

ANNUAL REPORT
OF THE
CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA

FOR THE YEAR ENDED DECEMBER 31, 2019

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 17
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	21
Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Fiduciary Net Position - Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	25
Notes to Financial Statements	26 - 98
REQUIRED SUPPLEMENTARY INFORMATION	
Defined Benefit Pension Plan Information - Schedule of Changes in the Net Pension Liability and Related Ratios	99 - 103
Defined Benefit Pension Plan Information - Schedule of Employer Contributions	104 - 105
Defined Benefit Pension Plan Information - Notes to Required Supplementary Information	106
Defined Benefit OPEB Plan Information - Single Employer - Police Plan - Schedule of Changes in the Net OPEB Liability and Related Ratios	107
Defined Benefit OPEB Plan Information - Single Employer - Police Plan - Schedule of Employer Contributions and Investment Returns	108
OPEB Liability Information Related to Single Employer Plan - Police Plan - Notes to Required Supplementary Information	109
Defined Benefit OPEB Plan Information - Single Employer - Police Plan - Notes to Required Supplementary Information	110 - 112
Defined Benefit OPEB Plan Information - Single Employer - Firemen's Plan - Schedule of Changes in the Net OPEB Liability and Related Ratios	113
Defined Benefit OPEB Plan Information - Single Employer - Firemen's Plan - Schedule of Employer Contributions and Investment Returns	114
OPEB Liability Information Related to Single Employer Plan - Firemen's Plan - Notes to Required Supplementary Information	115
Defined Benefit OPEB Plan Information - Single Employer - Firemen's Plan - Notes to Required Supplementary Information	116 - 118
Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	119
Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - Highway Aid Fund	120
Notes to Required Supplementary Information - General Fund and Highway Aid Fund - Budget and Actual	121

**C O N T E N T S
(CONTINUED)**

	Page
SUPPLEMENTARY INFORMATION	
Combining Fund Statements of Primary Government:	
Combining Balance Sheet - Nonmajor Governmental Funds	122
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	123
Combining Statement of Fiduciary Net Position - Pension Trust Funds	124
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	125
Schedule of Expenditures of Federal Awards	126
Notes to Schedule of Expenditures of Federal Awards	127
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 <i>Government Auditing Standards</i>	128 - 129
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	130 - 131
Schedule of Findings and Questioned Costs	132 - 136
Status of Prior Year's Findings	137

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, 2019, 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, 2019, 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, 2019, 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 4 to 17 and 99 to 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2020, 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, Baker, Brown & Company, P.C.

Altoona, Pennsylvania
June 9, 2020

City of Altoona 2019 Financial Audit Management's Discussion & Analysis

Introduction

“This MD&A section of the financial report should be brief and objective and should be easily readable by an average reader, one not possessing a detailed knowledge of accounting.” Government Accounting Standards Board, Statement 34

This is the City of Altoona's 2019 financial audit. The quote above is from guidelines adopted by the Government Accounting Standards Board (GASB) in June 1999. In the 90s, GASB recognized that financial audits were missing an important piece—the ability of non-accountants to read them.

Local governments are funded by taxpayers. One of the purposes of a financial audit is to explain how that money was spent. It stands to reason that the people paying the bills should be able to read at least part of the audit without needing a background in accounting.

To unpack this a bit further, here is a second quote from GASB Statement 34:

*“For the first time, those financial managers will be asked to share their insights in a required management's discussion and analysis (referred to as MD&A) by giving readers an objective and easily readable analysis of the government's financial performance for the year. This analysis should provide users with the information they need to help them assess whether the government's financial position has **improved or deteriorated** as a result of the year's operations.”*

The goal of the MD&A isn't to explain everything in the audit. Instead, this section tries to explain in plain language whether the City's financial condition improved or worsened over the preceding year, and why.

The Basic Questions

Here are some of the questions one might expect a taxpayer to ask: Is the City doing OK financially? Did things get better or worse last year? Are my taxes going up? When is the City fixing the pothole on my street?

The MD&A won't answer all of those questions, but it will focus on the single most important one from a financial perspective: What is the trend of the City's financial health?

Before trying to answer that question, it's important to provide some background. This part of the audit is written by management, not the auditors. While informed and grounded in the financial facts, it is an opinion. As a financial report, the audit has limitations. It is a one-year snapshot of the City's finances.

The audit does not capture the City's long and tortuous journey into and out of Act 47, sort of a pre-bankruptcy status that allows municipalities in Pennsylvania to restructure financially. The report does not forecast much about the future. The City's finances are a long story full of twists and turns and the ending is not yet written. This audit is one brief chapter.

The audit covers 2019. Like other Pennsylvania municipalities, Altoona's calendar year is also the fiscal year (the year used for accounting purposes). To manage its finances, the City Council adopts a budget every year. More accurately, the Council adopts three budgets: operating, highway aid, and capital. The operating budget covers routine revenues and expenses. The highway aid budget is used to fund work on the City's roads and highways. The capital budget funds major purchases like vehicles, heavy equipment, real estate, and other assets.

In Altoona, the capital budget in any year is part of a longer five-year capital improvement program (CIP). The City traditionally has financed 100 percent of capital expenditures through borrowing and issues debt every other year, alternating with the Altoona Water Authority.

Revenues

The City receives revenues from three major sources: taxes, fees, and grants. In 2019, the City received about \$2 million more in revenues than anticipated. The exact numbers can be found in the audit, but the rounded figure will do for this section. For technical reasons, the City underestimated receipts from earned income tax. Some of the additional revenues also came from an unanticipated grant funding bridge repairs and from an increase in the fees collected to restore utility cuts in streets.

Expenses

While revenues were high in 2019, as were expenses. Due to the refunding of some City debt, and a transfer of monies to establish special purpose funds from which future projects and activities will be paid, the net effect was that expenses exceeded revenues by nearly \$2.8 million. Adding to the expenses were overages in the City's workers' compensation costs and in the aforementioned grant for bridge repairs and street restoration. Overall, 2019 could be described as a "vanilla" year without any major financial surprises.

The Economy

The City's finances do not exist in a bubble. The budget and balance sheet are impacted by the local, regional and national economies. What we know now is that 2019 was the final year of the longest economic expansion in U.S. history. The unemployment rate in Pennsylvania was 4.4 percent, slightly higher in Altoona as the year ended with a rate of 5 percent. While job numbers were generally positive, incomes were largely flat though there has been a slight positive trend since 2012.

Median family income in Altoona was just over \$40,000 in 2019. This is about a third less than the nearly \$60,000 per year median income in Pennsylvania. About 64 percent of the residential housing stock is owner-occupied, but the median value of those housing units was less than \$89,000. About 23 percent of City residents are living in poverty based on federal guidelines.

In broad terms, 2019 was a good economic year but Altoona still faces the structural financial challenges of being an impoverished rust belt city with limited tax base and declining population. While the past year was generally good for real estate with historically low interest rates, the housing values in Altoona remained stagnant. On a positive note, the median home values bumped up from the mid-60,000s at the nadir of the Great Recession.

Improving or deteriorating?

As noted above, the single most important question this MD&A can answer is: Is the City's financial condition improving or deteriorating? The City has taken some positive steps to improve its financial situation by implementing a vehicle replacement fund and establishing a modest level of cash reserves. Before this question can be answered more conclusively, there are three important issues to explain: unfunded liabilities, debt, and deferred maintenance.

Unfunded Liabilities

"Unfunded liability" is an accounting term. It is essentially a promise to pay something in the future where the necessary funds have not been set aside yet. This term is most commonly used when referring to pension plans and retiree health care benefits.

The City of Altoona has three pension plans: Fire, Police, and Non-Uniformed Employees. None of the three plans are 100 percent funded. All three plans are incredibly expensive. To give a general sense, nationally state and local governments dedicate about 4.7 percent of their budgets to pension costs on average. In Altoona, the percentage is over 17.5 percent. (The City does receive some offsetting revenues through dedicated taxes.)

