

**ANNUAL REPORT  
OF THE  
CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA**

**\*\*\*\*\***

**FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**INTRODUCTORY LETTER**

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

In connection with our audit of the basic financial statements of the City of Altoona for the year ended December 31, 2014, we are submitting for your consideration the accompanying Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. Included with these reports are recommendations designed to assist you in improving internal accounting controls and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to management.

Since the comments and observations contained in this report are a by-product of the examination of financial statements, the cost justification and other aspects of our suggestions have not been fully evaluated. These evaluations should be made by management. Therefore, we recognize that, after consideration, certain suggestions and recommendations may not be practical to implement.

Our comments deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as reflecting on the integrity or capabilities of anyone in your Organization. Also, our comments have been restricted to weaknesses noted and suggested means of improvement, and are not intended as a commentary on the various favorable aspects of the City's procedures.

We would again like to express our appreciation for the cooperation we have received from the City's personnel in connection with developing these recommendations, as well as for the assistance provided during the audit.

We would like to take this opportunity to commend the Mayor and Council, the City Manager, and the Finance Department for implementing recommendations relative to certain findings of the prior year.

We appreciate the opportunity to have been of service to you and the City. Should you have any questions about our recommendations, this letter, or other matters, please contact us at your convenience.

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

**Altoona, Pennsylvania  
May 29, 2015**

**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, 2014, 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.

INDEPENDENT AUDITOR'S REPORT  
(CONTINUED)

**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, 2014, 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, 2014, 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.

**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 5 to 13 and 63 to 69 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT  
(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 May 29, 2015, 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, Decker, Brown & Company, P.C.*

Altoona, Pennsylvania  
May 29, 2015

## 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, 2014. 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 \$74,117,092 (*net position*) for the fiscal year reported.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$68,311,855 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 \$8,402,939 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	\$2,033,883
Pension Benefits	4,729,421
Recreation	249,828
Liquid Fuels	317,545
Debt Service	853,261
Shade Trees	44,143
Other Projects	174,858

- (3) Unrestricted net position represent the portion of net assets available to maintain the City's continuing obligations to citizens and creditors; however, as of December 31, 2014, the City of Altoona had a deficit in unrestricted net position of (\$2,597,702).
- The City's governmental funds reported total ending fund balance of \$11,749,530 this year. This compares to the prior year ending fund balance of \$12,417,455 showing a \$667,925 decrease during the year. Unassigned fund balance of \$3,530,828 for fiscal year 2014 shows an increase of \$1,788,163 from the prior year.
  - At the end of fiscal year 2014, the unassigned fund balance for the General Fund was \$3,530,828.

## 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 Position 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 Position*. This is the City-wide statement presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position 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 2014. 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 2014, 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 18 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 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 13 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.

### *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 fund financial statements can be found on page 24 of this report.

**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 position 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 \$74,117,092, at the close of fiscal year 2014.

A significant portion of the City of Altoona's net position 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 position are reflected below:

Capital Expenditures	\$2,033,883
Pension Benefits	4,729,421
Recreation	249,828
Liquid Fuels	317,545
Debt Service	853,261
Shade Trees	44,143
Other Projects	174,858

**CITY OF ALTOONA**  
**Net Position**

**Governmental  
Activities**

	<b>2013</b>	<b>2014</b>	<b>% Change</b>
Current and other Assets	\$23,007,432	\$21,942,132	(4.63)%
Capital Assets	\$96,693,363	\$94,410,996	(2.36)
Total Assets	\$119,700,795	\$116,353,128	(2.80)
Deferred Outflows of Resources	\$ 197,509	\$ 333,429	40.76
Long-term liabilities outstanding	\$30,804,837	\$29,891,046	(2.97)
Other Liabilities	\$11,749,922	\$12,678,419	7.90
Total Liabilities	\$42,554,759	\$42,569,465	0.03
Net Assets:			
Invested in capital assets, net of related debt	\$73,094,488	\$68,311,855	(6.54)
Restricted	\$11,366,969	\$8,402,939	(26.08)
Unrestricted	(\$7,117,912)	(\$2,597,702)	63.50
Total net Assets/Position	\$77,343,545	\$74,117,092	(4.17)

At the end of fiscal year 2014, the City of Altoona is able to report positive balances in the first two categories of net position; however, for the unrestricted portion, a deficit of (\$2,597,702) is reported.

**Governmental activities.** Governmental activities decreased the City of Altoona's net position by \$3,226,453. Key elements of the changes are as follows:

**CITY OF ALTOONA**

**Changes in Net Assets  
Governmental Activities  
2013 - 2014**

	<u>2013</u>	<u>2014</u>	<u>% Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$5,625,121	\$2,681,671	(52.33) %
Operating Grants and Contributions	6,010,806	5,676,866	(5.56)
General Revenues:			
Taxes	19,287,791	20,038,289	3.89
Payments In Lieu of Taxes	0	280,743	----
Other Agreements	0	2,987,873	----
Unrestricted Investment Income	49,932	62,127	24.42
Gain on Disposal of Assets	<u>0</u>	<u>38,702</u>	----
Total Revenues	<u>\$30,973,650</u>	<u>\$31,766,271</u>	2.56
Expenses:			
General Government	\$13,213,681	\$4,230,057	(67.99)
Public Safety	9,952,483	18,934,907	90.25
Public Works	7,365,267	7,561,677	2.67
Culture-Recreation	473,905	471,578	(0.49)
Conservation and Development	2,640,632	2,378,868	(9.91)
Miscellaneous	41,828	244,622	484.83
Interest on Long-Term Debt & Related Items	<u>1,195,891</u>	<u>1,171,015</u>	(2.08)
Total Expenses	<u>\$34,883,687</u>	<u>\$34,992,724</u>	0.31
Change in Net Position	(\$3,910,037)	(3,226,453)	(17.48)
Net Position-Beginning	81,253,582	77,343,545	(4.81)
Net Assets/Position-Ending	<u>\$77,343,545</u>	<u>\$74,117,092</u>	(4.17)

- Revenue received through charges for services decreased from the prior year.
- Tax revenue increased from the amount received during the prior year.
- Expenses related to General Government decreased drastically from the prior year expenses, while Public Safety increased significantly from the prior year due to a reformulation of the 2014 Budget that assigned expenditures to the separate departments, as well as pension costs.
- Total Expenditures exceeded Total Revenues by a significant amount, but to a smaller degree than in 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 2014, the City of Altoona's governmental funds reported combined ending fund balances of \$11,749,530, a decrease of \$667,925 in comparison to the prior year. The unassigned fund balance is \$3,530,828. 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	\$2,033,883
Retirement Plans	4,019,937
Employees' Future Worker's Compensation Claims	182,760
Recreation	249,828
Inventories	342,487
Highway Aid	317,545
Debt Service	853,261
Shade Trees	44,143
Other Projects	174,858

The general fund is the chief operating fund of the City of Altoona. At the end of fiscal year 2014, the unassigned fund balance of the general fund was \$3,530,828 while total fund balance of the general fund increased to \$4,953,479. 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 13.23% of general fund expenditures, while total fund balance of the general fund represents 18.56% of general fund expenditures.

The fund balance of the City of Altoona's general fund increased by \$2,037,135 during fiscal year 2014. Key factors of this change are as follows:

- Total Revenues decreased by \$532,995.
- Total Expenditures decreased by \$1,462,399
- Other Financing Sources, Net of Uses, increased by \$81,811.

### General Fund Budgetary Highlights

During the year, revenues exceeded budgetary estimates, while expenditures were less than 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, 2014, amounts to \$94,410,996 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events for fiscal year 2014 included the following:

- Capital assets acquired during fiscal year 2014 included vehicles for the police department, planning, and public works department, as well as a major road resurfacing program.
- Upgrade of City buildings and facilities.
- Machinery and equipment purchases were made for some City departments.

### CITY OF ALTOONA'S Capital Assets (Net of Depreciation)

#### Governmental Activities

	<u>2013</u>	<u>2014</u>	<u>% Change</u>
Land	4,348,271	4,347,214	(0.02)%
Construction in Progress	244,647	995,273	306.82
Land Improvements	82,036,618	79,290,359	(3.35)
Buildings and Improvements	9,130,868	9,015,870	(1.26)
Machinery and Equipment	<u>932,959</u>	<u>762,280</u>	(18.29)
Total	\$96,693,363	\$94,410,996	(2.36)

Additional information on the City of Altoona's capital assets can be found in Note II.C on pages 36 and 37 of this report.

**Long-term debt.** At the end of fiscal year 2014, the City of Altoona had total General Obligation Bonds and Notes outstanding of \$26,099,141.

### CITY OF ALTOONA'S Outstanding Debt General Obligation and Revenue Bonds

	<u>2013</u>	<u>2014</u>	<u>% Change</u>
General Obligation Bonds	\$14,035,000	\$17,210,000	22.62%
General Obligation Notes	13,039,281	8,889,141	(31.83)
Total	\$27,074,281	\$26,099,141	(3.60)

The City of Altoona's total debt decreased by \$975,140 (net) during fiscal year 2014. The reason for this decrease is a new bond issue, which added more than \$2.8 million in principal toward outstanding General Obligation Bonds.

- The City of Altoona maintained an "A-" rating from Standard and Poor's for general obligation debt.
- Pennsylvania statutes limit the amount of general obligation debt a municipal entity may issue to 10 percent of its total assessed valuation. The current debt limitation is significantly in excess of the City's outstanding 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.
- The assessed value of real estate within the City of Altoona continues to stagnate and is reflected in stagnant revenues received from the city's Real Estate Tax.
- Health insurance rates for City employees continue to increase at rates that far exceed inflation.
- If current macroeconomic factors at the state, national, and international levels persist, the impact will negatively affect the City's financial condition.
- The City was designated as a financially distressed municipality under Pennsylvania Act 47, as amended in May of 2012. In December of 2012, the City adopted a Recovery Plan for the City, which is designed to assist the City in its ongoing struggle with fiscal distress.

### **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 13<sup>th</sup> Avenue and 12<sup>th</sup> 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, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	PRIMARY GOVERNMENT	COMPONENT UNITS	
	Governmental Activities	Redevelopment Authority of Altoona	The Parking Authority of the City of Altoona
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 10,238,052	\$ 208,057	\$ 4,707
Investments	224,289	0	0
Taxes Receivable	4,106,910	0	0
Intergovernmental Receivables	264,627	0	0
Intergovernmental Receivable - Component Unit	7,667	0	0
Loans Receivable – Current	1,005,221	4,987	0
Other Receivables	259,667	0	455
Prepaid Expenses	0	0	1,741
Inventory	342,487	0	0
Loans Receivable – Long-Term	5,493,212	94,606	0
Capital Assets, Net of Accumulated Depreciation	<u>94,410,996</u>	<u>379,082</u>	<u>2,271,385</u>
<b>TOTAL ASSETS</b>	<b>\$ 116,353,128</b>	<b>\$ 686,732</b>	<b>\$2,278,288</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred Charges	\$ 333,429	\$ 0	\$ 0
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 820,503	\$ 6,627	\$ 9,821
Accounts Payable - Primary Government	0	1,569	6,098
Accrued Payroll	723,536	0	860
Payroll Taxes and Benefits Payable	181,484	0	1,826
Accumulated Compensated Absences	0	0	246
Intergovernmental Payable	0	224,884	0
Accrued Interest	298,009	0	261
Deposits Held	179,063	0	0
Other Postretirement Benefit Obligations	3,874,645	0	0
Unearned Revenues - Grants	6,601,179	0	0
Noncurrent Liabilities:			
Due Within One Year	1,410,058	0	62,598
Due in More Than One Year	<u>28,480,988</u>	<u>0</u>	<u>117,147</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 42,569,465</b>	<b>\$ 233,080</b>	<b>\$ 198,857</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable Revenue - Rent Received in Advance	\$ 0	\$ 0	\$ 76,912
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	\$ 68,311,855	\$ 379,082	\$2,091,640
Restricted for:			
Highway Aid	317,545	0	0
Pension Benefits	4,729,421	0	0
Shade Tree	44,143	0	0
Capital Expenditures	2,033,883	0	0
Recreation	249,828	0	0
Debt Service	853,261	0	0
Other Projects	174,858	112,100	0
Unrestricted (Deficit)	( <u>2,597,702</u> )	( <u>37,530</u> )	( <u>89,121</u> )
<b>TOTAL NET POSITION</b>	<b>\$ 74,117,092</b>	<b>\$ 453,652</b>	<b>\$2,002,519</b>

