority's bonds payable are as follows:

Series of 2007 Water Revenue Refunding Bonds	$ 5,475,000
Series B of 2010 Sewer Revenue Bonds	13,940,000
Series C of 2010 Sewer Revenue Bonds	13,580,000
Total	$32,995,000
Less: Current Portion	($ 6,305,000)
Less: Unamortized Premiums, Discounts, and Costs, Net of Accumulated Amortization and Accretion:	
Water Division	($ 331,357)
Wastewater Division	(560,082)
Less: Bond Issuance Costs, Net	($ 891,439)
Net Long-Term Portion	$25,798,561

Water Revenue Refunding Bond - Series 2007
During 2007, the Authority issued Water Revenue Refunding Bonds, Series of 2007 in the amount of $47,740,000. The bonds were issued to advance-refund the remaining principal of the 1997 and 1994 Bond series. The 2007 Bonds also bear a fixed interest rate lower than the 1997 and 1994 series. Remaining principal and interest requirements on the bonds for each year are as follows:

Year Ending November 01,	Tax-Exempt Interest Rate	Principal	Interest	Principal and Interest Requirements
2019	5.250%	$5,475,000	$287,432	$5,762,432

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Bonds Payable (Continued)

Sewer Revenue Bonds - Series B of 2010, Build America Bonds

During 2010, the Authority issued Sewer Revenue Bonds, Series B of 2010 in the amount of $16,340,000. The bonds were issued to finance various capital improvements. Principal and interest requirements on the bonds for each year are as follows:

Year	Taxable Interest Rate	Principal	Interest Expense	Interest Subsidy	Net Total
2019	4.993%	$ 440,000	$ 869,936	($ 304,478)	$ 1,005,458
2020	5.093%	455,000	847,966	(296,788)	1,006,178
2021	5.343%	470,000	824,794	(288,678)	1,006,116
2022	5.434%	485,000	799,681	(279,889)	1,004,792
2023	6.335%	505,000	773,327	(270,664)	1,007,663
2024-2028	6.335%	2,850,000	3,360,149	(1,176,053)	5,034,096
2029-2033	6.395%	3,485,000	2,378,327	(832,415)	5,030,912
2034-2038	6.350%	4,285,000	1,160,231	(406,080)	5,039,151
2039	6.350%	965,000	62,098	(21,734)	1,005,364
Total		$13,940,000	$11,076,509	($3,876,779)	$21,139,730

The Authority has designated these bonds as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 (ARRA) and has elected to receive a cash subsidy from the U.S. Treasury equal to thirty-five percent (35%) of the interest payable. Unlike its tax-exempt issues, interest on these bonds is subject to federal and state income taxes, payable by the holder. The Authority's rebate on those bonds was slightly impacted by the so-called "sequestration costs" imposed on the federal government.

Sewer Revenue Bonds - Series C of 2010, Build America Bonds

During 2010, the Authority issued Sewer Revenue Bonds, Series C of 2010 in the amount of $15,745,000. The bonds were issued to finance various capital improvements. Principal and interest requirements on the Bonds for each year are as follows:

Year	Taxable Interest Rate	Principal	Interest Expense	Interest Subsidy	Net Total
2019	4.792%	$ 390,000	$ 914,965	($ 320,238)	$ 984,727
2020	4.942%	405,000	896,277	(313,697)	987,580
2021	5.142%	415,000	876,263	(306,692)	984,571
2022	5.342%	430,000	854,922	(299,223)	985,699
2023	6.764%	445,000	831,951	(291,183)	985,768
2024-2028	6.804%	2,540,000	3,680,336	(1,288,117)	4,932,219
2029-2033	6.944%	3,160,000	2,729,243	(955,235)	4,934,008
2034-2038	7.064%	3,950,000	1,513,462	(529,712)	4,933,750
2039-2040	7.064%	1,845,000	197,086	(68,980)	1,973,106
Total		$13,580,000	$12,494,505	($4,373,077)	$21,701,428

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Bonds Payable (Continued)

Sewer Revenue Bonds - Series C of 2010, Build America Bonds (Continued)
The Authority has designated this series of bonds as "Build America Bonds" under ARRA and elected to receive a subsidy of thirty-five percent (35%) of the interest payable. Interest on these bonds is subject to federal and state income taxes, payable by the holder.

The Authority's rebate on those bonds was slightly impacted by the so-called "sequestration costs" imposed on the federal government.

In connection with issuing its Bonds, the Authority incurred certain costs and discounts were allowed to compensate the underwriter (and bondholders).

The significant components of these costs are:

Insurance and Other Issuance Costs, Net	$1,935,056
Less: Accumulated Amortization	(1,293,929)
Net Unamortized Bond Costs	$ 641,127
Premium on Refunding	$3,045,481
Less: Accumulated Amortization	(2,795,169)
Net Premium on Refunding	$ 250,312
Net	$ 891,439

Unearned Interest
In conjunction with the issuance of the Water Revenue Bonds, Series of 1994, the Authority entered into certain agreements (Reserve Fund Agreement and Debt Service Deposit Agreement) that resulted in fees being paid to the Authority. Both fees relate to the flow of funds and the time value of money over a future period during which the Authority will be servicing the Bond Issue. The Authority has recorded these fees as unearned interest and will include the fees in income over the term of the Agreement.

The Authority has received gross fees under this arrangement aggregating $640,640. At December 31, 2018, accumulated accretion was $587,985. During 2018, the Authority recognized $52,655 of interest income.

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

Component Units (Continued)

The Parking Authority of the City of Altoona

Term Note
On April 24, 2009, the Authority entered into a $200,000 term note agreement with M & T Bank, with a fixed interest rate of 4.8%, which will be paid off in 81 months, with irregular payments amounts. On March 6, 2013, the note was modified to include a reduction in the fixed interest rate from 4.8% to 2.8% and the final maturity on February 1, 2018.

Façade Loan
On August 6, 2010, the Authority entered into a $42,500 term note agreement with the Greater Altoona Economic Development Corporation, with a fixed interest rate of 3%, which will be paid off in 10 years, with monthly payments of $410.

The debt service requirements on the above debt is as follows:

Year Ended December 31	Principal	Interest	Total
2019	$4,750	$175	$4,925
2020	3,246	36	3,282
	$7,996	$211	$8,207

Efficiency Edge Project Loan
On September 29, 2015, the Authority entered into an agreement with Direct Energy to provide financing in the amount of $87,833 for its LED lighting project, with a fixed interest rate of 7.5%, which will be paid in 120 monthly payments of $1,760.