The larger pension issue is the cumulative unfunded liability. While the Non-Uniformed Employee Pension Plan seems in decent shape with a projected liability of \$3.6 million, the Fire Pension is short \$11.7 million and the Police Pension is behind about \$12.1 million. Unfortunately, while these are the numbers in the actuarial reports, they aren't realistic. That point requires some explanation.

The amount of money a pension plan needs is calculated by actuaries. This process involves math and assumptions. The City's actuaries are responsible for the calculations; the three pension boards are responsible for most of the assumptions including the projected rate of return on pension investments.

However, the assumed rate of return for each of the City's pension plans is 7.25 percent. This has not been achieved. Since 1997, the funds have only earned a return of about 5.3 percent.

It is important to note that the actuarial reports used to establish current liabilities were based on the fiscal year ending December 31 and do not include any investment losses incurred in 2020. It is the assessment of the management team that the City's pension board should reduce the expected rates of return to more reflect more realistic expectations. This will present financial challenges because if the expected rate of return is lowered by just one percentage point, the unfunded liabilities increase from \$27.4 million cumulatively to \$42 million. This will increase the Mandatory Minimum Obligation (MMO) – the required annual payment the City must make into the three pension funds.

In addition to pensions, the City has financial obligations for retiree healthcare for public safety employees. In accounting terms, this is called "Other Post-Employment Benefits" or OPEB. Unlike pensions, the City has not set much money aside for this ongoing and future expense, operating almost exclusively on a "pay-as-we-go" basis. This unfunded liability is about \$31.3 million. Because of changes in the City's benefit structure, this is not a perpetual obligation but it will be an ongoing expense for decades.

Between pensions and OPEB, the City's unfunded liability is about \$58.8 million. If more realistic assumptions are used—as recommended by management—this figure is substantially higher.

Debt

Most municipalities use debt to finance major capital projects. Municipal governments typically borrow money by issuing bonds. The proceeds of the bonds are used to finance projects like roads and bridges or to acquire heavy equipment. Due to longstanding revenue limitations (related in part to Blair County not reassessing properties for over 50 years), the City fell into the habit of using debt to fund operating expenses, not just capital purchases.

Most local governments have a capital policy. A common example is that an asset needs to be worth more than \$10,000 and have a useful life of longer than 5 years to qualify as a capital investment. Historically, the City has used borrowing to buy things like desktop computers. While technically allowable, it's not a good fiscal practice.

In the audit, there is detailed information on the City's balance sheet and the amount of debt. From a management perspective, what matters is less the total debt and more the annual debt *service*. Much like paying off a car loan or a mortgage, the City has to make regular payments on its debt. And like any consumer or business, those payments crowd out other spending.

There are no hard-and-fast rules for debt service. That said, many municipalities prefer to keep debt service below 10 percent of net operating expenses. A target of 8 percent is generally seen as reasonable. Bond rating agencies—the “credit bureaus” for state and local governments—also look closely at debt service.

In 2021, the management team projects the City’s debt service ratio will climb to nearly 12 percent. It will remain above 10 percent until 2025 *without any new borrowing*. As noted earlier in the MD&A, the City normally borrows every other year to meet all of its capital needs. Expected borrowing that would occur in 2022 and 2024 will push the City further above the 10 percent threshold.

Deferred Maintenance

On the City’s balance sheet—the accounting of its assets and liabilities—one can find some very large numbers representing assets. This is the City’s cumulative investment in public infrastructure like roads, bridges, stormwater management facilities, buildings, parks, heavy equipment, etc. In a traditional business, assets are used to generate revenues. Outside of utilities like water and sewer, infrastructure represents an ongoing maintenance cost to local governments without any offsetting revenue.

Because of budget realities, government sometimes postpone repairs and maintenance. A simple example is delaying the planned repaving of a street. In accounting terms, this is “deferred maintenance.”

Given the City’s long history of financial distress and relatively recent (2017) emergence from Act 47, there is clearly some amount of deferred maintenance. While the audit notes \$417 million in capital assets, there is not a clear sense of what the cumulative total of deferred maintenance might be. While not technically an audit requirement, it is management’s goal to better define deferred maintenance and to implement a long-term plan to address shortfalls in infrastructure maintenance.

Bond Rating

This MD&A is the perspective of the management team on the City’s financial strength. There is another group of entities looking at the City’s fiscal situation: bond rating agencies. Much like consumers have credit ratings, municipalities who borrow money have bond ratings. In fact, the only people likely to read this far into the audit are analysts at agencies like Moody’s, S&P Global, and Fitch.

In 2019, the City of Altoona had a municipal bond rating of “A (stable)” from S&P Global. This is five steps below “AAA” and four steps above falling into the realm of junk bonds. Essentially, it’s the lower part of the middle.

The bond rating looks at the City’s economy, debt structure, financial condition, demographic factors, and the City’s management practices. As a city government, Altoona has little influence over the local economy or its demographics, however, those factors have a direct impact on the

City's finances. The City can improve its bond rating by adopting better financial policies, paying down unfunded liabilities, retiring debt, and restructuring finances to lower future expenses.

The larger point is that management understands and agrees with the bond rating as a fair assessment of the City's financial condition. The rating also is clear evidence of the need to continue improving.

Improving or deteriorating? Part 2.

Having unpacked some information, let's revisit the key question about the City's finances. Unfunded liabilities and direct debt (bonds the City must repay) represent over \$100 million (depending on assumptions used). The required payment the City makes to the pension systems is designed to eventually bring all three pensions to full funding. Deferred maintenance is an issue, but not one the City has quantified. Debt service is high, and stands to go higher.

All things considered, 2019 may count as one of the City's better years financially. An objective analysis of the City's operations, however, suggests that the City is operating at "break even" on day-to-day operations while trading water on unfunded liabilities, debt, and deferred maintenance. That 2019 was a relatively good year economically does not paint a rosy picture for 2020 and beyond.

The Future

The audit reviews the 2019 fiscal year. This means the report is written during the first half of 2020. In practical terms, this MD&A is being written on the heels of one of the most tumultuous three-month periods in modern American history. It is impossible to forecast the economic impact of the COVID-19 pandemic and the extended closure of Pennsylvania businesses. Management's concern is that the City remains financially fragile after emerging from Act 47. If 2020 spirals into a significant and longstanding downturn, the fiscal challenge of unfunded liabilities, debt, and deferred maintenance will be extreme.

Altoona has weathered nearly a century of economic hardship. Once a city of over 80,000 residents, it has shrunk to fewer than 45,000. Despite the recurrent shocks to major industries like rail transportation, the City has endured. Over the past decade, there have been signs of economic rebirth, particularly in downtown Altoona. While management has reservations about the City's financial capacity, there are no questions about the grit and determination of the community.

Financial Data & Technical Information

The second part of the MD&A is a more technical and data-oriented overview of the City's financial statements.