**See Accompanying Notes and Independent Auditor's Report**

CITY OF ALTOONA  
 BLAIR COUNTY, PENNSYLVANIA  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2014  
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

PROGRAM REVENUES

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
<b><u>Primary Government</u></b>		
<b><u>Governmental Activities</u></b>		
General Government	\$ 4,230,057	\$1,363,194
Public Safety (Protection to Persons and Property)	18,934,907	412,748
Public Works, Highways, Roads, and Streets	7,561,677	466,889
Culture – Recreation	471,578	5,976
Conservation and Development	2,378,868	432,864
Miscellaneous	244,622	0
Interest on Long-Term Debt and Related Expenses	<u>1,171,015</u>	<u>0</u>
Total Primary Government	\$34,992,724	\$2,681,671
<b><u>Component Units</u></b>		
Redevelopment and Housing	\$ 80,665	\$ 100,439
Parking	<u>261,353</u>	<u>267,348</u>
Total Component Units	\$ 342,018	\$ 367,787
<b><u>General Revenues</u></b>		
Taxes		
Payments in Lieu of Taxes		
Other Agreements		
Unrestricted Investment Income		
Gain on Disposal of Assets		
Impairment Loss		
Total General Revenues		
Change in Net Position		
<b><u>Net Position</u> – Beginning</b>		
<b><u>Net Position</u> – Ending</b>		

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

PROGRAM REVENUES

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

	PRIMARY GOVERNMENT	COMPONENT UNITS	
<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Redevelopment Authority of Altoona</u>	<u>The Parking Authority of the City of Altoona</u>
\$ 116,308	(\$ 2,750,555)	\$ 0	\$ 0
1,823,056	( 16,699,103)	0	0
1,068,002	( 6,026,786)	0	0
318,500	( 147,102)	0	0
2,351,000	404,996	0	0
0	( 244,622)	0	0
<u>0</u>	<u>( 1,171,015)</u>	<u>0</u>	<u>0</u>
\$5,676,866	(\$ 26,634,187)	\$ 0	\$ 0
<u>0</u>	<u>0</u>	<u>19,774</u>	<u>5,995</u>
<u>0</u>	<u>0</u>	<u>19,774</u>	<u>5,995</u>
	\$ 20,038,289	\$ 0	\$ 0
	280,743	0	0
	2,987,873	0	0
	62,127	0	10
	38,702	0	0
	<u>0</u>	<u>( 1,418,450)</u>	<u>0</u>
	\$ 23,407,734	(\$1,418,450)	\$ 10
	<u>( \$ 3,226,453)</u>	<u>( \$1,398,676)</u>	<u>\$ 6,005</u>
	<u>\$ 77,343,545</u>	<u>\$1,852,328</u>	<u>\$1,996,514</u>
	<u>\$ 74,117,092</u>	<u>\$ 453,652</u>	<u>\$2,002,519</u>

See Accompanying Notes and Independent Auditor's Report

**CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	<u>General Fund</u>	<u>Highway Aid Fund</u>	<u>Act 205 Pension Fund</u>
<b><u>ASSETS</u></b>			
Cash	\$4,051,271	\$393,874	\$3,331,738
Investments	0	0	0
Taxes Receivable	3,397,426	0	709,484
Intergovernmental Receivables	80,104	0	0
Loans Receivable - Current	0	0	0
Other Receivables	235,470	16,762	0
Inventory - Highway Yard	342,487	0	0
Due From Other Funds	260,949	0	0
Loans Receivable - Long-Term	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$8,367,707</u></b>	<b><u>\$410,636</u></b>	<b><u>\$4,041,222</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 621,170	\$ 91,029	\$ 21,285
Accrued Payroll	723,536	0	0
Payroll Taxes and Benefits Payable	181,484	0	0
Accumulated Compensated Absences	78,325	0	0
Due to Other Funds	3,226	2,062	0
Deposits Held	154,314	0	0
Unavailable Revenues - Property Taxes	1,608,512	0	0
Unearned Revenues - Grants	<u>43,661</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities</b>	<b><u>\$3,414,228</u></b>	<b><u>\$ 93,091</u></b>	<b><u>\$ 21,285</u></b>
<b><u>FUND BALANCE</u></b>			
Nonspendable	\$ 342,487	\$ 0	\$ 0
Committed for Employees' Future Worker's Compensation Claims	182,760	0	0
Restricted for Retirement Plans	0	0	4,019,937
Restricted for Debt Service	853,261	0	0
Restricted for Shade Tree	44,143	0	0
Restricted for Highway Aid	0	317,545	0
Restricted for Capital Expenditures	0	0	0
Assigned for Projects	0	0	0
Assigned for Recreation	0	0	0
Unassigned Fund Balance	<u>3,530,828</u>	<u>0</u>	<u>0</u>
<b>Total Fund Balance</b>	<b><u>\$4,953,479</u></b>	<b><u>\$317,545</u></b>	<b><u>\$4,019,937</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$8,367,707</u></b>	<b><u>\$410,636</u></b>	<b><u>\$4,041,222</u></b>

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

<u>Capital Expenditures</u>	<u>Housing and Community Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$2,036,318	\$ 62,518	\$ 362,333	\$10,238,052
0	0	224,289	224,289
0	0	0	4,106,910
0	148,690	43,500	272,294
0	1,005,221	0	1,005,221
7,435	0	0	259,667
0	0	0	342,487
0	0	3,226	264,175
0	5,493,212	0	5,493,212
<u>\$2,043,753</u>	<u>\$6,709,641</u>	<u>\$ 633,348</u>	<u>\$22,206,307</u>
\$ 9,427	\$ 61,253	\$ 16,339	\$ 820,503
0	0	0	723,536
0	0	0	181,484
0	0	0	78,325
443	108,444	150,000	264,175
0	24,749	0	179,063
0	0	0	1,608,512
0	6,515,195	42,323	6,601,179
<u>\$ 9,870</u>	<u>\$6,709,641</u>	<u>\$ 208,662</u>	<u>\$10,456,777</u>
\$ 0	\$ 0	\$ 0	\$ 342,487
0	0	0	182,760
0	0	0	4,019,937
0	0	0	853,261
0	0	0	44,143
0	0	0	317,545
2,033,883	0	0	2,033,883
0	0	174,858	174,858
0	0	249,828	249,828
0	0	0	3,530,828
<u>\$2,033,883</u>	<u>\$ 0</u>	<u>\$ 424,686</u>	<u>\$11,749,530</u>
<u>\$2,043,753</u>	<u>\$6,709,641</u>	<u>\$ 633,348</u>	<u>\$22,206,307</u>

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, 2014  
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

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

Total Fund Balances	\$ 11,749,530
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	94,410,996
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	1,608,513
Deferred Charges	333,429
Certain liabilities are not due and payable currently, and, therefore, are not reported in the funds:	
Other Postretirement Benefits	( 3,874,645)
Accrued Interest on Long-Term Debt	( 298,009)
Long-Term Notes and Bonds Payable	( 26,099,141)
Long-Term Portion of Vacation and Sick Payable	( 3,136,656)
Long-Term Portion of Workers' Compensation Payable	( <u>576,925</u> )
Net Position of Governmental Activities	\$ 74,117,092

**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, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	<u>General Fund</u>	<u>Highway Aid Fund</u>	<u>Act 205 Pension Fund</u>
<b><u>Revenue</u></b>			
Taxes	\$17,200,765	\$ 0	\$2,902,538
Licenses and Permits	1,495,871	0	0
Investment Earnings, Rents, and Royalties	62,128	73	2,192
Intergovernmental Revenue	2,200,657	1,068,002	0
Fines and Forfeits	232,140	0	0
Charges for Services (Departmental Earnings)	3,371,348	0	0
Miscellaneous Revenue	<u>23,811</u>	<u>104,960</u>	<u>0</u>
Total Revenue	<u>\$24,586,720</u>	<u>\$1,173,035</u>	<u>\$2,904,730</u>
<b><u>Expenditures</u></b>			
<b><u>Current Expenditures</u></b>			
General Government	\$ 3,766,586	\$ 0	\$ 87,084
Public Safety (Protection to Persons and Property)	17,075,351	0	0
Public Works - Highways, Roads, and Streets	2,653,107	622,692	0
Culture - Recreation	278,887	0	0
Conservation and Development	180,707	0	0
Miscellaneous Expenditures or Expenses	240,642	0	0
<b><u>Capital Expenditures</u></b>			
General Government	3,384	0	0
Public Safety	39,075	0	0
Public Works - Highways, Roads, and Streets	0	0	0
Culture - Recreation	0	0	0
Conservation and Development	0	0	0
<b><u>Debt Service</u></b>			
Debt Service - Principal	1,460,443	0	0
Debt Service - Interest	863,831	0	0
Bond Issuance Costs	93,131	0	0
Bond Insurance	<u>32,644</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$26,687,788</u>	<u>\$ 622,692</u>	<u>\$ 87,084</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(\$ 2,101,068)</u>	<u>\$ 550,343</u>	<u>\$2,817,646</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Sale of Capital Assets	\$ 14,892	\$ 28,643	\$ 0
Transfer In	4,029,392	0	0
Transfer Out	( 38,500)	( 456,700)	( 3,567,373)
Proceeds from Refunding Bonds	8,910,000	0	0
Discounts on Bonds	( 150,061)	0	0
Payments to Refunded Bond Escrow Agent	<u>( 8,627,520)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 4,138,203</u>	<u>(\$ 428,057)</u>	<u>(\$3,567,373)</u>
Excess (Deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 2,037,135</u>	<u>\$ 122,286</u>	<u>(\$ 749,727)</u>
<b><u>Fund Balance</u></b> - Beginning	<u>\$ 2,916,344</u>	<u>\$ 195,259</u>	<u>\$4,769,664</u>
<b><u>Fund Balance</u></b> - Ending	<u><u>\$ 4,953,479</u></u>	<u><u>\$ 317,545</u></u>	<u><u>\$4,019,937</u></u>

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, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

<u>Capital Expenditures</u>	<u>Housing and Community Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 0	\$ 0	\$20,103,303
0	0	0	1,495,871
309	432,864	5,975	503,541
0	2,351,000	337,949	5,957,608
0	0	0	232,140
0	0	0	3,371,348
<u>0</u>	<u>0</u>	<u>0</u>	<u>128,771</u>
\$ 309	\$2,783,864	\$ 343,924	\$31,792,582
<hr/>			
\$ 10,913	\$ 0	\$ 0	\$ 3,864,583
92,085	0	49,445	17,216,881
3,765	0	0	3,279,564
0	0	13,927	292,814
0	2,091,822	0	2,272,529
0	0	3,980	244,622
<hr/>			
13,670	0	0	17,054
317,570	0	0	356,645
1,028,152	0	0	1,028,152
0	108,850	945,849	1,054,699
0	583,192	0	583,192
<hr/>			
0	0	0	1,460,443
0	0	0	863,831
0	0	0	93,131
<u>0</u>	<u>0</u>	<u>0</u>	<u>32,644</u>
\$ 1,466,155	\$2,783,864	\$1,013,201	\$32,660,784
<hr/>			
(\$ 1,465,846)	\$ 0	(\$ 669,277)	(\$ 868,202)
<hr/>			
\$ 24,323	\$ 0	\$ 0	\$ 67,858
0	0	38,500	4,067,892
0	0	( 5,319)	( 4,067,892)
0	0	0	8,910,000
0	0	0	( 150,061)
<u>0</u>	<u>0</u>	<u>0</u>	<u>( 8,627,520)</u>
\$ 24,323	\$ 0	\$ 33,181	\$ 200,277
<hr/>			
(\$ 1,441,523)	\$ 0	(\$ 636,096)	(\$ 667,925)
<hr/>			
\$ 3,475,406	\$ 0	\$1,060,782	\$12,417,455
<hr/>			
\$ 2,033,883	\$ 0	\$ 424,686	\$11,749,530
<hr/> <hr/>			