The debt service requirements on the above debt is as follows:

Year Ended December 31	Principal	Interest	Total
2019	$22,101	$ 2,539	$24,640
2020	17,010	590	17,600
	$39,111	$ 3,129	$42,240

II. Detailed Notes on All Activities and Funds (Continued)

I. Long-Term Debt (Continued)

Component Units (Continued)

The Parking Authority of the City of Altoona (Continued)

Change in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2018:

Description and Purpose	Balance January 1, 2018	Issued	Retired	Balance December 31, 2018	Due Within One Year
Business-Type Activities					
Term Note Payable	$ 5,109	$0	($ 5,109)	$ 0	$ 0
Façade Loan	12,606	0	(4,610)	7,996	4,750
Efficiency Edge Project Loan	56,581	0	(17,470)	39,111	22,101
	$ 74,296	$0	($27,189)	$47,107	$26,851

J. Lease Obligations

1. 2016 Capital Lease

In 2016, the City entered into a lease agreement as lessee for financing the acquisition of a vehicle for the inspections department valued at $23,177. The equipment has a five-year estimated useful life. The amount of $4,455 was included in depreciation expense in the current year. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ended December 31	Governmental Activities
2019	$6,101
Total Minimum Lease Payments	$6,101
Less: Amount Representing Interest	(209)
Present Value of Minimum Lease Payments	$5,892

II. Detailed Notes on All Activities and Funds (Continued)

J. Lease Obligations (Continued)

2. 2017 Capital Lease

In 2017, the City entered into a lease agreement as lessee for financing the acquisition of two (2) vehicles for the inspections department valued at $37,915. The equipment has a five-year estimated useful life. The amount of $7,583 was included in depreciation expense in the current year. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ended December 31	Governmental Activities
2019	$ 8,091
2020	8,091
2021	8,091
Total Minimum Lease Payments	$24,273
Less: Amount Representing Interest	(1,540)
Present Value of Minimum Lease Payments	$22,733

3. 2017 Capital Lease - Fire Department

In 2017, the City entered into a lease agreement as lessee for financing the acquisition of a new Custom Rosenbauer Pumper Truck for the fire department valued at $514,244. The equipment will not be placed into service until 2019. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ended December 31	Governmental Activities
2019	$103,651
2020	103,651
2021	103,651
2022	103,651
Total Minimum Lease Payments	$414,604
Less: Amount Representing Interest	(29,216)
Present Value of Minimum Lease Payments	$385,388

II. Detailed Notes on All Activities and Funds (Continued)

J. Lease Obligations (Continued)

4. 2018 Capital Lease - Fire Department

In 2018, the City entered into a lease agreement as lessee for financing the acquisition of a new Custom Rosenbauer Aerial Truck for the fire department valued at $960,364. The equipment will not be placed into service until 2019. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ended December 31	Governmental Activities
2019	$ 86,345
2020	86,345
2021	86,346
2022	86,345
2023	86,345
2024-2028	431,727
2029-2033	431,727
Total Minimum Lease Payments	$1,295,180
Less: Amount Representing Interest	(334,786)
Present Value of Minimum Lease Payments	$ 960,364

K. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2018 is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Housing and Community Development	$ 88,531
General Fund	Recreational Capital Reserve	150,000
Recreation Project	General Fund	2,313
General Fund	Highway Aid Fund	464,852
General Fund	Capital Expenditures	314,408
Schulman Acquisition Account	General Fund	913
General Fund	Justice Grant Trust Fund	1,380
General Fund	Act 205 Pension Fund	8,855
General Fund	Martin Goodman Trust	500
Total		$1,031,752

The outstanding balances between funds result mainly from the time lag between that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

II. Detailed Notes on All Activities and Funds (Continued)

L. Interfund Transfers

	Transfer In			
Transfers Out	General Fund	Special Reserves	Special Investigations	Total
Highway Aid Fund	$ 456,700	$ 0	$ 0	$ 456,700
Act 205 Pension Fund	4,259,829	0	0	4,259,829
General Fund	0	7,603,032	28,000	7,631,032
Justice Grant Trust Fund	13,872	0	0	13,872
Total	$4,730,401	$7,603,032	$28,000	$12,361,433

Transfers are used to (1) move revenues from the fund with taxing authorization to the general fund as pension contributions become due, (2) move revenues from the fund receiving grants/allocations to the general fund where the expenditures are paid from, and (3) move unrestricted general fund revenues to fund special investigations by the police department.

M. Revenues and Expenditures-On-Behalf Payments

During 2018, the Commonwealth of Pennsylvania paid to the City $1,578,639 for on-behalf payments for pensions of City employees.

N. Cooperation Agreement - Altoona Water Authority

On March 23, 2017, the City entered into a series of agreements with the Altoona City Authority. Pursuant to the Water and Sewer System Asset Conveyance Agreement, the Authority transferred to the City all right, title, and interest in and to the water system and sewer system owned and operated by the Authority. Concurrently, the City leased the water and sewer systems to the Authority, giving it lawful possession to operate and set rates for the systems. The lease terms extend throughout the remaining term of all PENNVEST loans, provided that either party may terminate the lease after twenty years, with the consent of PENNVEST. In addition, the City guaranteed all the Authority's outstanding PENNVEST loans and bonds.

O. Contingent Liabilities

In the normal course of operations, there are various claims made against the City for a number of reasons. As of the date of this report, however, no uninsured losses which are measurable and material in amounts or the likelihood of their being settled against the City have been disclosed by the solicitors.

In addition, the City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant to the City's financial statements.

II. Detailed Notes on All Activities and Funds (Continued)

O. Contingent Liabilities (Continued)

The allocation of recreational millage to cover certain general fund expenditures has been questioned by certain taxpayers. It is the opinion of management that the concept of charging all time and effort expended on recreational facilities is sound, and that certain expenditures incurred to provide "open space benefits" are acceptable costs. The potential liability, if any, as a result of this allocation methodology cannot be quantified.

P. Prior Period Adjustment

During the current year, management determined that the City has owned 1,376 shares of the Prudential stock since the Prudential demutualized. As a result, unassigned fund balance, as of December 31, 2017 was understated by $158,212.

In addition, as of January 1, 2018, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As required by this statement, the measurement of the Other Postemployment Benefits other than pension (OPEB) has changed from prior authoritative guidance. Effective with the adoption of this statement, additional OPEB liabilities of $22,006,960 were required to be recognized.

Q. Subsequent Events

The date to which events occurring after December 31, 2018, the date of the most recent balance sheet, have been evaluated by management for possible adjustment to the financial statements or disclosure is July 16, 2019, which is the date on which the financial statements were available to be issued.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Total Pension Liability

	As of and for Year Ended December 31, 2018		
	NUPP	PPP	PFPP
Service Cost	$ 414,193	$ 743,700	$ 843,472
Interest	1,603,158	3,759,228	3,594,258
Differences between Expected and Actual Experience	0	(2,248,947)	(73,019)
Benefit Payments	(1,074,852)	(2,922,042)	(3,217,729)
Net Change in Total Pension Liability	$ 942,499	($ 668,061)	$ 1,146,982
Total Pension Liability - Beginning	22,226,355	50,306,602	52,138,180
Total Pension Liability - Ending	$23,168,854	$49,638,541	$53,285,162