Government-Wide Financial Statements

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

The first of these government-wide statements is the **Statement of Net Assets**. This is a financial statement presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. More detail regarding Net Assets is provided in the two charts that follow:

CITY OF ALTOONA
Net Assets
Governmental
Activities

	2018	2019	% Change
Current and other Assets	\$37,881,955	\$36,610,638	(3.36)
Capital Assets	\$408,934,651	\$405,378,818	(0.87)
Total Assets	\$446,816,606	\$441,989,456	(1.08)
Deferred Outflows of Resources	\$19,319,627	\$12,789,554	(33.80)
Long-term liabilities outstanding	\$104,249,973	\$122,403,469	17.41
Other Liabilities	\$8,267,897	\$9,965,857	20.54
Total Liabilities	\$112,517,870	\$132,369,326	17.64
Deferred Inflows of Resources	\$9,161,103	\$12,696,000	38.59
Net Assets:			
Net Investment in capital assets	\$375,751,088	\$345,530,381	(8.04)
Restricted	\$15,894,234	\$14,780,798	(7.01)
Unrestricted	(\$47,188,062)	(\$50,597,495)	(7.23)
Total Net Assets/Position	\$344,457,260	\$309,713,684	(10.09)

CITY OF ALTOONA
Changes in Net Assets
Governmental Activities
2018 - 2019

	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Revenues:			
Program Revenues:			
Charges for Services	7,388,354	7,378,954	(0.13)
Operating Grants and Contributions	5,805,694	6,482,009	11.65
Capital Grants	766,493	149,652	(80.48)
General Revenues and Transfers:			
Taxes	23,066,481	22,947,834	(0.51)
Payments In Lieu of Taxes	277,351	279,997	0.95
Unrestricted Investment Income	344,704	411,661	19.42
Gain (Loss) on Disposal of Assets	49,614	109,342	120.39
Intra-Entity Transfer	4,277,135	(17,828,904)	(516.84)
Total Revenues	<u>41,975,826</u>	<u>19,930,545</u>	(52.52)
Expenses:			
General Government	\$4,584,591	3,452,006	(24.70)
Public Safety	13,567,049	17,459,251	28.69
Public Works - Highway	11,862,172	12,141,906	2.36
Public Works – Sanitation	56,384	62,829	11.43
Other Public Works Enterprises	138,949	848,021	510.31
Culture-Recreation	1,164,180	1,222,632	5.02
Conservation and Development	2,427,534	3,164,616	30.36
Employer Paid Benefits	5,822,337	5,521,902	(5.16)
Insurance	11,136	354,501	3,083.38
Miscellaneous	57,530	50,413	(12.37)
Water and Wastewater	7,981,768	9,195,723	15.21
Interest on Long-Term Debt & Related Items	<u>900,756</u>	1,209,579	34.28
Total Expenses	<u>\$48,574,386</u>	<u>54,683,379</u>	12.58
Change in Net Assets/Position	(\$6,598,560)	(34,752,834)	(426.67)
Net Assets/Position-Beginning	\$372,904,568	344,457,260	(7.63)
Prior Period Adjustment	(21,848,748)	9,258	100.04
Net Assets/Position-Ending	<u>\$344,547,260</u>	<u>\$309,713,684</u>	(10.11)

A significant portion of the City of Altoona's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Altoona's investment in capital

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City of Altoona's investment in capital assets for its governmental type activities as of December 31, 2019, amounts to \$405,378,818 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, park facilities, roads, highways, and bridges, as well as all assets claimed from the Altoona Water Authority.

Major capital asset events for fiscal year 2019 included the following:

- Capital assets acquired during fiscal year 2019 included vehicles for the fire, police, and public works departments, as well as a major road resurfacing program.
- Repair and upgrade of City buildings and facilities.
- Machinery and equipment purchases were made for some City departments.

Here is some additional information about the City's assets:

CITY OF ALTONA'S Capital Assets (Net of Depreciation) <u>Governmental Activities</u>			
	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Land	136,600,764	136,597,618	(0.002%)
Water and Wastewater Projects In Progress	3,010,393	6,844,321	127.36
Land Improvements	48,872,208	43,265,318	(11.47)
Buildings and Improvements	7,888,692	8,430,357	6.87
Machinery and Equipment	1,527,337	2,856,745	87.04
Water and Wastewater Related Assets	<u>211,035,257</u>	<u>207,384,459</u>	(1.73)
Total	\$408,934,651	405,378,818	(0.87)

- The City's assets exceeded its liabilities by \$309,713,684 (*net position*) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Net investment in Capital assets of \$345,530,381 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 \$14,780,798 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	\$8,184,878
Recreation	231,511
Liquid Fuels	894,316
Other Projects	5,470,093

- (3) Unrestricted net position represents the portion of net assets available to maintain the City's continuing obligations to citizens and creditors; however, as of December 31, 2019, the City of Altoona had a deficit in unrestricted net position of (\$50,597,495).

As noted in the MD&A Introduction, evaluating an increase or decrease in net assets may not be particularly useful for a local government, particularly if deferred maintenance is not factored in.

The second government-wide statement is the **Statement of Activities** which reports how the City's net assets changed during fiscal year 2019. 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 2019, 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 accounting 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 distinct 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 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Special Reserve fund, the Highway Aid fund, the Act 205 Pension fund, the Capital Expenditures fund, the Equipment Replacement fund, the Housing and Community Development fund, and the Grant Match fund, all of which are considered to be major funds. Data from the other 12 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.

Here is some additional information about the City's governmental funds:

- The City's governmental funds reported total ending fund balance of \$25,330,316 this year. This compares to the prior year ending fund balance of \$28,400,501 showing a \$3,079,443 decrease during the year. There was also a prior period adjustment related to a previously unrecorded investment owned by the City, which increased fund balance by \$9,258. Unassigned fund balance of \$4,522,751 for fiscal year 2019 shows a decrease of \$3,268,001 from the prior year.
- At the end of fiscal year 2019, the unassigned fund balance for the General Fund was \$4,522,751.

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. 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. An analysis of unreserved fund balance trends should take into account the trends in unfunded liabilities, debt, and deferred maintenance.

As of the end of 2019, the City of Altoona's governmental funds reported combined ending fund balances of \$25,330,316, a decrease of \$3,079,443 in comparison to the prior year. There was also a prior period adjustment related to a previously unrecorded investment owned by the City, which increased fund balance by \$9,258. **The unassigned fund balance is \$4,522,751.** The remaining portion of the ending fund balance is restricted or assigned, and is not available for spending at the City's discretion, because it has already been committed for the following:

Capital Expenditures	\$8,184,878
Retirement Plans	4,067,614
Employees' Future Worker's Compensation Claims	182,844
Recreation	231,511
Prepaid Expenses	314,090
Inventories	512,219
Highway Aid	894,316
OPEB Plans	950,000
Other Projects (Includes Special Reserve Fund)	5,470,093

The general fund is the chief operating fund of the City of Altoona. At the end of fiscal year 2019, the unassigned fund balance of the general fund was \$4,522,751, while total fund balance of the general fund decreased to \$6,645,169. 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 10.94% of general fund expenditures, while total fund balance of the general fund represents 16.07% of general fund expenditures.

The fund balance of the City of Altoona's general fund decreased by \$2,794,517 during fiscal year 2019. There was also a prior period adjustment related to a previously unrecorded investment owned by the City, which increased fund balance by \$9,258. Key factors of this change are as follows:

- Total Expenditures increased by \$10,402,322
- Total Revenue decreased by \$1,105,602
- Transfers in from other funds, primarily from the Act 205 Fund, amounted to \$4,572,863

Proprietary Funds

The City of Altoona maintains no proprietary funds.

Fiduciary Funds

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

Notes to the Financial Statements.

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

Other Information.

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

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

Debt

The City of Altoona's total long-term debt principal decreased by \$2,513,813 (net) during fiscal year 2019. The primary reason for this decrease is directly related to payment of General Obligation Bonds. In addition, during the 2019, the City issued \$28,895,000 of Guaranteed Sewer Revenue Bonds. At the end of fiscal year 2019, the City of Altoona had total General Obligation Bonds and Notes outstanding of \$30,641,123.

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

	2018	2019	% Change
General Obligation Bonds	\$26,483,000	\$18,900,000	(28.63)
General Obligation Notes	6,671,938	11,741,123	75.98
Total	\$33,154,938	\$30,641,123	(7.58)

General Fund Budgetary Highlights

During the year, actual revenues exceeded budgetary projections by \$1,654,407, and actual expenditures were \$10,029,407 above budgeted totals primarily as a result of debt refunding that occurred late in the year.