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, 2014  
(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	(\$ 667,925)
--	--------------

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.	( 2,253,211)
---	--------------

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.	( 65,014)
---	-----------

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)	35,555
Accrued Vacation and Sick Pay (Net Change)	( 43,143)
Other Postretirement Benefit Obligations (Net Change)	( 1,314,618)

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 Bonds Issued	( 8,910,000)
Discounts on Bonds Issued	150,060
Repayment of Bonded Debt	9,885,140
Amortization of Discounts	( 14,141)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to decrease net position.	( <u>29,156</u> )
--	-------------------

Change in Net Position of Governmental Activities	(\$3,226,453)
---	---------------

**See Accompanying Notes and Independent Auditor's Report**

CITY OF ALTOONA  
 BLAIR COUNTY, PENNSYLVANIA  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2014  
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	<b>Pension Trust Funds</b>
<b><u>ASSETS</u></b>	
Investments	\$87,158,426
Prepaid Expenses	<u>5,291</u>
<b>TOTAL ASSETS</b>	<b>\$87,163,717</b>
<b><u>LIABILITIES</u></b>	<u>0</u>
<b><u>NET POSITION</u></b>	
Held in Trust for Pension Benefits	<u><u>\$87,163,717</u></u>

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, 2014  
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	<u>Pension Trust Funds</u>
<b><u>Additions</u></b>	
Contributions:	
Employer	\$ 4,934,664
Plan Members	<u>563,691</u>
Total Contributions	<u>\$ 5,498,355</u>
Investment Income:	
Net Realized and Unrealized Gains	\$ 1,984,218
Interest and Dividend Income	<u>2,812,380</u>
Total Investment Income	\$ 4,796,598
Less: Investment Expense	( <u>217,899</u> )
Net Investment Income	<u>\$ 4,578,699</u>
Total Additions	<u>\$10,077,054</u>
<b><u>Deductions</u></b>	
Benefits	\$ 7,036,146
Administrative Expenses	<u>43,303</u>
Total Deductions	<u>\$ 7,079,449</u>
Net Increase	<u>\$ 2,997,605</u>
<b><u>Net Position Being Held in Trust for Pension Benefits</u></b> – Beginning of Year	<u>84,166,112</u>
<b><u>Net Position Being Held in Trust for Pension Benefits</u></b> – End of Year	<u><u>\$87,163,717</u></u>

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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. 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, and controller 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 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.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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.

Redevelopment Authority of Altoona  
City Hall  
13<sup>th</sup> Avenue and 12<sup>th</sup> Street  
Altoona, Pennsylvania 16601

The Parking Authority of the City of Altoona  
1225 11<sup>th</sup> 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.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
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I. **Summary of Significant Accounting Policies** (Continued)

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

**Governmental Funds** (Continued)

- 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.
- 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.

**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.

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I. **Summary of Significant Accounting Policies** (Continued)

E. **Measurement Focus and Basis of Accounting** (Continued)

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.

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).

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I. Summary of Significant Accounting Policies (Continued)

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

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.

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

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I. Summary of Significant Accounting Policies (Continued)

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

4. Capital Assets (Continued)

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

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 only one item, Deferred Charges representing unamortized discounts on Bonds, that qualifies for reporting in this category.

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 no type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is not reported in the governmental funds balance sheet. The governmental funds also report no unavailable revenues.

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.

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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

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 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).

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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)

**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.

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 property values assessed on the same date. The tax levy was billed in March 2014. The assessed values are generally 50% of market value as of the date of the last reassessment by the Blair County Board of Property Assessment, Appeals, and Review.

A levy of 48.91 mills was made of which 30.00 mills were for general expenses, 12.09 mills is for debt service, 6.72 is for recreation, and .10 mills is for shade tree. 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, 2014 are returned to the Blair County Tax Claim Bureau for collection.

CITY OF ALTOONA  
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(CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses (Continued)

2. Property Taxes (Continued)

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.

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.

3. 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 nonuniformed 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:

<u>Days Available at Retirement</u>	<u>Percentage Buyout</u>
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 200 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:

<u>Days Available at Retirement</u>	<u>Percentage Buyout</u>
0 - 100	30%
101 and above	50%

CITY OF ALTOONA  
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NOTES TO FINANCIAL STATEMENTS  
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I. Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses (Continued)

3. Compensated Absences (Continued)

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.

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

<u>Number of Full Days</u>	<u>Percentage of Pay Buyout</u>
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 \$10,238,052 and the bank balance was \$10,260,661. Of the bank balance, \$749,294 was covered by federal depository insurance and \$5,919,053 was covered by collateral held in the pledging bank's trust department, but not in the City's name. In addition, \$3,592,314 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.

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

A. Cash and Investments (Continued)

Investments

As of December 31, 2014, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
<u>Primary Government</u>				
Non-Pooled Investments:				
Cash and Cash Equivalents	\$ 11,106	\$ 11,106	N/A	N/A
Taxable Fixed Income Funds	50,177	50,320	(3)	(3)
Domestic Equity Mutual Funds	99,104	92,316	N/A	N/A
International Funds	47,693	46,232	N/A	N/A
Closed-End Equity Mutual Fund	<u>16,209</u>	<u>15,713</u>	N/A	N/A
Total Primary Government Investments (non-fiduciary)	<u>\$ 224,289</u>	<u>\$ 215,687</u>		
<u>Fiduciary Funds</u>				
Cash and Cash Equivalents	\$ 165,233	\$ 165,233	N/A	N/A
Open-End Mutual Fund	84,723,390	76,238,114	(3)	(3)
Unclassified	<u>2,269,803</u>	<u>2,269,803</u>	N/A	(3)
Total Fiduciary Investments	<u>\$87,158,426</u>	<u>\$78,673,150</u>		

- (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.

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. 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 & Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund or their successor agencies; (4) obligations of the United

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

A. Cash and Investments (Continued)

City Policy (Continued)

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.

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

A. Cash and Investments (Continued)

Component Unit - Cash and Investments

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 \$208,057 and the bank balance was \$156,800. 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.

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

A. Cash and Investments (Continued)

Component Unit - Cash and Investments

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 \$4,707 and the bank balance was \$12,837. Of the bank balance, all was covered by federal depository insurance.

Investments

As of December 31, 2014, 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.

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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, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>					
Capital Assets, not being depreciated:					
Land	\$ 4,348,271	\$ 0	(\$ 1,057)	\$ 0	\$ 4,347,214
Projects in Progress	<u>244,647</u>	<u>945,849</u>	<u>0</u>	<u>( 195,223)</u>	<u>995,273</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 4,592,918</u>	<u>\$ 945,849</u>	<u>(\$ 1,057)</u>	<u>(\$195,223)</u>	<u>\$ 5,342,487</u>
Capital Assets, being depreciated:					
Land Improvements	\$193,496,726	\$1,206,276	\$ 0	\$ 0	\$194,703,002
Buildings and Improvements	15,134,252	159,835	0	0	15,294,087
Machinery and Equipment	<u>14,502,721</u>	<u>727,783</u>	<u>( 277,924)</u>	<u>195,223</u>	<u>15,147,803</u>
Total Capital Assets, Being Depreciated	<u>\$223,133,699</u>	<u>\$2,093,894</u>	<u>(\$277,924)</u>	<u>\$195,223</u>	<u>\$225,144,892</u>
Accumulated Depreciation for:					
Land Improvements	\$111,460,108	\$3,952,535	\$ 0	\$ 0	\$115,412,643
Building and Improvements	6,003,384	274,833	0	0	6,278,217
Machinery and Equipment	<u>13,569,762</u>	<u>1,065,586</u>	<u>( 249,825)</u>	<u>0</u>	<u>14,385,523</u>
Total Accumulated Depreciation	<u>\$131,033,254</u>	<u>\$5,292,954</u>	<u>(\$249,825)</u>	<u>\$ 0</u>	<u>\$136,076,383</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 92,100,445</u>	<u>(\$3,199,060)</u>	<u>(\$ 28,099)</u>	<u>\$195,223</u>	<u>\$ 89,068,509</u>
Governmental Activities, Capital Assets, Net	<u>\$ 96,693,363</u>	<u>(\$2,253,211)</u>	<u>(\$ 29,156)</u>	<u>\$ 0</u>	<u>\$ 94,410,996</u>

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NOTES TO FINANCIAL STATEMENTS  
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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	\$ 371,766
Public Safety	359,167
Public Works	4,275,409
Culture and Recreation	178,764
Conservation and Development	<u>107,848</u>

Total Depreciation Expense - Governmental Activities	<u>\$5,292,954</u>
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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		<u>Totals</u>
	<u>Land</u>	<u>Furniture Machinery, And Equipment</u>	<u>Land Improvement</u>		
<u>Governmental Activities</u>					
Balance - December 31, 2013	\$1,657,785	\$228,291	\$40,400		\$1,926,476
Increases	0	0	0		0
Decreases	( 1,418,450)	<u>0</u>	<u>0</u>		( 1,418,450)
Balance - December 31, 2014	<u>\$ 239,335</u>	<u>\$228,291</u>	<u>\$40,400</u>		<u>\$ 508,026</u>
<u>Accumulated Depreciation</u>					
Balance - December 31, 2013	\$ 0	\$120,217	\$ 2,940		\$ 123,157
Increases	0	4,505	1,283		5,788
Decreases	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
Balance - December 31, 2014	<u>\$ 0</u>	<u>\$124,722</u>	<u>\$ 4,223</u>		<u>\$ 128,945</u>

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

The decrease in land value was attributed to an external appraisal done during 2014, which indicated the land value of .87/square foot was overvalued. A more appropriate value was determined to be .16/square foot.

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

C. Capital Assets (Continued)

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 -----			Totals
	<u>Land</u>	<u>Parking Garage</u>	<u>Improvements</u>	<u>Furniture Machinery, and Equipment</u>	
<b><u>Business-Type Activities</u></b>					
Balance - December 31, 2013	\$308,318	\$2,636,394	\$1,670,863	\$42,053	\$4,657,628
Decreases	0	0	0	( 8,134)	( 8,134)
Balance - December 31, 2014	<u>\$308,318</u>	<u>\$2,636,394</u>	<u>\$1,670,863</u>	<u>\$33,919</u>	<u>\$4,649,494</u>
<b><u>Accumulated Depreciation</u></b>					
Balance - December 31, 2013	\$ 0	\$1,204,837	\$1,078,014	\$41,573	\$2,324,424
Increases	0	39,650	22,095	74	61,819
Decreases	0	0	0	( 8,134)	( 8,134)
Balance - December 31, 2014	<u>\$ 0</u>	<u>\$1,244,487</u>	<u>\$1,100,109</u>	<u>\$33,513</u>	<u>\$2,378,109</u>

All depreciation expense was charged to the parking function.

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, 2013.

Actuarially valuations are performed on a biennial basis.