Plan's Fiduciary Net Position

	As of and for Year Ended December 31, 2018		
	NUPP	PPP	PFPP
Contributions - Employer (1)	$ 588,619	$ 2,669,372	$ 2,561,844
Contributions - Employees	211,414	204,018	243,007
Net Investment Income	(1,657,764)	(3,782,859)	(3,973,444)
Benefit Payments	(1,074,852)	(2,922,042)	(3,217,729)
Administrative Expense	(75,569)	(20,575)	(21,099)
Net Change in Plan's Fiduciary Net Position	($ 2,008,152)	($ 3,852,086)	($ 4,407,421)
Plan's Fiduciary Net Position - Beginning	19,938,556	39,360,888	40,009,769
Plan's Fiduciary Net Position - Ending	$17,930,404	$35,508,802	$35,602,348
City's Net Position Liability - Ending	$ 5,238,450	$14,129,739	$17,682,814

(1) - Included State Aid

Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	77.4%	71.53%	66.81%
Estimated Covered Payroll	$ 4,199,354	$ 4,077,231	$ 3,779,253
Net Pension Liability as a Percentage of Covered Payroll	124.7%	346.55%	467.89%

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
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DEFINED BENEFIT PENSION PLAN INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
(CONTINUED)

Total Pension Liability

	As of and for Year Ended December 31, 2017		
	NUPP	**PPP**	**PFPP**
Service Cost	$ 418,553	$ 724,987	$ 823,620
Interest	1,538,030	3,328,581	3,489,469
Differences between Expected and Actual Experience	(1,030,226)	(940,613)	356,968
Benefit Payments	(1,033,681)	(2,885,118)	(3,148,214)
Net Change in Total Pension Liability	($ 107,324)	$ 227,837	$ 1,521,843
Total Pension Liability - Beginning	22,333,679	50,078,765	50,616,337
Total Pension Liability - Ending	$22,226,355	$50,306,602	$52,138,180

Plan's Fiduciary Net Position

	As of and for Year Ended December 31, 2017		
	NUPP	**PPP**	**PFPP**
Contributions - Employer (1)	$ 582,815	$ 2,651,796	$ 2,568,624
Contributions - Employees	209,817	233,341	198,443
Net Investment Income	2,446,581	5,088,928	5,243,966
Benefit Payments	(1,033,681)	(2,885,118)	(3,148,214)
Administrative Expense	(59,574)	(8,702)	(25,246)
Net Change in Plan's Fiduciary Net Position	$ 2,145,958	$ 5,080,245	$ 4,837,573
Plan's Fiduciary Net Position - Beginning	17,792,598	34,280,643	35,172,196
Plan's Fiduciary Net Position - Ending	$19,938,556	$39,360,888	$40,009,769
City's Net Position Liability - Ending	$ 2,287,799	$10,945,714	$12,128,411
(1) - Included State Aid			
Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	89.7%	78.24%	76.74%
Estimated Covered Payroll	$4,172,831	$ 3,925,817	$ 3,666,874
Net Pension Liability as a Percentage of Covered Payroll	54.8%	278.81%	330.76%

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
(CONTINUED)

Total Pension Liability

	As of and for Year Ended December 31, 2016		
	NUPP	PPP	PFPP
Service Cost	$ 427,068	$ 764,469	$ 815,918
Interest	1,545,009	3,380,925	3,494,605
Differences between Expected and Actual Experience	0	0	(1,214,381)
Benefit Payments	(1,025,657)	(2,886,700)	(3,197,018)
Net Change in Total Pension Liability	$ 946,420	$ 1,258,694	($ 100,876)
Total Pension Liability - Beginning	21,387,259	48,820,071	50,717,213
Total Pension Liability - Ending	$22,333,679	$50,078,765	$50,616,337

Plan's Fiduciary Net Position

	As of and for Year Ended December 31, 2016		
	NUPP	PPP	PFPP
Contributions - Employer (1)	$ 492,824	$ 2,175,571	$ 3,084,533
Contributions - Employees	203,357	218,396	179,301
Net Investment Income	721,864	1,567,772	1,546,238
Benefit Payments	(1,025,657)	(2,886,700)	(3,197,018)
Administrative Expense	(66,957)	(10,962)	(27,547)
Net Change in Plan's Fiduciary Net Position	$ 325,431	$ 1,064,077	$ 1,585,507
Plan's Fiduciary Net Position - Beginning	17,467,167	33,216,566	33,586,689
Plan's Fiduciary Net Position - Ending	$17,792,598	$34,280,643	$35,172,196
City's Net Position Liability - Ending	$ 4,541,081	$15,798,122	$15,444,141

(1) - Included State Aid

	NUPP	PPP	PFPP
Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	79.7%	68.45%	69.49%
Estimated Covered Payroll	$ 4,111,031	$ 4,181,246	$ 3,539,165
Net Pension Liability as a Percentage of Covered Payroll	110.5%	377.83%	436.38%

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
(CONTINUED)

Total Pension Liability

	As of and for Year Ended December 31, 2015		
	NUPP	**PPP**	**PFPP**
Service Cost	$ 453,637	$ 736,931	$ 671,459
Interest	1,481,810	3,269,134	3,451,962
Differences between Expected and Actual Experience	(576,125)	0	(457,359)
Changes of Assumptions	364,470	0	3,257,536
Benefit Payments	(1,048,272)	(2,824,117)	(3,154,252)
Net Change in Total Pension Liability	$ 675,520	$ 1,181,948	$ 3,769,346
Total Pension Liability - Beginning	20,711,739	47,638,123	46,947,867
Total Pension Liability - Ending	$21,387,259	$48,820,071	$50,717,213

Plan's Fiduciary Net Position

	As of and for Year Ended December 31, 2015		
	NUPP	**PPP**	**PFPP**
Contributions - Employer (1)	$ 500,327	$ 2,194,478	$ 3,039,983
Contributions - Employees	212,380	216,756	174,139
Net Investment Income	(339,724)	(876,269)	(842,653)
Benefit Payments	(1,048,272)	(2,824,117)	(3,154,252)
Administrative Expense	(58,609)	(18,478)	(30,163)
Other Changes	0	3,453	0
Net Change in Plan's Fiduciary Net Position	($ 733,898)	($ 1,304,177)	($ 812,946)
Plan's Fiduciary Net Position - Beginning	18,201,065	34,520,743	34,399,635
Plan's Fiduciary Net Position - Ending	$17,467,167	$33,216,566	$33,586,689
City's Net Position Liability - Ending	$ 3,920,092	$15,603,505	$17,130,524

(1) - Included State Aid

Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	81.7%	68.04%	66.22%
Estimated Covered Payroll	$ 4,226,241	$ 4,127,756	$ 3,487,941
Net Pension Liability as a Percentage of Covered Payroll	92.8%	378.01%	491.14%

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2018		
	NUPP	PPP	PFPP
Actuarially Determined Contribution	$ 588,619	$2,669,372	$2,561,844
City Contribution	588,619	2,669,372	2,561,844
Contribution Deficiency	$ 0	$ 0	$ 0
Covered Payroll	$4,199,354	$4,077,231	$3,467,438 (1)
Contribution as a Percentage of Covered Payroll	14.0%	65.47%	73.88%

	2017		
	NUPP	PPP	PFPP
Actuarially Determined Contribution	$ 582,815	$2,651,796	$2,568,624
City Contribution	582,815	2,651,796	2,568,624
Contribution Deficiency	$ 0	$ 0	$ 0
Covered Payroll	$4,172,831	$3,925,817	$3,558,221 (1)
Contribution as a Percentage of Covered Payroll	14.0%	67.548%	72.19%