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

Requests for Information

Copies of the audit reports of the City's component units are available for review by contacting the Altoona Water Authority's offices at 900 Chestnut Avenue, the Redevelopment Authority of Altoona's offices at 13th Avenue and 12th Street, Altoona, Pennsylvania 16601 and the Parking Authority of the City of Altoona's offices at 1225 Eleventh Avenue, Altoona, PA 16601.

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	PRIMARY GOVERNMENT		COMPONENT UNITS	
	Governmental Activities	Altoona Water Authority	Redevelopment Authority of Altoona	The Parking Authority of the City of Altoona
ASSETS				
Cash and Cash Equivalents	\$ 24,556,757	\$ 2,142,068	\$ 217,510	\$ 157,819
Investments	366,982	12,127,836	0	0
Taxes Receivable	4,174,803	0	0	0
Accounts Receivable	0	3,750,328	2,816	3,568
Intergovernmental Receivables	321,540	0	0	0
Loans Receivable – Current	795,935	0	8,972	0
Other Receivables	193,952	14,619	0	0
Prepaid Expenses	314,090	25,755	0	1,667
Inventory	512,219	0	0	0
Loans Receivable – Long-Term	5,374,360	0	103,723	0
Right to Use Asset, Net	0	100,528,196	0	0
Capital Assets, Net of Accumulated Depreciation	<u>405,378,818</u>	<u>0</u>	<u>254,542</u>	<u>2,527,780</u>
TOTAL ASSETS	\$441,989,456	\$118,588,802	\$ 587,563	\$2,690,834
Deferred Outflows of Resources				
Deferred Charges:				
Bond Discounts	\$ 780,363	\$ 0	\$ 0	\$ 0
Defined Benefit Pensions	10,878,514	1,651,319	0	0
OPEB Plans	<u>1,130,677</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Outflows of Resources	<u>\$ 12,789,554</u>	<u>\$ 1,651,319</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES				
Accounts Payable	\$ 2,790,042	\$ 1,732,865	\$ 4,978	\$ 14,842
Accrued Payroll	362,296	0	0	0
Payroll Taxes and Benefits Payable	134,704	0	0	3,459
Accrued Expenses	0	0	0	2,958
Accrued Payroll, Taxes, and Withholding	0	427,226	0	0
Accumulated Compensated Absences	0	279,288	0	2,119
Accrued Interest	295,444	0	0	321
Deposits Held	112,334	83,805	0	0
Unearned Revenues – Grants	6,271,037	0	0	0
Unearned Revenues - Rent Received in Advance	0	0	200	39,412
Noncurrent Liabilities:				
Due Within One Year	3,835,073	7,205,690	0	22,257
Due in More Than One Year	<u>118,568,396</u>	<u>150,406,922</u>	<u>0</u>	<u>164,998</u>
TOTAL LIABILITIES	\$132,369,326	\$160,135,796	\$ 5,178	\$ 250,366
Deferred Inflows of Resources				
Defined Benefit Pensions	\$ 12,696,000	\$ 1,965,233	\$ 0	\$ 0
NET POSITION				
Net Investment in Capital Assets	\$345,530,381	\$ 0	\$ 254,542	\$2,340,525
Restricted for:				
Highway Aid	894,316	0	0	0
Capital Expenditures	8,184,878	0	0	0
Recreation	231,511	0	0	0
Other Projects	5,470,093	0	339,715	0
Water Authority	0	0	0	0
Unrestricted (Deficit)	<u>(50,597,495)</u>	<u>(41,860,908)</u>	<u>(11,872)</u>	<u>99,943</u>
TOTAL NET POSITION	\$309,713,684	(\$ 41,860,908)	\$ 582,385	\$2,440,468

See Accompanying Notes and Independent Auditor's Report

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

<u>Functions/Programs</u>	PROGRAM REVENUES			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>
<u>Primary Government</u>				
<u>Governmental Activities</u>				
General Government	\$ 3,452,006	\$ 1,641,107	\$ 45,531	\$ 0
Public Safety (Protection to Persons and Property)	17,459,251	314,821	355,466	0
Public Works - Sanitation	62,829	5,896	0	0
Public Works, Highways, Roads, and Streets	12,141,906	878,621	1,590,842	149,652
Other Public Works Enterprises	848,021	6,225	0	0
Culture – Recreation	1,222,632	35,368	0	0
Conservation and Development	3,164,616	207,692	2,764,417	0
Water and Wastewater	9,195,723	4,265,640	0	0
Employer Paid Benefits	5,521,902	23,584	1,725,753	0
Insurance	354,501	0	0	0
Miscellaneous	50,413	0	0	0
Interest on Long-Term Debt and Related Expenses	<u>1,209,579</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$54,683,379</u>	<u>\$ 7,378,954</u>	<u>\$6,482,009</u>	<u>\$ 149,652</u>
<u>Component Units</u>				
Water	\$16,575,033	\$21,928,746	\$ 0	\$ 0
Wastewater	12,412,667	14,286,758	0	0
Redevelopment and Housing	81,746	128,492	0	0
Parking	<u>311,984</u>	<u>284,163</u>	<u>0</u>	<u>383,085</u>
Total Component Units	<u>\$29,381,430</u>	<u>\$36,628,159</u>	<u>\$ 0</u>	<u>\$ 383,085</u>
Total	<u>\$84,064,809</u>	<u>\$44,007,113</u>	<u>\$6,482,009</u>	<u>\$ 532,737</u>
<u>General Revenues and Transfers</u>				
Taxes				
Payments in Lieu of Taxes				
Unrestricted Investment Income				
Gain (Loss) on Disposal of Assets				
Intra-Entity Transfer				
Total General Revenues				
Change in Net Position				
<u>Net Position</u> – Beginning				
Prior Period Adjustment				
<u>Net Position</u> – Beginning (Restated)				
<u>Net Position</u> – Ending				

See Accompanying Notes and Independent Auditor's Report

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

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

PRIMARY GOVERNMENT	COMPONENT UNITS		
<u>Governmental Activities</u>	<u>Altoona Water Authority</u>	<u>Redevelopment Authority of Altoona</u>	<u>The Parking Authority of the City of Altoona</u>
(\$ 1,765,368)	\$ 0	\$ 0	\$ 0
(16,788,964)	0	0	0
(56,933)	0	0	0
(9,522,791)	0	0	0
(841,796)	0	0	0
(1,187,264)	0	0	0
(192,507)	0	0	0
(4,930,083)	0	0	0
(3,772,565)	0	0	0
(354,501)	0	0	0
(50,413)	0	0	0
(1,209,579)	0	0	0
(\$ 40,672,764)	\$ 0	\$ 0	\$ 0
\$ 0	\$ 5,353,713	\$ 0	\$ 0
0	1,874,091	0	0
0	0	46,746	0
0	0	0	355,264
\$ 0	\$ 7,227,804	\$ 46,746	\$ 355,264
(\$ 40,672,764)	\$ 7,227,804	\$ 46,746	\$ 355,264
\$ 22,947,834	\$ 0	\$ 0	\$ 0
279,997	0	0	0
411,661	272,533	0	1,655
109,342	141,007	0	0
(17,828,904)	17,828,904	0	0
\$ 5,919,930	\$ 18,242,444	\$ 0	\$ 1,655
(\$ 34,752,834)	\$ 25,470,248	\$ 46,746	\$ 356,919
\$344,457,260	(\$ 67,331,156)	\$ 535,639	\$2,083,549
9,258	0	0	0
\$344,466,518	(\$ 67,331,156)	\$ 535,639	\$2,083,549
\$309,713,684	(\$ 41,860,908)	\$ 582,385	\$2,440,468