CITY OF ALTOONA  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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)

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:

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
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 \$1/month	5% of Total Compensation
Funding of administrative costs	Investment earnings	Investment earnings	Investment earnings
Period required to vest	12 Years	12 Years	12 Years
Post-retirement benefit increases	None	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 in the Consumer Price Index on a yearly basis from October to October of the prior year.	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.	Later of age 50 and completion of 20 years of service. Under current agreement 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. Non-Service Related: if less than 10 years of service, 25% of salary; otherwise 50%.	Service Related: normal Retirement benefit Non-Service Related: if less than 10 years of service, 25% of salary; otherwise 50%.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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)

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Provisions for:			
Death Benefits	Before retirement, refund of Contributions without interest. After retirement, none, unless, at retirement, member chose Optional Form of Payment, then 50% of the participant's benefit may be payable to the spouse, if still living.	Before retirement, survivor benefits of 25% of salary if death occurs before 10 years of service and 50% otherwise. After retirement, 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 18 <sup>th</sup> 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 18 <sup>th</sup> birthday. If not vested or killed in service, refund of contributions to designated beneficiary.

Memberships of the plans are as follows:

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Nonvested Active Members	44	35	27
Fully Vested Active Members	53	31	29
Retirees and Beneficiaries Currently Receiving Benefits	99	99	113
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	<u>1</u>	<u>1</u>	<u>0</u>
Total	197	166	169
	===	===	===

2. Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are located in the Supplementary Information section of this report.

3. Annual Pension Cost, Net Pension Obligations, and Reserves

Current Year Annual Pension Cost and Net Pension Obligations

Current year annual pension costs for the NUPP, PPP, and PFPP, are presented below. Annual required contributions were made for all plans. No net pension obligation exists for any plan.

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.

CITY OF ALTOONA  
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DECEMBER 31, 2014  
(CONTINUED)

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

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

4. Trend Information

Minimum Municipal Obligation For	----- NUPP -----			----- PPP -----			----- PFPF -----		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
12/31/14	\$327,721	100%	-	\$1,804,136	100%	-	\$2,802,807	100%	-
12/31/13	\$337,499	100%	-	\$1,810,934	100%	-	\$2,760,924	100%	-
12/31/12	\$322,492	100%	-	\$1,760,073	100%	-	\$2,463,431	100%	-
12/31/11	\$345,478	119%	-	\$1,783,319	120%	-	\$2,592,111	119%	-
12/31/10	\$ 78,402	100%	-	\$ 786,104	100%	-	\$1,869,681	100%	-
12/31/09	\$ 73,320	100%	-	\$ 781,500	100%	-	\$1,766,210	100%	-
12/31/08	\$176,071	100%	-	\$ 932,672	100%	-	\$1,889,300	100%	-
12/31/07	\$185,380	100%	-	\$ 919,230	100%	-	\$1,896,027	100%	-
12/31/06	\$132,991	100%	-	\$ 903,215	100%	-	\$1,667,241	100%	-
12/31/05	\$194,114	100%	-	\$ 898,119	100%	-	\$1,748,573	100%	-
12/31/04	\$ 0	100%	-	\$ 433,015	100%	-	\$1,267,986	100%	-
12/31/03	\$ 0	100%	-	\$ 437,813	100%	-	\$1,238,296	100%	-
12/31/02	\$158,151	106% (1)	-	\$ 364,951	100%	-	\$1,219,186	100%	-
12/31/01	\$152,190	95% *	-	\$ 359,711	100%	-	\$1,198,882	100%	-
12/31/00	\$144,300	100%	-	\$ 357,308	100%	-	\$1,200,858	100%	-
12/31/99	\$268,450	100%	-	\$ 366,986	100%	-	\$1,305,959	100%	-
12/31/98	\$314,437	100%	-	\$ 321,128	100%	-	\$1,134,691	100%	-
12/31/97	\$295,085	100%	-	\$ 285,934	100%	-	\$1,092,819	100%	-
12/31/96	\$242,796	100%	-	\$ 272,791	100%	-	\$1,089,554	100%	-

\* An error led to this underfunding.

(1) To correct 2001 underfunding.

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) years 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.

CITY OF ALTOONA  
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(CONTINUED)

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

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

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

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.

CITY OF ALTOONA  
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NOTES TO FINANCIAL STATEMENTS  
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II. Detailed Notes on All Activities and Funds (Continued)

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

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.

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.

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(CONTINUED)

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

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

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.

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 Other than Pension Benefits

Firemen's Plan

Plan Description

The City's defined benefit postemployment healthcare plan provides hospitalization insurance benefits to their paid firefighters who retired from the City of Altoona Fire Department, who meet certain criteria. Upon retirement, a firefighter who is a union member may elect to take his/her accumulated sick leave in cash in accordance with current contractual provisions, or in the alternative, he may elect to waive that requirement and in its stead the City shall provide the firefighter and his/her spouse with the same hospitalization and major medical plans provided to an active union member employee, from the date of retirement until the firefighter shall be eligible for Medicare benefits. At that time, the firefighter may elect to continue the spouse's coverage at his/her expense. In the event that a union member shall die prior to reaching Medicare age, the insurance benefit shall be continued at the City's expense for his/her spouse, if any, until he/she shall have reached the age at which he/she is eligible for Medicare benefits. The firefighter shall have the option at any time to purchase existing group insurance coverage for his/her eligible dependents at his/her own expense at the then current premium. Firefighters hired on or after January 1, 2005 are not eligible for post-retirement healthcare benefits.

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

F. Post-Employment Benefits Other than Pension Benefits (Continued)

Firemen's Plan (Continued)

Plan Description (Continued)

The option to elect medical coverage shall only be available to union members who shall have accumulated fifty percent (50%) of the maximum allowed sick leave on the date of his/her retirement and at the election have attained the minimum age and service necessary for a normal service retirement.

However, in the case of an award of a line of duty disability pension, the extension of medical coverage under the section shall be provided regardless of age, service, or amount of sick leave accumulation attained at the time of such retirement.

In the event that a firefighter should elect to obtain the health insurance benefit upon retirement as set forth above, such firefighter shall nonetheless be entitled to receive upon retirement the then-prevailing value of twenty percent (20%) of all accumulated sick leave days in excess of one hundred and two (102) days to the maximum number of accumulated sick days provided in the contract.

Funding Policy

The contribution requirements of the City are to fund the current hospitalization premium due. During 2008 through 2014, the premium of providing this postretirement hospitalization insurance benefit was \$317,886, \$316,667, \$379,622, \$377,128, \$422,604, \$446,256, and \$626,258, respectively. There were 41 active members and 32 retired members as of January 1, 2014.

Annual OPEB Cost

For 2008 through 2014, the City's annual OPEB cost (expense) of \$525,225, \$521,990, \$518,785, \$458,550, \$457,012, \$456,362, and \$685,386, respectively, was below the City's "annual requirement contribution" (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years.

The City's annual OPEB costs, the percentage of annual OPEB costs contributed to the Plan, and the net OPEB obligation for 2008 through 2014 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$525,225	60.5%	\$207,339
2009	521,990	60.7%	412,662
2010	518,785	73.2%	551,825
2011	458,550	82.2%	633,247
2012	457,012	92.4%	667,655
2013	456,362	97.8%	677,761
2014	685,386	91.4%	736,889

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

F. Post-Employment Benefits Other than Pension Benefits (Continued)

Firemen's Plan (Continued)

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2008, January 1, 2011, and January 1, 2014 was as follows:

	<u>1/1/08</u>	<u>1/1/11</u>	<u>1/1/14</u>
Actuarial Accrued Liability (AAL)	\$6,249,548	\$5,632,396	\$8,836,918
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
	\$6,249,548	\$5,632,396	\$8,836,918
	=====	=====	=====
Funded Ratio	0%	0%	0%
Covered Payroll	\$2,631,098	\$3,684,077	\$3,103,679
UAAL as a Percentage of Covered Payroll	237.5%	152.9%	284.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of benefits costs to the City to that point. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities, consistent with long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4% interest rate of return and an annual healthcare cost trend of 6% in 2014, decreasing to 5% in 2015 and later years. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at January 1, 2014 was 24 years for initial unfunded liability, 27 years for an experience gain, and 30 years for an experience loss/assumptions.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

F. Post-Employment Benefits Other than Pension Benefits (Continued)

Police Plan

Plan Description

The City's defined benefit postemployment healthcare plan provides hospitalization insurance benefits to their officers who retire from the City of Altoona Police Force, who meet certain criteria. Upon retirement, a police officer may elect to take fifty percent (50%) of his accumulated sick leave in cash in accordance with current contractual provisions, or in the alternative, he may elect to waive that requirement and instead, the City shall provide the officer and his spouse with Blue Shield, Blue Cross, Major Medical Insurance, or its equivalent, from the date of retirement until each shall be eligible for Medicare benefits. For all individuals who retire after January 1, 1995, major medical prescription drug coverage will also be provided to those individuals who elect to waive the sick leave payment. In the event that a police officer shall die prior to reaching Medicare age, the insurance benefit shall be continued for his/her spouse, if any, until she/he shall have reached the age at which she/he is eligible for Medicare benefits.

The option to elect Medicare coverage shall only be available to police officers who shall have accumulated fifty percent (50%) of the maximum allowed sick leave on the date of his retirement.

A police officer who shall have elected the medical coverage may change such election at any time during the six-month period following the date of retirement. In the event of a change of election, the police officer shall receive the cash sum to which he would have been entitled on the day of retirement less any sums expended by the City for the provision of medical coverage as provided herein.

In the event that, at any time prior to retirement, an officer shall have accumulated the one hundred (100) days but shall then deplete his/her sick leave prior to retirement due to any extended illness or injury which shall require the officer to be absent from work for a period in excess of thirty (30) days, the officer shall still be eligible to make an election to waive payment of his/her accumulated sick leave and banked leave in exchange for postretirement medical coverage.

Funding Policy

The contribution requirements of the City are to fund the current hospitalization premium due. During 2008 through 2014, the premium of providing this postretirement hospitalization insurance benefit was \$305,609, \$731,079, \$839,226, \$864,977, \$889,630, \$850,517, and \$1,036,459, respectively. There were 61 active members and 47 retired members as of January 1, 2014.

Annual OPEB Cost

For 2008 through 2014, the City's annual OPEB cost (expense) of \$1,178,641, \$1,165,016, \$1,158,245, \$1,165,768, \$1,160,087, \$1,154,980, and \$1,672,516, respectively, was below the City's "annual requirement contribution" (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

F. Post-Employment Benefits Other than Pension Benefits (Continued)

Police Plan (Continued)

Annual OPEB Cost (Continued)

The City's annual OPEB costs, the percentage of annual OPEB costs contributed to the Plan, and the net OPEB obligation for 2008 through 2014 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$1,178,641	25.9%	\$ 873,032
2009	1,165,016	62.8%	1,306,969
2010	1,158,245	72.3%	1,625,988
2011	1,165,768	74.2%	1,926,779
2012	1,160,087	76.7%	2,197,236
2013	1,154,980	73.6%	2,501,699
2014	1,672,516	62.0%	3,137,756

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2008, January 1, 2011, and January 1, 2014, was as follows:

	<u>1/1/08</u>	<u>1/1/11</u>	<u>1/1/14</u>
Actuarial Accrued Liability (AAL)	\$13,961,079	\$12,708,823	\$15,635,205
Actuarial Value of Plan Assets	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$13,961,079</u>	<u>\$12,708,823</u>	<u>\$15,635,205</u>
Funded Ratio	0%	0%	0%
Covered Payroll	\$ 4,323,423	\$ 4,084,688	\$ 4,284,542
UAAL as a Percentage of Covered Payroll	322.9%	311.1%	364.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

F. Post-Employment Benefits Other than Pension Benefits (Continued)

Police Plan (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of benefits costs to the City to that point. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities, consistent with long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4% interest rate of return and an annual healthcare cost trend of 6% in 2014, decreasing to 5% in 2015, and later years. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at January 1, 2014 was 24 years for the initial unfunded liability, 27 years for an experience gain, and 30 years for an experience loss/assumptions.