	2016		
	NUPP	PPP	PFPP
Actuarially Determined Contribution	$ 492,824	$2,175,571	$3,084,533
City Contribution	492,824	2,175,571	3,084,533
Contribution Deficiency	$ 0	$ 0	$ 0
Covered Payroll	$4,111,031	$4,181,246	$4,026,014 (1)
Contribution as a Percentage of Covered Payroll	12.0%	52.032%	76.62%

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(CONTINUED)

	2015		
	NUPP	**PPP**	**PFPP**
Actuarially Determined Contribution	$ 500,327	$2,194,478	$3,039,983
City Contribution	500,327	2,194,478	3,039,983
Contribution Deficiency	$ 0	$ 0	$ 0
Covered Payroll	$4,226,241	$4,127,756	$3,823,241 (1)
Contribution as a Percentage of Covered Payroll	11.8%	53.164%	79.51%

(1) - Amount used from Minimum Municipal Obligation

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

	Altoona Non-Uniformed Employee Pension Plan	Altoona Police Pension Plan	Altoona Paid Firemen's Pension Plan
Valuation date	01/01/17	01/01/17	01/01/17
Actuarial cost method	Entry age	Entry age normal	Entry age normal
Amortization method	Level Dollar Closed	Level Dollar	Level Dollar
Remaining Amortization period	12 Years	17 Years	19 Years
Actuarial asset valuation method	Fair Value	5 year smoothing	3 year gain/loss deferral (corridor restricted to 80% and 120% of market value)
Actuarial assumptions:			
Investment rate of return	7.25%	7.25%	7.25%
Projected salary increases	4.5%	4.5%	4.5%
Actuarial assumptions: (Continued)			
Post-retirement benefit increases	None	Every officer in good standing who retires on or after January 1, 1996, shall receive an annual cost of living adjustment, not to exceed 50% of the original benefit. The annual adjustment will be based on the annual percentage increase in the Consumer Price Index on a year basis from October to October of the prior year. In addition to the 50% maximum, such accumulated COLA increases shall not at any time exceed 50% of the current salary being paid patrolmen of the highest pay grade. Not available to officers hired after 2013.	For retirements after December 31, 1995, annual increases are based on the CPI, capped at 50% of the original benefit. At no time can the total pension benefit received exceed 50% of the salary paid to fireman of the highest pay grade. Not applicable to Post-2013 hires.
Inflation	3%	2.25%	3%
Mortality	RP-2000 Combined Healthy Mortality Table, with disabled lives set forward 5 years.	RP 2000 Gen Scale AA, set forward 10 years for disable lives.	Generational, AA
Disability Retirement	For total and permanent Disablement which occurs After the completion of 10 years of service, the member will receive their Normal Retirement Benefit.	1992 Railroad Retirement Board	If disabled in line of duty, same benefit as Retirement Benefit. If non-service related, 50% of monthly compensation at date of disability; if less than 10 years of service, 25% of monthly compensation.
Retirement	Age 60 and 20 years of service.	Latter of age 54 and 20 years of, service.	20 years of service.

CITY OF ALTOONA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - POLICE PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS

	As of and for Year Ended December 31, 2018
Total OPEB Liability	
Service Cost	$ 552,195
Interest	659,843
Benefit Payments	(939,463)
Net Change in Total Pension Liability	($ 272,575)
Total Pension Liability - Beginning	16,413,619
Total Pension Liability - Ending	$16,686,194
City's Fiduciary Net Position	
Net Change in Plan's Fiduciary Net Position	$ 0
Plan's Fiduciary Net Position - Beginning	0
Plan's Fiduciary Net Position - Ending	$ 0
City's Net OBEB Liability - Ending	$16,686,194
Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Employee Payroll	$ 3,062,984
Net Pension Liability as a Percentage of Covered Employee Payroll	544.77%

CITY OF ALTOONA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - POLICE PLAN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

	Year Ending December 31, 2018
Schedule of Contributions	
Actuarially Determined Contribution	$ 1,639,115
City Contribution	939,463
Contribution Deficiency	$ 699,652
Covered Employee Payroll	$16,686,194
Contribution as a Percentage of Covered Employee Payroll	5.63%
Schedule of Investment Returns	
Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A

	Year Ending December 31, 2018
Plan Membership	
Retirees or Beneficiaries Receiving Benefits	39
Terminated Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	40
Total	79

Components of the Net OPEB Liability	Year Ending December 31, 2018
Total OPEB Liability	$16,686,194
Plan Fiduciary Net Position	0
Net OPEB Liability	$16,686,194
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Net OPEB Liability	$18,979,944	$16,686,194	$14,786,468

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

	1% Decrease in Medical Trend Rate	Current Medical Trend Rate	1% Increase in Medical Trent Rate
Net OPEB Liability	$14,298,026	$16,686,194	$19,663,078

Valuation Date
January 1, 2017

Actuarial Cost Method
Entry Age Normal

Amortization Method
Level Dollar, Closed

Remaining Amortization Period
23.0 Years

Actuarial Asset Valuation Method
Market Value

Discount Rate
4.00% per annum

Inflation
2.5%

Interest Rate
4.0%. The interest rate represents the 20-year AA/Aa municipal bond rates.

Salary Increases
Active plan members' salaries are assumed to increase by 4.5% per year. As Plan benefits are not pay-related, this assumption was used solely to determine the normal costs under the actuarial cost method.

Mortality
RP-2000 Table for healthy males and females, using the combined mortality table for active and retired members, projected using scale AA. 25% of active member's deaths are assumed to be in the line of duty. Mortality for disabled lives is assumed to be that of healthy members who are ten years older.

Turnover
Table T-1. The following is a list of the annual rates of withdrawal (employee turnover) at selected ages under the table:

Age	Rate of Turnover
20	5.5000%
25	4.9706%
30	3.8011%
35	2.4866%
40	1.3283%
45	0.6233%
50	0.6475%
55	1.4036%
60	1.5555%

Disability
1992 Railroad Retirement Board Disability Table. The following is a list of the annual rates of disablement at selected ages:

Age	Rate of Disability
20	0.08%
25	0.08%
30	0.08%
35	0.08%
40	0.37%
45	0.86%
50	1.48%
55	2.46%
60	4.81%

Retirement
Officers are assumed to retire at the latest of age 54, completion of 20 years of service or their age at the valuation date.

Percent Married
85% of retiring members are assumed to be married at the time of retirement.

Member Elections
85% of retiring members are assumed to elect coverage under the Plan. 10% of members who elect coverage are assumed to elect the cash out instead of receiving medical coverage under the Plan.

Medicare Eligibility
10% of retired members reaching age 65 are assumed not to be eligible for Medicare benefits.