See Accompanying Notes and Independent Auditor's Report

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	<u>General Fund</u>	<u>Special Reserve</u>	<u>Highway Aid Fund</u>	<u>Act 205 Pension Fund</u>
<u>ASSETS</u>				
Cash	\$4,718,334	\$4,130,724	\$1,233,727	\$2,987,180
Investments	140,148	0	0	0
Taxes Receivable	3,051,825	0	0	1,122,978
Intergovernmental Receivables	38,231	0	0	0
Loans Receivable - Current	0	0	0	0
Other Receivables	172,071	0	21,756	0
Inventory - Highway Yard	512,219	0	0	0
Due From Other Funds	411,740	0	0	0
Loans Receivable - Long-Term	0	0	0	0
Prepaid Expenses	<u>314,090</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$9,358,658	\$4,130,724	\$1,255,483	\$4,110,158
<u>LIABILITIES</u>				
Accounts Payable	\$ 438,631	\$ 125,553	\$ 353,015	\$ 33,689
Accrued Payroll	362,296	0	0	0
Payroll Taxes and Benefits Payable	134,704	0	0	0
Accumulated Compensated Absences	85,787	0	0	0
Due to Other Funds	2,313	0	8,152	8,855
Deposits Held	98,465	0	0	0
Unavailable Revenues - Property Taxes	1,524,122	0	0	0
Unearned Revenues - Grants	<u>67,171</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	\$2,713,489	\$ 125,553	\$ 361,167	\$ 42,544
<u>FUND BALANCE</u>				
Nonspendable: Inventory and Prepaid Expenses Committed for Employees' Future Worker's Compensation Claims	\$ 826,309	\$ 0	\$ 0	\$ 0
Restricted for Retirement Plans	182,844	0	0	0
Restricted for Highway Aid	0	0	0	4,067,614
Restricted for Capital Expenditures	0	0	894,316	0
Restricted for OPEB Plans	0	0	0	0
Assigned for Capital Expenditures	950,000	0	0	0
Assigned for Projects	0	0	0	0
Assigned for Recreation	163,265	4,005,171	0	0
Unassigned Fund Balance	0	0	0	0
	<u>4,522,751</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	\$6,645,169	\$4,005,171	\$ 894,316	\$4,067,614
TOTAL LIABILITIES AND FUND BALANCE	\$9,358,658	\$4,130,724	\$1,255,483	\$4,110,158

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

<u>Capital Expenditures</u>	<u>Equipment Replacement Fund</u>	<u>Housing and Community Development</u>	<u>Grant Match Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$4,331,385	\$5,791,065	\$ 43,768	\$1,002,608	\$ 317,966	\$24,556,757
0	0	0	0	226,834	366,982
0	0	0	0	0	4,174,803
0	0	283,309	0	0	321,540
0	0	795,935	0	0	795,935
0	0	50	0	75	193,952
0	0	0	0	0	512,219
0	0	0	0	2,313	414,053
0	0	5,374,360	0	0	5,374,360
0	0	0	0	0	314,090
<u>\$4,331,385</u>	<u>\$5,791,065</u>	<u>\$6,497,422</u>	<u>\$1,002,608</u>	<u>\$ 547,188</u>	<u>\$37,024,691</u>
\$1,623,164	\$ 0	\$ 213,288	\$ 0	\$ 2,702	\$ 2,790,042
0	0	0	0	0	362,296
0	0	0	0	0	134,704
0	0	0	0	0	85,787
314,408	0	73,825	0	6,500	414,053
0	0	13,869	0	0	112,334
0	0	0	0	0	1,524,122
0	0	6,196,440	0	7,426	6,271,037
<u>\$1,937,572</u>	<u>\$ 0</u>	<u>\$6,497,422</u>	<u>\$ 0</u>	<u>\$ 16,628</u>	<u>\$11,694,375</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 826,309
0	0	0	0	0	182,844
0	0	0	0	0	4,067,614
0	0	0	0	0	894,316
2,393,813	0	0	0	0	2,393,813
0	0	0	0	0	950,000
0	5,791,065	0	0	0	5,791,065
0	0	0	1,002,608	299,049	5,470,093
0	0	0	0	231,511	231,511
0	0	0	0	0	4,522,751
<u>\$2,393,813</u>	<u>\$5,791,065</u>	<u>\$ 0</u>	<u>\$1,002,608</u>	<u>\$ 530,560</u>	<u>\$25,330,316</u>
<u>\$4,331,385</u>	<u>\$5,791,065</u>	<u>\$6,497,422</u>	<u>\$1,002,608</u>	<u>\$ 547,188</u>	<u>\$37,024,691</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, 2019
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

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

Total Fund Balances	\$ 25,330,316
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	405,378,818
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	1,524,122
Deferred charges related to bonds discounts are not reflected in the funds because they are measured on the accrual basis.	780,363
Deferred outflows/(inflows) of resources related to the defined benefit pension plans and OPEB plans are not reflected in the funds because they are measured on the accrual basis. The effect is	(686,809)
The net pension liability is not due and payable in the current period, and, therefore, are not reported in the funds.	(27,458,274)
Certain liabilities are not due and payable currently, and, therefore, are not reported in the funds:	
Other Postretirement Benefits	(31,387,627)
Accrued Interest on Long-Term Debt	(295,444)
Long-Term Notes and Bonds Payable	(58,611,123)
Long-Term Capital Lease Obligation	(1,237,314)
Long-Term Portion of Vacation and Sick Payable	(3,046,419)
Long-Term Portion of Workers' Compensation Payable	(576,925)
Net Position of Governmental Activities	<u>\$309,713,684</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, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	<u>General Fund</u>	<u>Special Reserve</u>	<u>Highway Aid Fund</u>	<u>Act 205 Pension Fund</u>
Revenue				
Taxes	\$17,807,631	\$ 0	\$ 0	\$5,055,507
Licenses and Permits	1,635,058	0	0	0
Investment Earnings, Rents, and Royalties	217,708	118,911	13,312	23,584
Intergovernmental Revenue	3,155,969	0	1,533,791	0
Fines and Forfeits	118,432	0	0	0
Charges for Services (Departmental Earnings)	5,142,154	4,000	0	0
Miscellaneous Revenue	14,206	0	79,732	0
Total Revenue	\$28,091,158	\$ 122,911	\$1,626,835	\$5,079,091
Expenditures				
Current Expenditures				
General Government	\$ 2,760,974	\$ 0	\$ 0	\$ 151,665
Public Safety (Protection to Persons and Property)	13,291,022	0	0	0
Public Works - Sanitation	58,739	4,090	0	0
Public Works - Highways, Roads, and Streets	3,153,148	1,575	640,906	0
Other Public Works Enterprises	754,010	94,011	0	0
Culture - Recreation	273,380	49,495	0	0
Conservation and Development	881,959	0	0	0
Employer Paid Benefits	5,521,902	0	0	0
Insurance	354,501	0	0	0
Miscellaneous Expenditures or Expenses	46,635	0	0	0
Capital Expenditures				
General Government	18,388	0	0	0
Public Safety	93,034	0	0	0
Public Works - Highways, Roads, and Streets	740,870	281,382	508,165	0
Public Works - Sanitation	0	142,510	0	0
Culture - Recreation	51,859	28,229	0	0
Debt Service				
Debt Service - Principal	12,332,181	0	0	0
Debt Service - Interest	942,740	0	0	0
Debt Issuance Cost	66,847	0	0	0
Total Expenditures	\$41,342,189	\$ 601,292	\$1,149,071	\$ 151,665
Excess (Deficiency) of Revenue Over (Under) Expenditures	(\$13,251,031)	(\$ 478,381)	\$ 477,764	\$4,927,426
Other Financing Sources (Uses)				
Sale of Capital Assets	\$ 112,488	\$ 0	\$ 0	\$ 0
Transfer In	4,572,863	1,442,646	0	0
Transfer Out	(3,932,360)	(4,322,516)	(456,700)	(3,937,997)
Proceeds from Borrowings	9,683,000	0	0	0
Proceeds from Capital Lease	20,523	0	0	0
Total Other Financing Sources (Uses)	\$10,456,514	(\$2,879,870)	(\$ 456,700)	(\$3,937,997)
Excess (Deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(\$ 2,794,517)	(\$3,358,251)	\$ 21,064	\$ 989,429
Fund Balance - Beginning	\$ 9,430,428	\$7,363,422	\$ 873,252	\$3,078,185
Prior Period Adjustment	9,258	0	0	0
Fund Balance - Beginning (Restated)	\$ 9,439,686	\$7,363,422	\$ 873,252	\$3,078,185
Fund Balance - Ending	\$ 6,645,169	\$4,005,171	\$ 894,316	\$4,067,614