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 \$78,275 have been recorded as a payable in the general fund as of December 31, 2014. 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

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

G. Risk Management (Continued)

- 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

The annual changes to worker's compensation liabilities for claims as of December 31, 2014 are as follows:

<u>January 1, 2014</u>	<u>Net Change</u>	<u>December 31, 2014</u>	<u>Due Within One Year</u>
\$756,230	(\$101,030)	\$655,200	\$ 78,275
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The City has recognized, as due within one year, the payments made under the City's self-insured program through March 31, 2015.

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. Short-Term Debt

During 2014, the City borrowed and repaid a \$3,715,734 tax anticipation note. The purpose of the borrowing was to meet the City's short-term cash flow requirements and to smooth out the revenue cycles, since the timing of their receipts does not match the timing of their expenditures.

J. 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.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

J. Long-Term Debt (Continued)

General Obligation Note, Series of 2011 (Continued)

The interest rate is fixed at 4.25% per annum.

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

Governmental Activities

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
04/01/2015	\$ 46,733	\$ 16,159	\$ 62,892	
10/01/2015	47,735	15,157	62,892	\$ 125,784
04/01/2016	48,758	14,134	62,892	
10/01/2016	49,804	13,089	62,893	125,785
04/01/2017	50,871	12,021	62,892	
10/01/2017	51,962	10,930	62,892	125,784
04/01/2018	53,076	9,816	62,892	
10/01/2018	54,214	8,678	62,892	125,784
04/01/2019	55,376	7,516	62,892	
10/01/2019	56,563	6,329	62,892	125,784
04/01/2020	57,776	5,116	62,892	
10/01/2020	59,015	3,878	62,893	125,785
04/01/2021	60,280	2,612	62,892	
10/01/2021	<u>61,978</u>	<u>919</u>	<u>62,897</u>	<u>125,789</u>
	<u>\$754,141</u>	<u>\$126,354</u>	<u>\$ 880,495</u>	<u>\$ 880,495</u>

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.

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

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

J. Long-Term Debt (Continued)

General Obligation Notes (Continued)

\$10,795,000 General Obligation Notes, Series A of 2003 (Tax-Exempt)

Governmental Activities

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
03/01/2015			\$ 141,387	\$ 141,387	
09/01/2015			141,388	141,388	\$ 282,775
03/01/2016			141,387	141,387	
09/01/2016			141,388	141,388	282,775
03/01/2017			141,387	141,387	
09/01/2017			141,388	141,388	282,775
03/01/2018			141,387	141,387	
09/01/2018			141,388	141,388	282,775
03/01/2019			141,387	141,387	
09/01/2019			141,388	141,388	282,775
03/01/2020			141,387	141,387	
09/01/2020			141,388	141,388	282,775
03/01/2021			141,387	141,387	
09/01/2021			141,388	141,388	282,775
03/01/2022			141,387	141,387	
09/01/2022			141,388	141,388	282,775
03/01/2023			141,387	141,387	
09/01/2023			141,388	141,388	282,775
03/01/2024			141,387	141,387	
09/01/2024			141,388	141,388	282,775
03/01/2025			141,387	141,387	
09/01/2025			141,388	141,388	282,775
03/01/2026			141,387	141,387	
09/01/2026	\$ 510,000	4.200	141,388	651,388	792,775
03/01/2027			130,677	130,677	
09/01/2027	895,000	4.200	130,678	1,025,678	1,156,355
03/01/2028			111,882	111,882	
09/01/2028	935,000	4.200	111,883	1,046,883	1,158,765
03/01/2029			92,247	92,247	
09/01/2029	970,000	4.200	92,248	1,062,248	1,154,495
03/01/2030			71,877	71,877	
09/01/2030	1,015,000	4.250	71,878	1,086,878	1,158,755
03/01/2031			50,309	50,309	
09/01/2031	1,055,000	4.250	50,309	1,105,309	1,155,618
03/01/2032			27,890	27,890	
09/01/2032	1,100,000	4.250	27,890	1,127,890	1,155,780
03/01/2033			4,515	4,515	
09/01/2033	<u>210,000</u>	4.300	<u>4,515</u>	<u>214,515</u>	<u>219,030</u>
	<u>\$6,690,000</u>		<u>\$ 4,372,098</u>	<u>\$11,062,098</u>	<u>\$11,062,098</u>

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

J. Long-Term Debt (Continued)

General Obligation Notes (Continued)

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

Governmental Activities

<u>Date</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
03/01/2015			\$ 36,075	\$ 36,075	
09/01/2015	4.600	\$ 5,000	36,075	41,075	\$ 77,150
03/01/2016			35,960	35,960	
09/01/2016	4.600	10,000	35,960	45,960	81,920
03/01/2017			35,730	35,730	
09/01/2017	4.600	5,000	35,730	40,730	76,460
03/01/2018			35,615	35,615	
09/01/2018	4.600	5,000	35,615	40,615	76,230
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	<u>130,000</u>	<u>3,250</u>	<u>133,250</u>	<u>136,500</u>
		<u>\$1,445,000</u>	<u>\$403,760</u>	<u>\$1,848,760</u>	<u>\$1,848,760</u>

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.

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.

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

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

J. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2008 (Continued)

Governmental Activities

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
03/01/2015			\$19,857	\$ 19,857	
09/01/2015	\$ 640,000	3.200	19,858	659,858	\$ 679,715
03/01/2016			9,617	9,617	
09/01/2016	475,000	3.400	9,618	484,618	494,235
03/01/2017			1,542	1,542	
09/01/2017	60,000	3.600	1,543	61,543	63,085
03/01/2018			462	462	
09/01/2018	<u>25,000</u>	3.700	<u>463</u>	<u>25,463</u>	<u>25,925</u>
	\$1,200,000		\$62,960	\$1,262,960	\$1,262,960

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.

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

J. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2009 (Continued)

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

Governmental Activities

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
03/01/2015			\$ 85,307	\$ 85,307	
09/01/2015	\$ 385,000	2.700	85,308	470,308	\$ 555,615
03/01/2016			80,110	80,110	
09/01/2016	395,000	3.000	80,110	475,110	555,220
03/01/2017			74,185	74,185	
09/01/2017	410,000	3.000	74,185	484,185	558,370
03/01/2018			68,035	68,035	
09/01/2018	420,000	3.300	68,035	488,035	556,070
03/01/2019			61,105	61,105	
09/01/2019			61,105	61,105	122,210
03/01/2020			61,105	61,105	
09/01/2020			61,105	61,105	122,210
03/01/2021			61,105	61,105	
09/01/2021	255,000	4.000	61,105	316,105	377,210
03/01/2022			56,005	56,005	
09/01/2022	490,000	4.000	56,005	546,005	602,010
03/01/2023			46,205	46,205	
09/01/2023	325,000	4.250	46,205	371,205	417,410
03/01/2024			39,299	39,299	
09/01/2024	530,000	4.250	39,299	569,299	608,598
03/01/2025			28,036	28,036	
09/01/2025	555,000	4.250	28,036	583,036	611,072
03/01/2026			16,242	16,242	
09/01/2026	125,000	4.450	16,243	141,243	157,485
03/01/2027			13,461	13,461	
09/01/2027	<u>605,000</u>	4.450	<u>13,461</u>	<u>618,461</u>	<u>631,922</u>
	<u>\$4,495,000</u>		<u>\$1,380,402</u>	<u>\$5,875,402</u>	<u>\$5,875,402</u>

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%.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
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(CONTINUED)

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

J. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2013 (Continued)

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

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/01/2015		\$ 43,632	\$ 43,632
09/01/2015	\$ 170,000	43,632	213,632
03/01/2016		41,932	41,932
09/01/2016	170,000	41,932	211,932
03/01/2017		40,232	40,232
09/01/2017	175,000	40,233	215,233
03/01/2018		38,482	38,482
09/01/2018	180,000	38,483	218,483
03/01/2019		36,682	36,682
09/01/2019	185,000	36,683	221,683
03/01/2020		34,555	34,555
09/01/2020	185,000	34,555	219,555
03/01/2021		32,150	32,150
09/01/2021	190,000	32,150	222,150
03/01/2022		29,300	29,300
09/01/2022	200,000	29,300	229,300
03/01/2023		26,200	26,200
09/01/2023	205,000	26,200	231,200
03/01/2024		22,408	22,408
09/01/2024	210,000	22,408	232,408
03/01/2025		18,522	18,522
09/01/2025	220,000	18,523	238,523
03/01/2026		14,452	14,452
09/01/2026	225,000	14,453	239,453
03/01/2027		9,840	9,840
09/01/2027	235,000	9,840	244,840
03/01/2028		5,023	5,023
09/01/2028	<u>245,000</u>	<u>5,023</u>	<u>250,023</u>
	<u>\$2,795,000</u>	<u>\$786,825</u>	<u>\$3,581,825</u>

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%.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

J. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2014 (Continued)

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

<u>Governmental Activities</u>						
<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>	
03/01/2015			\$ 108,615	\$ 108,615		
09/01/2015	\$ 85,000	2.000	108,615	193,615	\$ 302,230	
03/01/2016			107,765	107,765		
09/01/2016	260,000	2.000	107,765	367,765	475,530	
03/01/2017			105,165	105,165		
09/01/2017	690,000	1.000	105,165	795,165	900,330	
03/01/2018			101,715	101,715		
09/01/2018	740,000	1.300	101,715	841,715	943,430	
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	<u>110,000</u>	3.500	<u>1,925</u>	<u>111,925</u>	<u>113,850</u>	
	<u>\$8,720,000</u>		<u>\$1,860,621</u>	<u>\$10,580,621</u>	<u>\$10,580,621</u>	

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Workers Compensation	\$ 576,925	\$ 0	\$ 0	\$ 576,925	\$ 0
General Obligation Bonds	14,035,000	8,910,000	( 5,735,000)	17,210,000	1,280,000
General Obligation Notes	13,039,281	0	( 4,150,140)	8,889,141	51,733
Accumulated Compensated Absences	<u>3,153,631</u>	<u>61,349</u>	<u>0</u>	<u>3,214,980</u>	<u>78,325</u>
Total Government Activity Long-Term Liabilities	<u>\$30,804,837</u>	<u>\$8,971,349</u>	<u>(\$9,885,140)</u>	<u>\$29,891,046</u>	<u>\$1,410,058</u>

CITY OF ALTOONA  
 BLAIR COUNTY, PENNSYLVANIA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2014  
 (CONTINUED)

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

J. Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

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 2015.

Component Units

The Parking Authority of the City of Altoona

Revenue Note, Series of 2009

On February 13, 2009, the Authority borrowed \$71,010 in monthly draws of \$1,479 beginning April 1, 2009 and ending April 1, 2013, from the Altoona-Blair County Development Corporation (ABCD) to assist in the interim funding of the Downtown Parking Garage and Transportation Center at 0% interest, unless the Authority defaults on any payment due in which case the interest rate becomes .5%.