Medical Claims Rates
Medical claim rates are based on the current premium rates, adjusted based on the factors used by the insurer to adjust the composite group insurance premiums rates to reflect the age of retired plan members. The adjustment factors by age and sex are as follows:

Ages	Female Factors	Male Factors
40-44	1.345	0.796
45-49	1.476	1.022
50-54	1.668	1.354
55-59	2.053	1.939
60+	2.506	2.689

Medical Inflation

For the medical coverage ((doctor, hospitalization, major medical and prescription drug) coverage, premium rates are assumed to increase at the following rates, based on the Gentzen Model of Long-Run Medical Cost Trends:

Year	Rate of Increase
2017	5.6%
2018-2019	5.4%
2020-2044	5.3%
2045-2046	5.1%
2047-2049	5.0%
2050-2053	4.9%
2054-2059	4.8%
2060-2065	4.7%
2066	4.6%
2067	4.5%
2068-2069	4.4%
2070	4.3%
2071	4.2%
2072-2073	4.1%
2074	4.0%
2075+	3.9%

CITY OF ALTOONA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - FIREMEN'S PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	As of and for Year Ended December 31, 2018
Total OPEB Liability	
Service Cost	$ 210,464
Interest	490,495
Benefit Payments	(872,776)
Net Change in Total Pension Liability	($ 171,817)
Total Pension Liability - Beginning	12,488,301
Total Pension Liability - Ending	$12,316,484
City's Fiduciary Net Position	
Net Change in Plan's Fiduciary Net Position	$ 0
Plan's Fiduciary Net Position - Beginning	0
Plan's Fiduciary Net Position - Ending	$ 0
City's Net OBEB Liability - Ending	$12,316,484
Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Employee Payroll	$ 1,536,846
Net Pension Liability as a Percentage of Covered Employee Payroll	801.41%

CITY OF ALTOONA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - FIREMEN'S PLAN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

	Year Ending December 31, 2018
Schedule of Contributions	
Actuarially Determined Contribution	$ 996,299
City Contribution	872,776
Contribution Deficiency	$ 123,523
Covered Employee Payroll	$ 1,536,846
Contribution as a Percentage of Covered Employee Payroll	5.68%
Schedule of Investment Returns	
Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A

	Year Ending December 31, 2018
Plan Membership	
Retirees or Beneficiaries Receiving Benefits	25
Terminated Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	20
Total	45

Components of the Net OPEB Liability	Year Ending December 31, 2018
Total OPEB Liability	$12,316,484
Plan Fiduciary Net Position	0
Net OPEB Liability	$12,316,484
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Net OPEB Liability	$13,965,529	$12,316,484	$10,955,200

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

	1% Decrease in Medical Trend Rate	Current Medical Trend Rate	1% Increase in Medical Trent Rate
Net OPEB Liability	$10,688,122	$12,316,484	$14,302,071

Valuation Date
January 1, 2017

Actuarial Cost Method
Entry Age Normal

Amortization Method
Level Dollar, Closed

Remaining Amortization Period
25.0 Years

Actuarial Asset Valuation Method
Market Value

Discount Rate
4.00% per annum

Inflation
2.5%

Interest Rate
4.0%. The interest rate represents the 20-year AA/Aa municipal bond rates.

Salary Increases
Active plan members' salaries are assumed to increase by 4.5% per year. As Plan benefits are not pay-related, this assumption was used solely to determine the normal costs under the actuarial cost method.

Mortality
RP-2000 Table for healthy males and females, using the combined mortality table for active and retired members, projected using scale AA. 25% of active member's deaths are assumed to be in the line of duty. Mortality for disabled lives is assumed to be that of healthy members who are ten years older.

Turnover
Table T-1. The following is a list of the annual rates of withdrawal (employee turnover) at selected ages under the table:

Age	Rate of Turnover
20	5.5000%
25	4.9706%
30	3.8011%
35	2.4866%
40	1.3283%
45	0.6233%
50	0.6475%
55	1.4036%
60	1.5555%

Disability
UAW 1995 Table. The following list Table T-1. The following is a list of the annual rates of disablement at selected ages:

Age	Rate of Disability Females	Males
20	0.04%	0.03%
25	0.05%	0.03%
30	0.06%	0.04%
35	0.08%	0.05%
40	0.10%	0.07%
45	0.15%	0.10%
50	0.26%	0.18%
55	0.49%	0.36%
60	1.21%	0.90%

Retirement
Firefighters are assumed to retire at the later of age 56 or normal retirement eligibility.

Percent Married
85% of retiring members are assumed to be married at the time of retirement. Female spouses are assumed to be three years younger than male spouses.

Member Elections
85% of retiring members are assumed to elect coverage under the Plan. 10% of members who elect coverage are assumed to elect the cash out instead of receiving medical coverage under the Plan.

Medicare Eligibility
10% of retired members reaching age 65 are assumed not to be eligible for Medicare benefits.

Medical Claims Rates
Medical claim rates are based on the current premium rates, adjusted based on the factors used by the insurer to adjust the composite group insurance premiums rates to reflect the age of retired plan members. The adjustment factors by age and sex are as follows:

Ages	Female Factors	Male Factors
40-44	1.345	0.796
45-49	1.476	1.022
50-54	1.668	1.354
55-59	2.053	1.939
60+	2.506	2.689

Medical Inflation

For the medical coverage ((doctor, hospitalization, major medical and prescription drug) coverage, premium rates are assumed to increase at the following rates, based on the Gentzen Model of Long-Run Medical Cost Trends:

Year	Rate of Increase
2017	5.6%
2018-2019	5.4%
2020-2044	5.3%
2045-2046	5.1%
2047-2049	5.0%
2050-2053	4.9%
2054-2059	4.8%
2060-2065	4.7%
2066	4.6%
2067	4.5%
2068-2069	4.4%
2070	4.3%
2071	4.2%
2072-2073	4.1%
2074	4.0%
2075+	3.9%

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLAR)

	Original Budget	Final Budget	Actual
Revenue			
Taxes	$17,704,048	$17,704,048	$18,134,425
Licenses and Permits	1,437,950	1,437,950	2,064,949
Fines and Forfeits	203,600	203,600	157,104
Interest, Rents, and Royalties	176,630	176,630	210,705
Intergovernmental Revenue	8,113,976	8,113,976	3,827,170
Charges for Services (Departmental Earnings)	4,559,160	4,559,160	4,678,881
Miscellaneous Revenue	22,550	22,550	48,526
Total Revenue	$32,217,914	$32,217,914	$29,121,760
Expenditures			
General Government	$ 3,321,110	$ 3,321,110	$ 3,544,364
Public Safety (Protections to Persons and Property)	19,109,134	19,109,134	13,448,371
Public Works - Sanitation	58,600	58,600	56,384
Public Works - Highways, Roads, and Streets	4,170,482	4,170,482	3,863,297
Other Public Works Enterprises	135,631	135,631	138,949
Culture - Recreation	385,488	385,488	361,951
Community Development	1,028,786	1,028,786	867,442
Debt Service	3,137,700	3,137,700	2,772,283
Employee Paid Benefits	0	0	5,822,337
Insurance	0	0	11,136
Miscellaneous Expenditures	15,000	15,000	53,353
Total Expenditures	$31,361,931	$31,361,931	$30,939,867
Excess (Deficiency) of Revenue Over (Under) Expenditures	$ 855,983	$ 855,983	($ 1,818,107)
Other Financing Sources (Uses)			
Sale of Capital Assets	$ 0	$ 0	$ 60,367
Proceeds from Capital Lease	0	0	0
Transfers In	0	0	4,730,401
Transfers Out	(175,000)	(175,000)	(7,631,032)
Total Other Financing Sources (Uses)	($ 175,000)	($ 175,000)	($ 2,840,264)
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	$ 680,983	$ 680,983	($ 4,658,371)
Fund Balance - Beginning	$10,104,413	$10,104,413	$13,855,587
Prior Period Adjustment	0	0	158,212
Fund Balance - Beginning (Restated)	$10,104,413	$10,104,413	$14,013,799
Fund Balance - Ending	$10,785,396	$10,785,396	$ 9,355,428