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, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

<u>Capital Expenditures</u>	<u>Equipment Replacement Fund</u>	<u>Housing and Community Development</u>	<u>Grant Match Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$22,863,138
0	0	0	0	0	1,635,058
57,035	15,065	207,692	2,608	36,951	692,866
0	0	2,206,997	0	14,901	6,911,658
0	0	0	0	0	118,432
0	0	0	0	76,328	5,222,482
<u>27,839</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,777</u>
\$ 84,874	\$ 15,065	\$2,414,689	\$ 2,608	\$128,180	\$37,565,411
\$ 29,843	\$ 0	\$ 0	\$ 0	\$ 16,128	\$ 2,958,610
157,003	0	0	0	23,960	13,471,985
0	0	0	0	0	62,829
65,196	0	0	0	0	3,860,825
0	0	0	0	0	848,021
6,042	0	0	0	4,100	333,017
61,000	0	1,962,402	0	0	2,905,361
0	0	0	0	0	5,521,902
0	0	0	0	0	354,501
0	0	0	0	3,778	50,413
13,494	0	18,645	0	24,875	75,402
1,826,529	0	0	0	0	1,919,563
2,361,181	0	328,642	0	0	4,220,240
0	0	0	0	0	142,510
<u>128,412</u>	<u>0</u>	<u>105,000</u>	<u>0</u>	<u>8,095</u>	<u>321,595</u>
139,894	0	0	0	0	12,472,075
50,103	0	0	0	0	992,843
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,847</u>
\$ 4,838,697	\$ 0	\$2,414,689	\$ 0	\$ 80,936	\$50,578,539
(\$ 4,753,823)	\$ 15,065	\$ 0	\$ 2,608	\$ 47,244	(\$13,013,128)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 112,488
0	5,776,000	0	1,000,000	36,230	12,827,739
0	0	0	0	(178,166)	(12,827,739)
117,674	0	0	0	0	9,800,674
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,523</u>
\$ 117,674	\$5,776,000	\$ 0	\$1,000,000	(\$141,936)	\$ 9,933,685
(\$ 4,636,149)	\$5,791,065	\$ 0	\$1,002,608	(\$ 94,692)	(\$ 3,079,443)
\$ 7,029,962	\$ 0	\$ 0	\$ 0	\$625,252	\$28,400,501
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,258</u>
\$ 7,029,962	\$ 0	\$ 0	\$ 0	\$625,252	\$28,409,759
\$ 2,393,813	\$5,791,065	\$ 0	\$1,002,608	\$530,560	\$25,330,316

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, 2019
(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	(\$ 3,079,443)
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.	(3,552,687)
Certain gains/losses related to disposal of capital assets have been reduced by the basis of these assets.	(3,146)
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 an increase for property tax revenue.	84,696
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)	21,043
Accrued Vacation and Sick Pay (Net Change)	(46,985)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither has any effect on net position. Also, governmental funds report the effect of premium and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these items:	
Proceeds from Capital Lease	(20,523)
Repayment on Capital Lease Obligation	157,586
Proceeds from Notes Issued	(38,695,674)
Repayment of Bonded Debt/Notes	13,239,489
Amortization of Discounts, net of additional Bond Premiums	591,311
The reduction in pension expense associated with the defined benefit plans that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(2,194,229)
The additional other postemployment benefit expense associated with the defined benefit plans that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(1,254,272)
Change in Net Position of Governmental Activities	<u>(\$34,752,834)</u>

See Accompanying Notes and Independent Auditor's Report

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	Pension Trust Funds
<u>ASSETS</u>	
Investments	\$96,390,113
	<hr/>
<u>LIABILITIES</u>	
	\$ 0
	<hr/>
<u>NET POSITION</u>	
Held in Trust for Pension Benefits	\$96,390,113
	<hr/>

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, 2019
 (AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	<u>Pension Trust Funds</u>
<u>Additions</u>	
Contributions:	
Employer	\$ 5,516,636
Plan Members	<u>640,536</u>
Total Contributions	<u>\$ 6,157,172</u>
Investment Income:	
Net Realized and Unrealized Gains	\$ 5,200,336
Interest and Dividend Income	<u>3,616,798</u>
Total Investment Income	\$ 8,817,134
Less: Investment Expense	(<u>235,480</u>)
Net Investment Income	<u>\$ 8,581,654</u>
Total Additions	<u>\$14,738,826</u>
<u>Deductions</u>	
Benefits	\$ 7,409,648
Administrative Expenses	<u>26,156</u>
Total Deductions	<u>\$ 7,435,804</u>
Net Increase	\$ 7,303,022
<u>Net Position Being Held in Trust for Pension Benefits</u> – Beginning of Year	<u>89,087,091</u>
<u>Net Position Being Held in Trust for Pension Benefits</u> – End of Year	<u>\$96,390,113</u>

See Accompanying Notes and Independent Auditor's Report

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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. The City of Altoona is a third-class Pennsylvania City organized under a council-manager form of government in which the seven-member council, including the mayor, are elected officials. City council appoints the city manager, who in turn, appoints department heads. The City council on behalf of the City makes policy decisions, borrows money, levies local taxes, and authorizes expenditures in accordance with the third-class city code of the Commonwealth of Pennsylvania. In addition, the City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units, none of which exists for the City, would be combined with data of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Each discretely presented component unit has a December 31 year-end.

Discretely Presented Component Unit

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

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

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(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.

Altoona Water Authority 900 Chestnut Avenue Altoona, Pennsylvania 16601	Redevelopment Authority of Altoona City Hall 13 th Avenue and 12 th Street Altoona, Pennsylvania 16601	The Parking Authority of the City of Altoona 1225 11 th Avenue Altoona, Pennsylvania 16601
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For purposes of these financial statements, it is the policy of the City not to eliminate transactions between the City and its component units.

C. Basis of Presentation - Government-Wide Financial Statements

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

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

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

D. Basis of Presentation - Fund Financial Statements

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

Governmental Funds

The City reports the following major governmental funds:

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

- The *Capital Projects Fund* accounts for financial resources used to acquire or construct major capital facilities.
- The *Community Development Block Grant Fund* is used to account for funds received from the U.S. Department of Housing and Urban Development to develop viable urban communities by providing decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low or moderate income.
- The *Special Reserve Fund* is used to account for financial resources to fund expenditures for non-operational purposes across a broad spectrum of potential projects and uses.
- *Equipment Replacement Fund* was established to be used to replace vehicle and other related equipment that has been fully-depreciated and reached or exceeded its useful life.
- *Grant Match Fund* was established as a means of identifying a source of City funds to be used as the local match component for State or Federal grants which may be the subject of application by the City.

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.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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).

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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:

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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)

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 four items that qualify for reporting in this category. The first represents unamortized discounts on bonds, which will be amortized through September 1, 2033. The second represents the differences between expected and actual experience related to defined benefit pension plans, which will be amortized through 2022; the third changes in assumptions related to defined benefit pension plans, which will be amortized through 2020; the fourth represents the net difference between projected and actual earnings on defined pension plan investments, which will be amortized through 2023.

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

6. Net Position Flow Assumption

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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).