The debt service requirements on the above debt, assuming the entire amount is eventually drawn, is as follows:

<u>Date</u>	<u>Principal</u>
October 31, 2015	\$25,000
October 31, 2016	<u>21,010</u>
	\$46,010
	<u>=====</u>

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.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

J. Long-Term Debt (Continued)

Component Units (Continued)

The Parking Authority of the City of Altoona (Continued)

Term Note (Continued)

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 33,385	\$ 2,615	\$ 36,000
2016	34,331	1,669	36,000
2017	35,305	695	36,000
2018	<u>5,080</u>	<u>19</u>	<u>5,099</u>
	\$108,101	\$ 4,998	\$113,099
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,213	\$ 712	\$ 4,925
2016	4,341	583	4,924
2017	4,473	452	4,925
2018	4,609	315	4,924
2019	4,750	175	4,925
2020	<u>3,248</u>	<u>35</u>	<u>3,283</u>
	\$25,634	\$2,272	\$27,906
	<u>                    </u>	<u>                    </u>	<u>                    </u>

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

J. Long-Term Debt (Continued)

Change in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2014:

<u>Description and Purpose</u>	<u>Balance January 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
<b><u>Business-Type Activities</u></b>					
Revenue Note, Series of 2009	\$ 71,010	\$ 0	(\$25,000)	\$ 46,010	\$ 25,000
Term Note Payable	140,532	0	( 32,431)	108,101	33,385
Façade Loan	<u>29,722</u>	<u>0</u>	<u>( 4,088)</u>	<u>25,634</u>	<u>4,213</u>
	<u>\$241,264</u>	<u>\$ 0</u>	<u>(\$61,519)</u>	<u>\$179,745</u>	<u>\$ 62,598</u>

K. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2014 is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Housing and Community Development	\$108,444
Recreation Capital Reserve	General Fund	2,313
General Fund	Recreation Project	150,000
General Fund	Highway Aid Fund	2,062
General Fund	Capital Expenditures	443
Schulman Acquisition Account	General Fund	<u>913</u>
Total		<u>\$264,175</u>

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.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

L. Interfund Transfers

<u>Transfers Out</u>	----- <u>Transfer In</u> -----		
	<u>General Fund</u>	<u>Special Investigations</u>	<u>Total</u>
Highway Aid Fund	\$ 456,700	\$ 0	\$ 456,700
.2% Pension Fund	3,567,373	0	3,567,373
General Fund	0	38,500	38,500
APD Police Seizure	421	0	421
Justice Grant Trust Fund	<u>4,898</u>	<u>0</u>	<u>4,898</u>
 Total	 <u>\$4,029,392</u>	 <u>\$38,500</u>	 <u>\$4,067,892</u>

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 2014, the Commonwealth of Pennsylvania paid to the City \$1,293,475 for on-behalf payments for pensions of City employees.

N. 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.

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.

O. Subsequent Events

The date to which events occurring after December 31, 2014, the date of the most recent balance sheet, have been evaluated by management for possible adjustment to the financial statements or disclosure is May 29, 2015, which is the date on which the financial statements were available to be issued.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(CONTINUED)

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

O. Subsequent Events (Continued)

As of April 28, 2015, the City issued \$2,145,000 General Obligation Note, Series of 2015 to acquire vehicles and equipment; to construct streets and other capital improvements; and to pay related expenses.

**CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
REGARDING DEFINED BENEFIT PENSION PLANS**

**I. Schedules of Funding Progress**

**Altoona Non-Uniformed Employees' Pension Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	ULAAL as a Percentage of Covered Payroll ((b-a)/c)
(c) 01/01/13	\$16,918,008	\$18,923,513	(\$ 2,005,505)	.8940	\$4,141,696	48.42%
01/01/11	15,490,361	16,341,572	851,211	.9479	4,283,289	19.87
(d) 01/01/09	14,485,912	15,104,375	618,463	.9591	4,077,345	15.17
01/01/07	15,248,791	13,666,563	( 1,582,228)	1.1158	3,737,685	( 42.33 )
(c) 01/01/05	13,303,272	13,018,135	( 285,137)	1.0219	3,783,147	( 7.54 )
01/01/03	10,329,060	10,279,502	( 49,558)	1.0048	3,687,431	( 1.34 )
01/01/01	12,687,885	9,140,134	( 3,547,751)	1.3882	3,633,546	( 97.64 )
01/01/99	8,449,272	8,145,284	( 303,988)	1.0373	3,337,194	( 9.11 )
01/01/97	7,089,833	7,834,622	744,789	.9049	3,224,151	23.10
01/01/95	5,678,600	6,954,511	1,275,911	.8165	3,138,056	40.66
(c) 01/01/93	5,467,519	6,493,392	1,025,873	.8420	2,871,263	35.73
01/01/91	4,574,552	4,603,143	28,591	.9938	2,855,425	1.00
(a) 01/01/89	4,469,910	4,196,592	( 273,318)	1.0651	2,732,267	( 10.00 )

**Altoona Police Pension Plan**

01/01/13	\$30,696,969	\$42,271,427	\$11,574,458	.7262	\$4,313,433	268.34%
01/01/11	29,352,966	37,273,091	7,920,125	.7875	4,116,369	192.41
(d) 01/01/09	26,000,437	35,449,887	9,449,450	.7334	4,263,989	221.61
01/01/07	29,152,895	30,914,484	1,761,589	.9430	3,670,132	48.00
(b) 01/01/05	25,130,774	29,608,666	4,477,892	.8488	3,562,996	125.68
01/01/03	23,060,636	28,288,136	5,227,500	.8152	3,255,154	160.59
(a) 01/01/01	24,754,716	26,231,346	1,476,630	.9437	3,007,747	49.09
01/01/99	21,866,973	21,666,666	( 200,307)	1.0094	2,791,507	( 7.18 )
(c) 01/01/97	18,444,192	19,441,472	997,280	.9487	2,611,683	38.19
(b) 01/01/95	13,781,731	15,071,714	1,289,983	.9144	2,462,488	52.39
(b) 01/01/93	12,378,657	15,999,023	3,620,366	.7737	2,200,425	164.53
(c) 01/01/91	9,147,567	14,876,787	5,729,220	.6149	2,022,173	283.32

**Altoona Paid Firemen's Pension Plan**

01/01/13	\$29,944,252	\$42,511,146	\$12,566,894	.7044	\$3,593,111	349.75%
01/01/11	26,030,615	39,321,731	13,291,116	.6620	3,684,077	360.77
(d) 01/01/09	23,166,022	36,460,704	13,294,682	.6354	3,464,848	383.70
01/01/07	25,057,773	34,033,274	8,975,501	.7363	3,174,131	282.77
(c) 01/01/05	21,157,493	32,364,099	11,206,606	.6537	3,385,536	331.01
01/01/03	15,651,856	26,844,433	11,192,577	.5831	3,164,528	353.69
(c) 01/01/01	18,390,858	24,851,516	6,460,658	.7400	2,783,276	232.12
01/01/99	15,049,369	22,453,406	7,404,037	.6702	2,608,409	283.85
(a) 01/01/97	11,702,380	20,489,486	8,787,106	.5711	2,420,243	363.07
(c) 01/01/95	7,966,509	16,711,820	8,745,311	.4767	2,367,778	369.35
01/01/93	6,390,226	16,514,158	10,123,932	.3870	2,130,381	475.22
(b) 01/01/91	4,459,147	15,471,805	11,012,658	.2882	2,049,063	537.45

- (a) change in benefit provisions
- (b) change in actuarial assumptions
- (c) change in benefits provisions and actuarial assumptions
- (d) change in actuarial asset valuation method

Note: State law requires biennial valuations on the odd numbered years. Interim year valuations were not performed.

**CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
REGARDING DEFINED BENEFIT PENSION PLANS  
(CONTINUED)**

**II. Schedules of Employer Contributions**

<u>Fiscal Year</u>	<u>Altoona Non-Uniformed Employees' Pension Plan</u>		<u>Altoona Police Pension Plan</u>		<u>Altoona Paid Firemen's Pension Plan</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$327,721	100%	\$1,804,136	100%	\$2,802,807	100%
2013	337,499	100	1,810,934	100	2,760,924	100
2012	322,492	100	1,760,073	100	2,463,431	100
2011	345,478	119	1,783,319	120	2,592,111	119
2010	78,402	100	786,104	100	1,869,681	100
2009	73,320	100	781,500	100	1,766,210	100
2008	176,071	100	932,672	100	1,889,300	100
2007	185,380	100	919,230	100	1,896,027	100
2006	132,991	100	903,215	100	1,667,241	100
2005	194,114	100	898,119	100	1,748,573	100
2004	0	100	433,615	100	1,267,986	100
2003	0	100	437,813	100	1,238,296	100
2002	158,151	106 <sup>(1)</sup>	364,951	100	1,219,186	100
2001	152,190	95 *	359,711	100	1,198,882	100
2000	144,300	100	357,308	100	1,200,858	100
1999	268,450	100	366,986	100	1,305,959	100
1998	314,437	100	321,128	100	1,134,691	100
1997	295,085	100	285,934	100	1,092,819	100
1996	242,796	100	272,791	100	1,089,554	100
1995	244,562	100	628,717	100	1,296,034	100
1994	35,582	100	840,762	100	1,208,364	100
1993	76,058	100	733,809	100	1,170,361	100
1992	62,851	100	729,048	100	1,116,775	100
1991	63,198	100	768,965	100	1,109,445	100

Note: Contributions include state pension aid.

\* An error led to this underfunding.

(1) To correct 2001 underfunding

**III. Notes to Required Supplementary Information**

	<u>Altoona Non-Uniformed Employee Pension Plan</u>	<u>Altoona Police Pension Plan</u>	<u>Altoona Paid Firemen's Pension Plan</u>
Valuation date	01/01/13	01/01/13	01/01/13
Actuarial cost method	Entry age	Entry age normal	Entry age normal
Amortization method	Level Dollar Closed	Level Dollar	Level Dollar
Remaining Amortization period	13 Years	15 Years	17 Years
Actuarial asset valuation method	4 year smoothing	5 year smoothing	3 year gain/loss deferral (corridor restricted to 80% and 120% of market value)
<b>Actuarial assumptions:</b>			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases	5%	4.5%	4.5%

**CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
REGARDING DEFINED BENEFIT PENSION PLANS  
(CONTINUED)**

**III. Notes to Required Supplementary Information (Continued)**

	<u>Altoona Non-Uniformed Employee Police Pension</u>	<u>Altoona Police Pension Plan</u>	<u>Altoona Paid Firemen's Pension Plan</u>
<b>Actuarial assumptions: (Continued)</b>			
<b>Post-retirement benefit increases</b>	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.	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.
<b>Inflation</b>	3%	2.75%	3%
<b>Mortality</b>	RP-2000 Combined Healthy Mortality Table, with disabled lives set forward 5 years.	Male - 1983 Group Annuity Mortality Table, set forward 10 years for disabled lives; Female - UP-94 Mortality Table, set forward 10 years for disabled lives.	IRS 2011 Combined Mortality Table (RP-2000, Projection Scale AA) (Disabled lives set forward 10 years).
<b>Disability Retirement</b>	60% of the rates of disablement from "Advanced Pension Tables"	1992 Railroad Retirement Board	100% of the 1955 UAW Table
<b>Retirement</b>	Normal retirement, or attained age if currently eligible to retire.	Latter of age 54 and 20 years of service.	Latter of age 56 or Normal Retirement Age.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Funding Progress**

**City of Altoona Police Postretirement Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/08	\$0	\$13,961,079	\$13,961,079	0%	\$4,323,423	322.9%
1/1/11	\$0	\$12,708,823	\$12,708,823	0%	\$4,084,688	311.1%
1/1/14	\$0	\$15,635,205	\$15,635,205	0%	\$4,284,542	364.9%

**City of Altoona Firemen's Postretirement Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/08	\$0	\$6,249,548	\$6,249,548	0%	\$2,631,098	237.5%
1/1/11	\$0	\$5,632,396	\$5,632,396	0%	\$3,684,077	152.9%
1/1/14	\$0	\$8,836,918	\$8,836,918	0%	\$3,103,679	284.7%