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HIGHWAY AID FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	Original Budget	Final Budget	Actual
Revenue			
Interest, Rents, and Royalties	$ 1,000	$ 1,000	$ 11,076
Intergovernmental Revenue	1,479,443	1,479,443	1,502,586
Miscellaneous Revenue	10,000	10,000	62,083
Total Revenue	$1,490,443	$1,490,443	$1,575,745
Expenditures			
Public Works - Highway, Roads, and Streets	$2,211,640	$2,211,640	$1,222,376
Excess (Deficiency) of Revenue Over (Under) Expenditures	($ 721,197)	($ 721,197)	$ 353,369
Other Financing (Uses)			
Transfers Out	$ 0	$ 0	($ 456,700)
Excess (Deficiency) of Revenue Over (Under) Expenditures and Other Financing (Uses)	($ 721,197)	($ 721,197)	($ 103,331)
Fund Balance - Beginning	796,000	796,000	976,583
Fund Balance - Ending	$ 74,803	$ 74,803	$ 873,252

A. Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

a. Formal budgetary integration is employed as a management control device during the year for the general and highway aid funds. These budgets are adopted on a modified accrual basis of accounting.

b. The city council approves by ordinance total budget appropriations only. The city council and mayor are authorized to transfer budget amounts between departments within any fund. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes this level has been expanded to a functional basis (general government, public safety, etc.)

c. Unused appropriations for all of the above annually budgeted funds do not lapse at the end of the year.

Encumbrance accounting is employed in the governmental funds.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the General Government; Other Public Works Enterprises; Employer Paid Benefits; Insurance; and Miscellaneous functions (the legal level of budgetary control) as well as Transfers Out for the General Fund.

For the year ended December 31, 2018, transfers out exceeded the budged amount for the Highway Aid Fund.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AT DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

SPECIAL REVENUE FUNDS

	Altoona Public Access	Union Avenue and Elm Street Project	Enhancement Account	Major Disaster	Justice Grant Trust Fund	Federal Seizure Fund	Gateway Project	Garden Heights Neighborhood Improvement
ASSETS								
Cash	$236,086	$195	$7,926	$24,394	$1,825	$6,948	$361	$27,301
Investments	0	0	0	0	0	0	0	0
Accounts Receivable	750	0	0	0	0	0	0	0
Due from Other Funds	0	0	0	0	0	0	0	0
TOTAL ASSETS	$236,836	$195	$7,926	$24,394	$1,825	$6,948	$361	$27,301
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	$ 188	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Due to Other Funds	0	0	0	0	1,380	0	0	0
Unearned Revenues - Grants	0	195	7,926	0	445	6,948	361	27,301
Total Liabilities	$ 188	$195	$7,926	$ 0	$1,825	$6,948	$361	$27,301
Fund Balances								
Assigned for Projects	$236,648	$ 0	$ 0	$24,394	$ 0	$ 0	$ 0	$ 0
Assigned for Recreation	0	0	0	0	0	0	0	0
Total Fund Balances	$236,648	$ 0	$ 0	$24,394	$ 0	$ 0	$ 0	$ 0
TOTAL LIABILITIES AND FUND BALANCES	$236,836	$195	$7,926	$24,394	$1,825	$6,948	$361	$27,301

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AT DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

SPECIAL REVENUE FUNDS				TOTAL	CAPITAL PROJECTS				TOTAL	
Special Investigations Account	Schulman Acquisition Account	Martin Goodman Trust	Chief's Reward Fund	Nonmajor Special Revenue Funds	Residential Land Bank Development Capital Reserve	Recreation Capital Reserve	Recreation Project	Broad Avenue Curb and Sidewalk	Nonmajor Capital Project Funds	Total
$17,476	$ 0	$ 6,506	$758	$329,776	$136,848	$ 0	$143,751	$ 35	$ 280,634	$ 610,410
0	0	206,110	0	206,110	0	0	0	0	0	206,110
0	0	0	0	750	0	0	0	0	0	750
0	913	0	0	913	0	2,313	0	0	2,313	3,226
$17,476	$913	$212,616	$758	$537,549	$136,848	$2,313	$143,751	$ 35	$ 282,947	$ 820,496
$ 0	$ 0	$ 0	$ 0	$ 188	$ 0	$ 0	$ 0	$ 0	$ 0	$ 188
0	0	500	0	1,880	0	0	150,000	0	150,000	151,880
0	0	0	0	43,176	0	0	0	0	0	43,176
$ 0	$ 0	$ 500	$ 0	$ 45,244	$ 0	$ 0	$150,000	$ 0	$ 150,000	$ 195,244
$17,476	$913	$ 0	$758	$280,189	$136,848	$2,313	$ 0	$ 35	$ 139,196	$ 419,385
0	0	212,116	0	212,116	0	0	(6,249)	0	(6,249)	205,867
$17,476	$913	$212,116	$758	$492,305	$136,848	$2,313	($ 6,249)	$ 35	$ 132,947	$ 625,252
$17,476	$913	$212,616	$758	$537,549	$136,848	$2,313	$143,751	$ 35	$ 282,947	$ 820,496

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	SPECIAL REVENUE FUNDS				
	Altoona Public Access	Major Disaster	Justice Grant Trust Fund	Special Investigations Account	Schulman Acquisition Account
Revenues					
Charges for Services	$ 77,215	$ 0	$ 0	$ 0	$ 0
Intergovernmental Revenue	0	0	13,872	0	0
Investment Earnings	1,159	142	0	0	0
Total Revenues	$ 78,374	$ 142	$13,872	$ 0	$ 0
Expenditures					
Current					
General Government	$ 4,638	$ 0	$ 0	$ 0	$ 0
Public Safety	0	0	0	29,960	0
Culture - Recreation	0	0	0	0	0
Miscellaneous Expenditures	0	0	0	0	0
Total Expenditures	$ 4,638	$ 0	$ 0	$29,960	$ 0
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 73,736	$ 142	$13,872	($29,960)	$ 0
Other Financing Sources (Uses)					
Transfers In	$ 0	$ 0	$ 0	$28,000	$ 0
Transfers (Out)	0	0	(13,872)	0	0
Total Other Financing Sources (Uses)	$ 0	$ 0	($13,872)	$28,000	$ 0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	$ 73,736	$ 142	$ 0	($ 1,960)	$ 0
Fund Balances – Beginning	162,912	24,252	0	19,436	913
Fund Balances – Ending	$236,648	$24,394	$ 0	$17,476	$913