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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 land property values assessed on the same date. The tax levy was billed in March 2019.

A levy of 5.129 mills was made for general expenses. A 2% discount is given to taxpayers if paid by April 30. The face amount of the taxes is 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, 2019 are returned to the Blair County Tax Claim Bureau for collection.

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses (Continued)

2. Property Taxes (Continued)

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.

3. Intergovernmental Receivables and Unavailable Revenue

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

4. Compensated Absences

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

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

<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 120 days. When these employees retire with at least 15 years of service they shall be paid for their accumulated unused sick leave in accordance with the schedule below:

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses (Continued)

4. Compensated Absences (Continued)

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

<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 \$24,556,757 and the bank balance was \$24,592,626. Of the bank balance, \$945,963 was covered by federal depository insurance and \$21,994,138 was covered by collateral held in the pledging bank's trust department, but not in the City's name. In addition, \$1,652,525 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.

As of December 31, 2019, the City's reporting entity had the following investments:

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

A. Cash and Investments (Continued)

Investments (Continued)

<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	\$ 5,801	\$ 5,801	N/A	N/A
Taxable Fixed Income Funds	72,877	71,824	(3)	(3)
Domestic Equity Mutual Funds and ETFs	79,932	69,490	N/A	N/A
Real Estate Mutual Fund	9,465	8,655	N/A	N/A
International Funds and ETFs	44,249	37,279	N/A	N/A
Hedge Funds	14,343	13,565	N/A	N/A
Prudential Stock *	128,986	0	N/A	N/A
MetLife, Inc. *	11,162	0	N/A	N/A
Accrued Interest	167	167	N/A	N/A
	<hr/>	<hr/>		
Total Primary Government Investments (non-fiduciary)	\$ 366,982	\$ 206,781		
	<hr/>	<hr/>		
<u>Fiduciary Funds</u>				
Cash and Cash Equivalents	\$ 144,819	\$ 144,819	N/A	N/A
Open-End Mutual Fund	93,776,483	91,633,433	(3)	(3)
Unclassified	2,468,811	2,468,811	N/A	(3)
	<hr/>	<hr/>		
Total Fiduciary Investments	\$96,390,113	\$ 94,247,063		
	<hr/>	<hr/>		

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

- (1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.
- (2) **Interest Rate Risk** is estimated using either duration or weighted average months to maturity depending on the respective policy. Amounts are shown in months except as otherwise noted. The City manages its exposure to decline in fair value by limiting maturity of Certificates of Deposit to original maturity of one year.
- (3) Information unavailable.

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

Investments Policies

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

City Policy

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

A. Cash and Investments (Continued)

City Policy (Continued)

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

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

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Interest Rate Risk and Custodial Credit Risk are not addressed by the City's investment policy.

Pension Trust Policy

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

A. Cash and Investments (Continued)

Component Unit - Cash and Investments

Altoona Water Authority

Deposits

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

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

Cash

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

Cash Deposits - Bank Balances

Water Division	\$1,497,414
Wastewater Division	<u>859,741</u>
Total	<u>\$2,357,155</u>
FDIC Insured or Collateralized	\$ 250,000
Secured under Pennsylvania Act 72	<u>2,107,155</u>
Total	<u>\$2,357,155</u>

Investments

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

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

A. Cash and Investments (Continued)

Component Unit - Cash and Investments (Continued)

Altoona Water Authority (Continued)

Investments (Continued)

PLGIT Accounts

Water Division	\$ 10,315
Wastewater Division	4,922

Other - Collateralized Under Act 72

Water Division	2,781,731
Wastewater Division	<u>9,330,867</u>

\$12,127,835

Total

Water Division	\$ 2,792,046
Wastewater Division	<u>9,335,789</u>

\$12,127,835

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 \$217,510 and the bank balance was \$219,160. All of the bank balance was covered by federal depository insurance.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

A. Cash and Investments (Continued)

Component Unit - Cash and Investments (Continued)

Redevelopment Authority of Altoona (Continued)

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.

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 \$157,819 and the bank balance was \$156,605. Of the bank balance, all was covered by federal depository insurance.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

A. Cash and Investments (Continued)

Component Unit - Cash and Investments (Continued)

The Parking Authority of the City of Altoona (Continued)

Investments

As of December 31, 2019, 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.

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 funds. 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.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>					
Capital Assets, not being depreciated:					
Land	\$136,600,764	\$ 0	(\$ 3,146)	\$ 0	\$136,597,618
Water and Wastewater Projects in Progress	<u>3,010,393</u>	<u>4,217,180</u>	<u>0</u>	<u>(383,252)</u>	<u>6,844,321</u>
Total Capital Assets, Not Being Depreciated	<u>\$139,611,157</u>	<u>\$ 4,217,180</u>	<u>(\$ 3,146)</u>	<u>(\$ 383,252)</u>	<u>\$143,441,939</u>
Capital Assets, being depreciated:					
Land Improvements	\$205,233,698	\$ 2,984,455	\$ 0	\$ 0	\$208,218,153
Buildings and Improvements	16,326,246	881,853	0	0	17,208,099
Machinery and Equipment	18,208,562	2,813,002	(247,623)	0	20,773,941
Water and Wastewater Related Assets	<u>352,147,617</u>	<u>4,159,939</u>	<u>(689,328)</u>	<u>383,252</u>	<u>356,001,480</u>
Total Capital Assets, Being Depreciated	<u>\$591,916,123</u>	<u>\$ 10,839,249</u>	<u>(\$936,951)</u>	<u>\$ 383,252</u>	<u>\$602,201,673</u>
Accumulated Depreciation for:					
Land Improvements	\$156,361,490	\$ 8,591,345	\$ 0	\$ 0	\$164,952,835
Building and Improvements	8,437,554	340,188	0	0	8,777,742
Machinery and Equipment	16,681,225	1,483,594	(247,623)	0	17,917,196
Water and Wastewater Related Assets	<u>141,112,360</u>	<u>8,193,989</u>	<u>(689,328)</u>	<u>0</u>	<u>148,617,021</u>
Total Accumulated Depreciation	<u>\$322,592,629</u>	<u>\$18,609,116</u>	<u>(\$936,951)</u>	<u>\$ 0</u>	<u>\$340,264,794</u>
Total Capital Assets, Being Depreciated, Net	<u>\$269,323,494</u>	<u>(\$ 7,769,867)</u>	<u>\$ 0</u>	<u>\$ 383,252</u>	<u>\$261,936,879</u>
Governmental Activities, Capital Assets, Net	<u>\$408,934,651</u>	<u>(\$ 3,552,687)</u>	<u>(\$ 3,146)</u>	<u>\$ 0</u>	<u>\$405,378,818</u>

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

Governmental Activities

General Government	\$ 226,810
Public Safety	755,011
Public Works - Highways, Roads, and Streets	8,293,879
Culture and Recreation	889,615
Conservation and Development	249,812
Water and Wastewater	<u>8,193,989</u>
Total Depreciation Expense - Governmental Activities	<u>\$18,609,116</u>

Component Units

Altoona Water Authority

Right to Use Asset Under Leases and Related Liability

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

C. Capital Assets (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

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

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

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

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2020	\$3,799,870	\$2,137,427	\$5,937,297
2021	\$3,833,628	\$2,156,415	\$5,990,043
2022	\$3,868,060	\$2,175,784	\$6,043,844
2023	\$4,288,000	\$2,412,000	\$6,700,000
2024	\$4,416,000	\$2,484,000	\$6,900,000

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

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

The right to use asset consists of the following at December 31, 2019:

	<u>Water</u>	<u>Sewer</u>
Right to Use Asset	\$63,922,722	\$53,449,974
Less: Accumulated Amortization	(8,538,290)	(8,306,210)
Right to Use Asset, Net	\$55,384,432	\$45,143,764

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

C. Capital Assets (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

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

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

During the year ended December 31, 2019, the Authority recorded \$6,070,090 of amortization expense as shown.