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
SCHEDULE OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLAR)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b><u>Revenue</u></b>			
Taxes	\$16,145,515	\$16,145,515	\$17,200,765
Licenses and Permits	1,373,260	1,373,260	1,495,871
Fines and Forfeits	297,400	297,400	232,140
Interest, Rents, and Royalties	56,492	56,492	62,128
Intergovernmental Revenue	2,432,098	2,432,098	2,200,657
Charges for Services (Departmental Earnings)	4,036,595	4,036,595	3,371,348
Miscellaneous Revenue	<u>7,000</u>	<u>8,000</u>	<u>23,811</u>
 Total Revenue	 <u>\$24,348,360</u>	 <u>\$24,349,360</u>	 <u>\$24,586,720</u>
 <b><u>Expenditures</u></b>			
General Government	\$ 3,763,824	\$ 3,770,424	\$ 3,769,970
Public Safety (Protections to Persons and Property)	17,850,330	17,851,330	17,114,426
Public Works - Highways, Roads, and Streets	2,977,933	2,975,433	2,653,107
Culture - Recreation	280,202	280,202	278,887
Community Development	612,444	612,444	180,707
Debt Service	2,308,240	2,308,240	2,450,049
Miscellaneous Expenditures	<u>479,460</u>	<u>475,360</u>	<u>240,642</u>
 Total Expenditures	 <u>\$28,272,433</u>	 <u>\$28,273,433</u>	 <u>\$26,687,788</u>
 Excess (Deficiency) of Revenue Over (Under) Expenditures	 <u>(\$ 3,924,073)</u>	 <u>(\$ 3,924,073)</u>	 <u>(\$ 2,101,068)</u>
 <b><u>Other Financing Sources (Uses)</u></b>			
Sale of Capital Assets	\$ 0	\$ 0	\$ 14,892
Transfers In	4,024,073	4,024,073	4,029,392
Transfers Out	( 100,000)	( 100,000)	( 38,500)
Net Proceeds from Bonds Issued	<u>0</u>	<u>0</u>	<u>132,419</u>
 Total Other Financing Sources (Uses)	 <u>\$ 3,924,073</u>	 <u>\$ 3,924,073</u>	 <u>\$ 4,138,203</u>
 Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 2,037,135</u>
 <b><u>Fund Balance</u></b> - Beginning	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 2,916,344</u>
 <b><u>Fund Balance</u></b> - Ending	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 4,953,479</u>

**CITY OF ALTOONA**  
**BLAIR COUNTY, PENNSYLVANIA**  
**SCHEDULE OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**HIGHWAY AID FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b><u>Revenue</u></b>			
Interest, Rents, and Royalties	\$ 1,000	\$ 1,000	\$ 73
Intergovernmental Revenue	953,855	1,067,798	1,068,002
Miscellaneous Revenue	<u>20,000</u>	<u>20,000</u>	<u>133,603</u>
Total Revenue	\$ 974,855	\$1,088,798	\$1,201,678
<b><u>Expenditures</u></b>			
Public Works - Highway, Roads, and Streets	\$1,174,855	\$1,288,798	\$1,079,392
Excess (Deficiency) of Revenue Over (Under) Expenditures	(\$ 200,000)	(\$ 200,000)	(\$ 122,286)
<b><u>Fund Balance</u></b> - Beginning	<u>200,000</u>	<u>246,000</u>	<u>195,259</u>
<b><u>Fund Balance</u></b> - Ending	<u>\$ 0</u>	<u>\$ 46,000</u>	<u>\$ 317,545</u>

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND AND HIGHWAY AID FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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, 2014, expenditures exceeded appropriations in the Debt Service function (the legal level of budgetary control) for the General Fund.

CITY OF ALTOONA  
 BLAIR COUNTY, PENNSYLVANIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AT DECEMBER 31, 2014  
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

SPECIAL REVENUE FUNDS

	<u>Union Avenue and Elm Street Project</u>	<u>Enhancement Account</u>	<u>Major Disaster</u>	<u>Federal Seizure Fund</u>	<u>Gateway Project</u>	<u>Garden Heights Neighborhood Improvement</u>
<b><u>ASSETS</u></b>						
Cash	\$194	\$7,805	\$24,125	\$6,888	\$361	\$27,075
Investments	0	0	0	0	0	0
Intergovernmental Receivable	0	0	0	0	0	0
Due from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$194</b>	<b>\$7,805</b>	<b>\$24,125</b>	<b>\$6,888</b>	<b>\$361</b>	<b>\$27,075</b>
	==	==	==	==	==	==
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b><u>Liabilities</u></b>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	0	0	0	0	0
Unearned Revenues - Grants	<u>194</u>	<u>7,805</u>	<u>0</u>	<u>6,888</u>	<u>361</u>	<u>27,075</u>
Total Liabilities	<b>\$194</b>	<b>\$7,805</b>	<b>\$ 0</b>	<b>\$6,888</b>	<b>\$361</b>	<b>\$27,075</b>
	---	---	---	---	---	---
<b><u>Fund Balances</u></b>						
Assigned for Projects	\$ 0	\$ 0	\$24,125	\$ 0	\$ 0	\$ 0
Assigned for Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$24,125</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
	---	---	---	---	---	---
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$194</b>	<b>\$7,805</b>	<b>\$24,125</b>	<b>\$6,888</b>	<b>\$361</b>	<b>\$27,075</b>
	==	==	==	==	==	==

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AT DECEMBER 31, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

SPECIAL REVENUE FUNDS				TOTAL	CAPITAL PROJECTS			TOTAL	
Special Investigations <u>Account</u>	Schulman Acquisition <u>Account</u>	Martin Goodman Trust	Chief's Reward Fund	Nonmajor Special Revenue Funds	Residential Land Bank Development Capital Reserve	Recreation Capital Reserve	Recreation Project	Nonmajor Capital Project Funds	Total
\$11,417	\$ 0	\$ 5,995	\$752	\$ 84,612	\$135,338	\$ 0	\$142,383	\$ 277,721	\$ 362,333
0	0	224,289	0	224,289	0	0	0	0	224,289
0	0	0	0	0	0	0	43,500	43,500	43,500
0	913	0	0	913	0	2,313	0	2,313	3,226
<u>\$11,417</u>	<u>\$913</u>	<u>\$230,284</u>	<u>\$752</u>	<u>\$309,814</u>	<u>\$135,338</u>	<u>\$2,313</u>	<u>\$185,883</u>	<u>\$ 323,534</u>	<u>\$ 633,348</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,339	\$ 16,339	\$ 16,339
0	0	0	0	0	0	0	150,000	150,000	150,000
0	0	0	0	42,323	0	0	0	0	42,323
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,323</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$166,339</u>	<u>\$ 166,339</u>	<u>\$ 208,662</u>
\$11,417	\$913	\$ 0	\$752	\$ 37,207	\$135,338	\$2,313	\$ 0	\$ 137,651	\$ 174,858
0	0	230,284	0	230,284	0	0	19,544	19,544	249,828
<u>\$11,417</u>	<u>\$913</u>	<u>\$230,284</u>	<u>\$752</u>	<u>\$267,491</u>	<u>\$135,338</u>	<u>\$2,313</u>	<u>\$ 19,544</u>	<u>\$ 157,195</u>	<u>\$ 424,686</u>
<u>\$11,417</u>	<u>\$913</u>	<u>\$230,284</u>	<u>\$752</u>	<u>\$309,814</u>	<u>\$135,338</u>	<u>\$2,313</u>	<u>\$185,883</u>	<u>\$ 323,534</u>	<u>\$ 633,348</u>

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, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

SPECIAL REVENUE FUNDS

	Major <u>Disaster</u>	Federal Seizure <u>Fund</u>	Justice Grant Trust <u>Fund</u>	Special Investigations <u>Account</u>
<b><u>Revenues</u></b>				
Intergovernmental Revenue	\$ 0	\$ 421	\$19,028	\$ 0
Investment Earnings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 0</u>	<u>\$ 421</u>	<u>\$19,028</u>	<u>\$ 0</u>
<b><u>Expenditures</u></b>				
<b><u>Current</u></b>				
Public Safety	\$ 0	\$ 0	\$14,130	\$35,315
Culture - Recreation	0	0	0	0
Miscellaneous Expenditures	0	0	0	0
<b><u>Capital</u></b>				
Culture - Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$14,130</u>	<u>\$35,315</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 0</u>	<u>\$ 421</u>	<u>\$ 4,898</u>	<u>(\$35,315)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	\$ 0	\$ 0	\$ 0	\$38,500
Transfers (Out)	<u>0</u>	( 421)	( 4,898)	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>(\$ 421)</u>	<u>(\$ 4,898)</u>	<u>\$38,500</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,185</u>
<b><u>Fund Balances</u></b> – Beginning	<u>24,125</u>	<u>0</u>	<u>0</u>	<u>8,232</u>
<b><u>Fund Balances</u></b> – Ending	<u>\$24,125</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$11,417</u>

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, 2014  
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

SPECIAL REVENUE FUNDS			TOTAL	CAPITAL PROJECTS			TOTAL	
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	Nonmajor Capital Project Funds	Total
\$ 0	\$ 0	\$ 0	\$ 19,449	\$ 0	\$ 0	\$ 318,500	\$ 318,500	\$ 337,949
<u>0</u>	<u>5,817</u>	<u>0</u>	<u>5,817</u>	<u>0</u>	<u>0</u>	<u>158</u>	<u>158</u>	<u>5,975</u>
\$ 0	\$ 5,817	\$ 0	\$ 25,266	\$ 0	\$ 0	\$ 318,658	\$ 318,658	\$ 343,924
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>945,849</u>	<u>945,849</u>	<u>945,849</u>
\$ 0	\$ 0	\$ 0	\$ 49,445	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,445
0	6,228	0	6,228	0	0	7,699	7,699	13,927
0	3,980	0	3,980	0	0	0	0	3,980
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>945,849</u>	<u>945,849</u>	<u>945,849</u>
\$ 0	\$ 10,208	\$ 0	\$ 59,653	\$ 0	\$ 0	\$ 953,548	\$ 953,548	\$1,013,201
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>634,890</u>	<u>634,890</u>	<u>669,277</u>
\$ 0	(\$ 4,391)	\$ 0	(\$ 34,387)	\$ 0	\$ 0	(\$ 634,890)	(\$ 634,890)	(\$ 669,277)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ 0	\$ 0	\$ 0	\$ 38,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,500
<u>0</u>	<u>0</u>	<u>0</u>	<u>( 5,319)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 5,319)</u>
\$ 0	\$ 0	\$ 0	\$ 33,181	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,181
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>634,890</u>	<u>634,890</u>	<u>636,096</u>
\$ 0	(\$ 4,391)	\$ 0	(\$ 1,206)	\$ 0	\$ 0	(\$ 634,890)	(\$ 634,890)	(\$ 636,096)
913	234,675	752	268,697	135,338	2,313	654,434	792,085	1,060,782
\$913	\$230,284	\$752	\$267,491	\$135,338	\$2,313	\$ 19,544	\$ 157,195	\$ 424,686
<u>913</u>	<u>230,284</u>	<u>752</u>	<u>267,491</u>	<u>135,338</u>	<u>2,313</u>	<u>19,544</u>	<u>157,195</u>	<u>424,686</u>

CITY OF ALTOONA  
 BLAIR COUNTY, PENNSYLVANIA  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 DECEMBER 31, 2014  
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	<u>Paid Firemen's Pension Fund</u>	<u>Altoona Police Pension Fund</u>	<u>Non-Uniformed Employees Pension Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Investments	\$34,399,635	\$34,524,196	\$18,234,595	\$87,158,426
Prepaid Expenses	<u>5,291</u>	<u>0</u>	<u>0</u>	<u>5,291</u>
<b>TOTAL ASSETS</b>	<u>\$34,404,926</u>	<u>\$34,524,196</u>	<u>\$18,234,595</u>	<u>\$87,163,717</u>
<b><u>Liabilities</u></b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b><u>Net Position</u></b>				
Held in Trust for Pension Benefits	<u>\$34,404,926</u>	<u>\$34,524,196</u>	<u>\$18,234,595</u>	<u>\$87,163,717</u>