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

SPECIAL REVENUE FUNDS		TOTAL	CAPITAL PROJECTS				TOTAL	
Martin Goodman Trust	Chief's Reward Fund	Nonmajor Special Revenue Funds	Residential Land Bank Development Capital Reserve	Recreation Capital Reserve	Recreation Project	Broad Avenue Curb and Sidewalk	Nonmajor Capital Project Funds	Total
$ 0	$ 0	$ 77,215	$ 0	$ 0	$ 0	$ 0	$ 0	$ 77,215
0	0	13,872	0	0	0	0	0	13,872
(11,068)	5	(9,762)	796	0	38	0	834	(8,928)
($ 11,068)	$ 5	$ 81,325	$ 796	$ 0	$ 38	$ 0	$ 834	$ 82,159
$ 0	$ 0	$ 4,638	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,638
0	0	29,960	0	0	0	0	0	29,960
4,020	0	4,020	0	0	0	0	0	4,020
4,177	0	4,177	0	0	0	0	0	4,177
$ 8,197	$ 0	$ 42,795	$ 0	$ 0	$ 0	$ 0	$ 0	$ 42,795
($ 19,265)	$ 5	$ 38,530	$ 796	$ 0	$ 38	$ 0	$ 834	$ 39,364
$ 0	$ 0	$ 28,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 28,000
0	0	(13,872)	0	0	0	0	0	(13,872)
$ 0	$ 0	$ 14,128	$ 0	$ 0	$ 0	$ 0	$ 0	$ 14,128
($ 19,265)	$ 5	$ 52,658	$ 796	$ 0	$ 38	$ 0	$ 834	$ 53,492
231,381	753	439,647	136,052	2,313	(6,287)	35	132,113	571,760
$212,116	$758	$492,305	$136,848	$2,313	($ 6,249)	$ 35	$132,947	$625,252

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	Paid Firemen's Pension Fund	Altoona Police Pension Fund	Non-Uniformed Employees Pension Fund	Total
ASSETS				
Investments	$35,602,348	$35,531,835	$17,952,908	$89,087,091
Liabilities	$ 0	$ 0	$ 0	$ 0
Net Position				
Held in Trust for Pension Benefits	$35,602,348	$35,531,835	$17,952,908	$89,087,091

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	Paid Firemen's Pension Fund	Altoona Police Pension Fund	Non-Uniformed Employees Pension Fund	Total
Additions				
Contributions:				
Employer	$ 2,561,844	$ 2,669,372	$ 588,619	$ 5,819,835
Plan Members	197,979	204,018	211,414	613,411
Total Contributions	$ 2,759,823	$ 2,873,390	$ 800,033	$ 6,433,246
Investment Income:				
Realized and Unrealized Gains (Losses)	($ 4,619,628)	($ 6,153,884)	($ 2,052,370)	($12,825,882)
Interest/Dividend Income	744,528	2,468,435	394,609	3,607,572
	($ 3,875,100)	($ 3,685,449)	($ 1,657,761)	($ 9,218,310)
Less: Investment Expense	(98,343)	(97,411)	(55,970)	(251,724)
Net Investment Income (Loss)	($ 3,973,443)	($ 3,782,860)	($ 1,713,731)	($ 9,470,034)
Total Additions	($ 1,213,620)	($ 909,470)	($ 913,698)	($ 3,036,788)
Deductions				
Benefits	$ 3,184,471	$ 2,910,515	$ 1,076,694	$ 7,171,680
Administrative Expenses	16,240	11,203	19,479	46,922
Total Deductions	$ 3,200,711	$ 2,921,718	$ 1,096,173	$ 7,218,602
Net (Decrease)	($ 4,414,331)	($ 3,831,188)	($ 2,009,871)	($10,255,390)
Net Position Being Held in Trust for Pension Benefits:				
Beginning of Year	40,016,679	39,363,023	19,962,779	99,342,481
End of Year	$35,602,348	$35,531,835	$17,952,908	$89,087,091

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Grantor Number	Source	Federal CFDA Number
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants		D	14.218 *
HOME Investment Partnerships Program		D	14.239
Total U.S. Department of Housing and Urban Development			
U.S. Department of Homeland Security			
Assistance to Firefighters Grant Program		D	97.044
U.S. Department of Transportation			
Passed Through Pennsylvania Department of Transportation:			
Highway Planning and Construction	107965	I	20.205 *
National Priority Programs	HSGP-18-05	I	20.616
Total U.S. Department of Transportation			
U.S. Department of Justice			
Federal Surplus Property Transfer Program		D	16.578
Edward Bryne Memorial Justice Assistance Grant Program		D	16.738
Total U.S. Department of Justice			
TOTAL FEDERAL AWARDS			

D = Direct
I = Indirect
*** = Denotes Major Program**
(1) = Includes Program Income

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Passed Through to Subrecipients	Cash Receipts	Accrued or (Deferred) Revenue at 01/01/18	Revenues	Expenditures	Accrued or (Deferred) Revenue at 12/31/18
$ 0	$1,587,625 **(1)**	$126,082	$1,568,369	$1,568,369	$106,826
$ 32,521	$ 233,816 **(1)**	$ 85,967	$ 150,119	$ 150,119	$ 2,270
$ 32,521	$1,821,441	$212,049	$1,718,488	$1,718,488	$109,096
$ 0	$ 31,777	$ 0	$ 31,777	$ 31,777	$ 0
$ 0	$ 275,334	$ 0	$ 766,493	$ 766,493	$491,159
0	14,868	0	14,868	14,868	0
$ 0	$ 290,202	$ 0	$ 781,361	$ 781,361	$491,159
$ 0	$ 41 **(1)**	($ 6,907)	$ 0	$ 0	($ 6,948)
2,598	13,872	(445)	13,872	13,872	(445)
$ 2,598	$ 13,913	($ 7,352)	$ 13,872	$ 13,872	($ 7,393)
$ 35,119	$2,157,333	$204,697	$2,545,498	$2,545,498	$592,862

Note 1: The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Revenues were adjusted to balance the expenditures incurred for each project.

Note 2: An extensive compliance tests, as required by the Single Audit Act of 1996, was performed on the Community Development Block Grant Program/Entitlement Grants Program and the Highway Planning and Construction Program, which represents 92% of the total expenditures reflected on the Schedule of Expenditures of Federal Awards.

The 40% test was satisfied as follows:

Community Development Block Grants/Entitlement Grants	$1,568,369
Highway Planning and Construction	766,493
HOME Investment Partnerships Program	150,119
Assistance to Firefighters Grant	31,777
National Priority Safety Programs	14,868
Edward Bryne Memorial JAG Program	13,872
	$2,545,498
	x 40%
Minimum Amount Which Must Be Tested	$1,018,199

The Community Development Block Grants/Entitlement Grants Program and the Highway Planning and Construction Program are major programs (i.e., must be tested). The major programs exceed $1,018,199 and, therefore, represent the only programs to which the specific compliance requirements must be applied.

Note 3: The City has elected to use the 10% de minimis indirect cost rate; however, the City has not recovered any indirect cost as a result.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Altoona
Mayor and Council Members
City Hall
13th Avenue and 12th Street
Altoona, Pennsylvania 16601

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Altoona, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Altoona 's basic financial statements and have issued our report thereon dated July 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Altoona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Altoona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

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Internal Control Over Financial Reporting (Continued)
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2018-003 to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-004.

City of Altoona's Response to Findings
City of Altoona's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Altoona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Young, Oakes, Brown & Company, P.C.

Altoona, Pennsylvania
July 16, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Altoona
Mayor and Council Members
City Hall
13th Avenue and 12th Street
Altoona, Pennsylvania 16601

Report on Compliance for Each Major Federal Program
We have audited the City of Altoona's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Altoona's major federal programs for the year ended December 31, 2018. The City of Altoona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the City of Altoona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Altoona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Altoona's compliance.

Opinion on Each Major Federal Program
In our opinion, the City of Altoona complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

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Report on Internal Control Over Compliance

Management of the City of Altoona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Altoona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Young, Oakes, Brown & Company, P.C.

Altoona, Pennsylvania
July 16, 2019

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

1. A qualified opinion was issued on the City's financial statements.
2. Material weaknesses and significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. Our audit disclosed no noncompliance which is material to the financial statements of the City.
4. No material weaknesses or significant deficiencies in internal control over major programs were disclosed by the audit.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit discloses no audit findings relating to major programs that are required to be reported under 2 CFR Section 200.516(a).
7. The City's major federal programs are the Community Development Block Grants/Entitlement Grant Program and the Highway Planning and Construction Program.
8. The dollar threshold used to determine Type A and Type B programs was $750,000.
9. The City was not deemed to be a low-risk auditee.

Section II - Financial Statement Findings

Item 2018-001

Condition
A complete segregation of duties, so that no one individual performs all functions related to any financial transaction, does not exist in all instances. For example, the purchasing function is performed by and purchase orders are prepared by personnel who also perform payables and disbursing functions. In addition, in the Planning Department, one person initiates purchase orders, receives vendor invoices, prepares checks, has access to checks after signature, controls accounts receivable functions, and maintains all journals. This is a repeat finding (2017-001) from the prior year.

Criteria
No one individual should have complete authority over any one transaction.

Cause
The City has a relatively small number of employees in their Finance Office and Planning Department's fiscal function.

Effect
An internal control weakness exists if any individual performs all functions related to any financial transaction.

Recommendation
The City should examine the benefits that could be derived from adding additional staff members to the Finance Office and Planning Department's fiscal function versus the costs of adding these additional staff members.

City's Response
Because of budgetary constraints, the City has a relatively small number of employees in its Finance Department. However, the Finance Director and the City Controller both review all financial transactions and sign all purchase orders and checks.

Item 2018-002

Condition
The City does not have anyone on its staff who could prepare the external financial statements, including note disclosures. This is a repeat finding (2017-002) from the prior year.

Criteria
AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, required that an entity must have someone who prepares the year end financial statements, including note disclosures.

Cause
Historically, this has been seen as the role of the auditor.

Section II - Financial Statement Findings (Continued)

Item 2018-002 (Continued)

Effect
A material weakness in internal control exists.

Recommendation
We recommend that the City examine the costs benefits of satisfying AU-C Section 265.

City's Response
The City will examine the cost and benefit of satisfying this requirement.

Item 2018-003

Condition
The balance in the Employee Benefits Liability account was not reconciled with the monthly invoices from the insurance company.

Criteria
The liability account for Employee Benefits should be reconciled on a monthly basis to ensure the City is accurately reporting the cost of employee benefits.

Cause
The City switched to BS&A software effective September 1, 2017. Once the new software was implemented, the City stopped posting employee benefits with a journal entry and began using the new software to charge benefits expense with each payroll. As part of the new process, the City should have completed a benefit reconcilement on a monthly basis to ensure the amount charged each month through the payroll module agreed to the invoice received from the insurance company. The reconcilements were not completed for most of 2018.

Effect
Employee benefits expense was understated by approximately $130,000.

Recommendation
We recommend the City performs the monthly reconciliation of the Employee Benefits Liability account with the invoice from the insurance company within the accounting software. When the reconciliation is performed, the liability and expense accounts will be adjusted to their correct balance.

Section II - Financial Statement Findings (Continued)

Item 2018-003 (Continued)

City's Response

As noted, the City switched to BS&A software in September of 2017. The City also changed its benefit administration platform in January of 2016. This change required a complete change in the manner and means by which City benefits are administered, invoiced, and reconciled. This process also requires payment to be made monthly to the benefit administrator in advance of the month in which the actual cost is incurred. For example, employee benefits are paid in January for employee coverage in February. Furthermore, the benefits administrator does not always include changes to employee benefits in a timely manner and during 2018 did not adequately effectuate charges for changes in benefit coverage until months after the event, and did not credit the correct costs until June of 2019. The result has been a disruption in proper reconciliation that has been remedied, at least in part, by a discontinuance of attempts at reconciliation within the BS&A software system.

Working with representatives from BS&A software, the City has formulated a process whereby benefits will not be reconciled within the software system, but will instead be tracked off-line through a process similar to the one that existed prior to use of the BS&A system. This process requires an ongoing internal reconciliation of benefit payments and liabilities on a monthly basis. Although this process may not be ideal, it will eliminate gaps in the reconciliation process that would be required if reconciliation through the software system was maintained. The BS&A software system will continue to track employee benefit activity through payroll deductions for purposes related to the production of forms W-2 and 1095, and the City will revisit the reinstitution of benefit reconciliation through the software system periodically moving forward.

Item 2018-004

Condition

The City was granted common stock in an insurance company when the company demutualized.

Criteria

State statute and the City Charter allow the General Fund of the City to invest in certain types of transactions. Common stock is not a permitted category.

Cause

City management was not aware that this was not a permitted investment.

Effect

The City is in violation of State Statute and the City Charter.

Recommendation

We recommend that the City divest of this common stock investment.

Section II - Financial Statement Findings (Continued)

Item 2018-004 (Continued)

City's Response

In December of 2015, Prudential Life adopted a Plan of Reorganization to convert from a mutual life insurance company to a stock company. The conversion occurred in November of 2001. Since then, the City has received quarterly dividends from Prudential and has deposited these dividends as revenue into the City's General Fund. This has been an ongoing process and no research was undertaken to examine the nature of the investment or its type in terms of regulatory compliance. Once it was understood that such a financial asset was outside of the City's investment purview, the City has taken steps to sell the shares of Prudential stock it owns. Working through Computershare, the City is in the process of selling this stock and will deposit the proceeds of this sale into the City's general fund where it will, along with all other financial holdings of the City, be invested in a manner that is compliant with all regulatory standards.

Findings and Questioned Costs

Section II - Financial Statement Findings

Prior year finding 2017-001 and 2017-002 remain unresolved.

Section III - Financial Statement Findings

No prior year issues were noted.