CITY OF ALTOONA  
 BLAIR COUNTY, PENNSYLVANIA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	<u>Paid Firemen's Pension Fund</u>	<u>Altoona Police Pension Fund</u>	<u>Non-Uniformed Employees Pension Fund</u>	<u>Total</u>
<b><u>Additions</u></b>				
Contributions:				
Employer	\$ 2,802,807	\$ 1,804,136	\$ 327,721	\$ 4,934,664
Plan Members	<u>168,563</u>	<u>195,953</u>	<u>199,175</u>	<u>563,691</u>
Total Contributions	\$ 2,971,370	\$ 2,000,089	\$ 526,896	\$ 5,498,355
	<hr/>	<hr/>	<hr/>	<hr/>
Investment Income:				
Realized and Unrealized Gains	\$ 1,097,436	\$ 298,782	\$ 588,000	\$ 1,984,218
Interest/Dividend Income	<u>787,054</u>	<u>1,622,038</u>	<u>403,288</u>	<u>2,812,380</u>
	\$ 1,884,490	\$ 1,920,820	\$ 991,288	\$ 4,796,598
Less: Investment Expense	( <u>83,011</u> )	( <u>84,350</u> )	( <u>50,538</u> )	( <u>217,899</u> )
Net Investment Income	\$ 1,801,479	\$ 1,836,470	\$ 940,750	\$ 4,578,699
	<hr/>	<hr/>	<hr/>	<hr/>
Total Additions	\$ 4,772,849	\$ 3,836,559	\$ 1,467,646	\$10,077,054
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Deductions</u></b>				
Benefits	\$ 3,186,982	\$ 2,829,732	\$ 1,019,432	\$ 7,036,146
Administrative Expenses	<u>21,360</u>	<u>7,527</u>	<u>14,416</u>	<u>43,303</u>
Total Deductions	\$ 3,208,342	\$ 2,837,259	\$ 1,033,848	\$ 7,079,449
	<hr/>	<hr/>	<hr/>	<hr/>
Net Increase	\$ 1,564,507	\$ 999,300	\$ 433,798	\$ 2,997,605
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position Being Held in Trust for Pension Benefits:				
Beginning of Year	<u>32,840,419</u>	<u>33,524,896</u>	<u>17,800,797</u>	<u>84,166,112</u>
End of Year	\$34,404,926	\$34,524,196	\$18,234,595	\$87,163,717
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Pass-Through Grantor Number</u>	<u>Source</u>	<u>Federal CFDA Number</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Community Development Block Grants/Entitlement Grants		D	14.218 *
HOME Investment Partnerships Program		D	14.239
Emergency Shelter Grants Program		D	14.231
Passed Through the Commonwealth of Pennsylvania's Department of Community and Economic Development			
Emergency Shelter Grants Program	C000055771	I	14.231
Total U.S. Department of Housing and Urban Development			
<b><u>U.S. Department of Interior</u></b>			
Passed Through the Commonwealth of Pennsylvania's Department of Conservation and Natural Resources			
Outdoor Recreation Acquisition, Development and Planning Land and Water Conservation Fund Grants	LWCF 42-01571	I	15.916 *
<b><u>U.S. Department of Homeland Security</u></b>			
Assistance to Firefighters Grant		D	97.044
Staffing for Adequate Fire and Emergency Response		D	97.083 *
Total U.S. Department of Homeland Security			
<b><u>U.S. Department of Transportation</u></b>			
Passed Through Pennsylvania Department of Transportation:			
Highway Planning and Construction	99869 99466	I	20.205
<b><u>U.S. Department of Justice</u></b>			
Federal Surplus Property Transfer Program		D	16.578
Edward Bryne Memorial Justice Assistance Grant Program		D	16.738
Bulletproof Vest Partnership Program		D	16.607
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, 2014

<u>Cash Receipts</u>	Accrued or (Deferred) Revenue at 01/01/14	<u>Revenues</u>	<u>Expenditures</u>	Accrued or (Deferred) Revenue at 12/31/14
\$2,323,386 (1)	\$ 79,711	\$2,324,574	\$2,324,574	\$ 80,899
\$ 372,581 (1)	\$ 3,430	\$ 410,616	\$ 410,616	\$ 41,465
\$ 12,632	\$ 10,542	\$ 2,090	\$ 2,090	\$ 0
\$ 30,807	\$ 0	\$ 46,584	\$ 46,584	\$ 15,777
\$2,739,406	\$ 93,683	\$2,783,864	\$2,783,864	\$138,141
\$ 275,000	\$ 0	\$ 318,500	\$ 318,500	\$ 43,500
\$ 146,222	\$146,222	\$ 0	\$ 0	\$ 0
<u>140,526</u>	<u>10,997</u>	<u>129,529</u>	<u>129,529</u>	<u>0</u>
\$ 286,748	\$157,219	\$ 129,529	\$ 129,529	\$ 0
\$ 81,208	\$ 11,075	\$ 70,133	\$ 70,133	\$ 0
\$ 5 (1)	(\$ 7,304)	\$ 421	\$ 421	(\$ 6,888)
19,488	0	19,488	19,488	0
<u>0</u>	<u>0</u>	<u>5,325</u>	<u>5,325</u>	<u>5,325</u>
\$ 19,493	(\$ 7,304)	\$ 25,234	\$ 25,234	(\$ 1,563)
\$3,401,855	\$254,673	\$3,327,260	\$3,327,260	\$180,078

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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, Outdoor Recreation Acquisition, Development and Planning Land and Water Conservation Fund Grants, and the Staffing for Adequate Fire and Emergency Response, which represents 83% of the total expenditures reflected on the Schedule of Expenditures of Federal Awards.

The 50% test was satisfied as follows:

Community Development Block Grants/Entitlement Grants	\$2,324,574
HOME Investment Partnerships Program	410,616
Outdoor Recreation Acquisition, Development and Planning Land and Water Conservation Fund Grants	318,500
Staffing for Adequate Fire and Emergency Response	129,529
Highway Planning and Construction	70,133
Emergency Shelter Grants Program	48,674
Edward Bryne Memorial JAG Program	19,488
Bulletproof Vest Partnership Program	5,325
Federal Surplus Property Transfer Program	<u>421</u>
	\$3,327,260
	<u>x 50%</u>
Minimum Amount Which Must Be Tested	<u><u>\$1,663,630</u></u>

The Community Development Block Grants/Entitlement Grants Program, Outdoor Recreation Acquisition, Development and Planning Land and Water Conservation Fund Grants, and the Staffing for Adequate Fire and Emergency Response are major programs (i.e., must be tested). The major programs exceed \$1,663,630 and, therefore, represent the only programs to which the specific compliance requirements must be applied.

**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, 2014, 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 May 29, 2015.

**Internal Control Over Financing 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 City'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 2014-001, 2014-002, and 2014-003 to be material weaknesses.

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*  
(CONTINUED)

**Internal Control Over Financing 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.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Young, Beck, Brown & Company, P.C.*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 Circular A-133 *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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

City of Altoona's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

**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 OMB Circular A-133 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-004 to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

**Report on Internal Control Over Compliance (Continued)**

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.

City of Altoona's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Young, Bette, Brown & Company, P.C.*

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Section I - Summary of Auditor's Results**

1. A qualified opinion was issued on the City's financial statements.
2. Significant deficiencies in internal control, some of which were material weaknesses, 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. A material weakness 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 findings that are required to be reported under §.510 of OMB Circular A-133.
7. The City's major federal program is the Community Development Block Grants/Entitlement Grant Program; Outdoor Recreation Acquisition, Development and Planning Land and Water Conservation Fund Grants; and the Staffing for Adequate Fire and Emergency Response.
8. The dollar threshold used to determine Type A and Type B programs was \$300,000.
9. The City was not deemed to be a low-risk auditee.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)

**Section II - Financial Statement Findings**

**Item 2014-001**

**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.

**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 2014-002**

**Condition**

The City does not have anyone on its staff who could prepare the external financial statements, including note disclosures.

**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.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)

**Section II - Financial Statement Findings (Continued)**

**Item 2014-002 (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 2014-003**

**Condition**

The City does not have a method of tracking the amount of delinquent real estate taxes held by the Tax Claim Bureau.

**Criteria**

The City should have a method of tracking the prior year's delinquent real estate taxes, plus the current year amounts turned over, less any collections/adjustments that reconciles to the current year's delinquent real estate tax balance.

**Cause**

This reconciliation was not prepared this year.

**Effect**

The City cannot be sure that all funds attributable to it are being remitted or held in the City's name by the Tax Claim Bureau.

**Recommendation**

We recommend that the City institute a reconciliation process for delinquent real estate taxes.

**City's Response**

The City will develop and implement a procedure for delinquent real estate tax reconciliation with the Blair County Tax Claim Bureau.

**Section III - Federal Award Findings and Questioned Costs**

**Item 2014-004**

**Program**

All

**Questioned Cost**

N/A

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)

**Section III - Federal Award Findings and Questioned Costs** (Continued)

**Item 2014-004** (Continued)

**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.

**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**

The small number of employees limits the capacity for fail safe internal controls, and the Planning Department still has only one employee responsible for accounting. However, these steps have been taken to improve the segregation of duties and provide some checks and balances.

1. All purchase orders are approved by five separate individuals who are not the Department Accounting Manager. These are:  
  
    One Department staff, the Department Director, the Finance Director, the City Controller, and the City Manager
2. The invoices for goods and services accompanied by the Purchase Order are approved by at least one non-financial staff overseeing that particular program and the Department Director.
3. The Checks for invoice payment, accompanied by the PO and the invoice, are signed by the City Finance Director and the City Controller.
4. Payments received for loans are receipted and a receipt statement prepared by a person other than the Departmental Accounting Manager.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)

**Section III - Federal Award Findings and Questioned Costs** (Continued)

**Item 2014-004** (Continued)

**City's Response** (Continued)

5. Deposits and receipt statement are forwarded to the Departmental Accounting Manager who enters them and makes the deposits.

Annually the Planning Department will examine the cost-benefit of hiring additional staff to permit a better segregation of duties.

**Item 2014-005**

**Program**

Staffing for Adequate Fire and Emergency Response (SAFER)

**Questioned Cost**

\$482

**Condition**

The City Fire Department charged overtime pay for the August 1, 2014 and August 15, 2014 pay period as an expense to this grant.

**Criteria**

The allowable expenses for this grant were only for regular wages and benefits with no overtime.

**Cause**

Unknown

**Effect**

The expenses for the SAFER grant were overstated for the wages and benefits.

**Recommendation**

We recommend that the City Fire Department have a review process in place before the reimbursement is submitted to ensure that just regular wages and benefits are included as expenses.

**City's Response**

The City Fire Department, in conjunction with the Payroll Clerk in the City Finance Department, will establish a review process that will ensure only allowable expenses are submitted for reimbursement.

CITY OF ALTOONA  
BLAIR COUNTY, PENNSYLVANIA  
STATUS OF PRIOR YEAR'S FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Findings and Questioned Costs**

**Section II - Financial Statement Findings**

Prior year finding 2013-001, 2013-002, and 2013-003 remain unresolved.

**Section III - Federal Award Findings and Questioned Costs**

Finding 2013-004 from the prior year remains unresolved.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT**

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Altoona for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 18, 2013. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Altoona are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by City of Altoona during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Altoona's financial statements was:

Management's estimate of the depreciation expense is based on estimated useful lives of various capital assets being depreciated on a straight line basis. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT  
(CONTINUED)**

**Significant Audit Findings** (Continued)

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 29, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Altoona's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Altoona's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to management's discussion and analysis, the Defined Benefit Pension Plan information, Defined Benefit Postemployment Healthcare Plan information, and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT  
(CONTINUED)

**Significant Audit Findings** (Continued)

**Other Matters** (Continued)

We were engaged to report on combining nonmajor fund financial statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the Mayor and City Council and management of the City of Altoona and is not intended to be, and should not be, used by anyone other than these specified parties.

*Young, Baker, Brown & Company, P.C.*