Future required payments on the lease obligation are as follows:

Water:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,143,258	\$ 2,656,612
2021	1,226,633	2,606,995
2022	1,314,301	2,553,759
2023	1,791,282	2,496,718
2024	1,997,023	2,418,977
2025-2029	14,148,123	10,550,516
2030-2034	21,821,591	6,849,574
2035-2037	<u>17,770,051</u>	<u>1,580,470</u>
Total	\$61,212,262	\$31,713,621

Sewer:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 647,445	\$ 1,489,982
2021	685,015	1,471,400
2022	724,044	1,451,740
2023	981,040	1,430,960
2024	1,081,196	1,402,804
2025-2029	7,097,856	6,485,675
2030-2034	10,464,041	5,282,995
2035-2039	14,706,148	3,548,986
2040-2043	<u>15,528,947</u>	<u>1,147,375</u>
Total	\$51,915,732	\$23,711,917

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

C. Capital Assets (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

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

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

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

Redevelopment Authority of Altoona

Changes in Capital Assets

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

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED		Totals
	Land	Construction in Progress	Furniture Machinery, and Equipment	Land Improvement	
<u>Governmental Activities</u>					
Balance - December 31, 2018	\$61,972	\$44,800	\$263,300	\$40,400	\$410,472
Increases	578	0	3,027	0	3,605
Decreases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance - December 31, 2019	\$62,550	\$44,800	\$266,327	\$40,400	\$414,077
	=====	=====	=====	=====	=====
<u>Accumulated Depreciation</u>					
Balance - December 31, 2018	\$ 0	\$ 0	\$143,087	\$ 9,355	\$152,442
Increases	0	0	5,814	1,279	7,093
Decreases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance - December 31, 2019	\$ 0	\$ 0	\$148,901	\$10,634	\$159,535
	=====	=====	=====	=====	=====
Balance - December 31, 2019 - Net	\$62,550	\$44,800	\$117,426	\$29,766	\$254,542
	=====	=====	=====	=====	=====

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

C. Capital Assets (Continued)

Component Units (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>	
<u>Business-Type Activities</u>					
Balance - December 31, 2018	\$308,318	\$2,636,394	\$1,670,863	\$123,752	\$4,739,327
Increases	0	0	509,476	0	509,476
Balance - December 31, 2019	\$308,318	\$2,636,394	\$2,180,339	\$123,752	\$5,248,803
<u>Accumulated Depreciation</u>					
Balance - December 31, 2018	\$ 0	\$1,403,088	\$1,184,549	\$ 64,018	\$2,651,655
Increases	0	39,650	20,461	9,257	69,368
Balance - December 31, 2019	\$ 0	\$1,442,738	\$1,205,010	\$ 73,275	\$2,721,023

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, 2019.

Actuarially valuations are performed on a biennial basis.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(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 \$5/month until age 65 for those hired before 1/1/14; 5% of wages for those hired on/after 1/1/14.	5% of Total Compensation
Funding of administrative costs	Investment earnings	Investment earnings	Investment earnings
Period required to vest	12 Years	12 Years	12 Years
Post-retirement benefit increases	None	For those hired before 1/1/14, every officer in good standing of the Police Pension Fund Association who retires on or after 1/1/96, shall receive an annual cost of living adjustment, not to exceed 50% of the original pension benefit. The annual adjustment will be based on the annual percentage increase in the Consumer Price Index on a yearly basis from October to October of the prior year. In addition, such accumulated COLA increases shall not, at any time, exceed 50% of the current salary being paid patrolman of the highest pay grade. There is no COLA for those hired on/after 1/1/14.	For retirements after 12/31/95, annual increases based on the Consumer Price Index, capped at 50% of the original benefit. At no time can the total pension benefit received exceed 50% of the salary paid to fireman of highest pay grade.
Deferred Retirement Option Plan (DROP) Benefit	None	None	Participants attaining normal retirement eligible to accumulate monthly pensions for a maximum of 60 months
Eligibility for distributions	Later of age 60 or completion of 20 years of credited service.	For those hired on/after 1/1/14, later of age 50 and completion of 20 years of service. For those hired prior to 1/1/14, an officer may retire immediately after 20 years of service.	20 Years of Service

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(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: Disability Benefits	For total and permanent disablement which occurs after the completion of 10 years of service, member receives Normal Retirement Benefit.	Service Related: basic normal retirement benefit. For those hired prior to 1/1/14, Non-Service Related: if less than 10 years of service, 25% of salary; otherwise 50%. There is no non-service related benefit to those hired on/after 1/1/14.	Service Related: normal Retirement benefit Non-Service Related: if less than 10 years of service, 25% of salary; otherwise 50%.
Retirement Benefits	Monthly benefit equal to 50% of average monthly compensation (highest 5 years of compensation).	For those hired prior to 1/1/14, 50% of base salary plus service increment. For those hired on or after 1/1/14, 50% of base salary.	Monthly benefit equal to 50% of pay at retirement. Also, a service increment of 1/8 th of monthly pension per years of service in excess of 20 years is payable to a maximum of \$500. In addition, a monthly \$100 contractual bonus is payable at retirement. Participants hired after 12/31/13 do not receive the \$100 contractual bonus, service increment or a cost-of-living adjustment. Additionally, there is an age 50 requirement for retirement and pensions are calculated on 50% of the base wage.
Provisions for: Death Benefits	Before retirement, refund of Contributions without interest. After retirement, none, unless, at retirement, member chose a joint and survivor option, in which case 50% of participant's benefit maybe payable to the beneficiary, if still living.	For those hired prior to 1/1/14, before retirement, survivor benefits of 25% of salary if death occurs before 10 years of service. For all officers, before retirement with 10 or more years of service, survivor benefits are 50% of salary. After retirement, for all officers survivor benefit of 100% of pension participant was receiving or was entitled to receive at date of death. In the event of the spouse's death, each of the participant's dependent children will receive an equal share of benefit until their 18 th 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 th birthday. If not vested or killed in service, refund of contributions to designated beneficiary.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(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)

Memberships of the plans are as follows:

	<u>As of 12/31/19 NUPP</u>	<u>As of 12/31/18 PPP</u>	<u>As of 12/31/19 PFPP</u>
Active Members	96	56	63
Retirees and Beneficiaries Currently Receiving Benefits	93	100	103
DROP Participants	0	0	1
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	<u>2</u>	<u>5</u>	<u>1</u>
Total	<u>191</u>	<u>161</u>	<u>168</u>

2. Reserves

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

3. Components of Net Pension Liability as of December 31, 2019 Measurement Date

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Total Pension Liability	\$22,934,058	\$50,534,040	\$50,348,272
Plan Fiduciary Net Position	<u>19,297,064</u>	<u>38,437,559</u>	<u>38,623,473</u>
Net Pension Liability	<u>\$ 3,636,994</u>	<u>\$12,096,481</u>	<u>\$11,724,799</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	84.1%	76.06%	76.71%
Estimated Covered Payroll	\$ 4,416,048	\$ 4,429,587	\$ 3,979,021
Net Liability as a Percentage of Covered Payroll	82.4%	273.08%	294.67%

**4. Sensitivity of the Net Pension Liability to Changes in the Discount Rate as of
December 31, 2019**

A. Non-Uniformed Pension Plan (NUPP)

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Net Pension Liability	<u>\$5,932,878</u>	<u>\$3,636,994</u>	<u>\$1,666,456</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

4. Sensitivity of the Net Pension Liability to Changes in the Discount Rate as of December 31, 2019 (Continued)

B. Police Pension Plan (PPP)

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Net Pension Liability	\$18,283,786	\$12,096,481	\$ 6,982,397

C. Paid Fireman's Pension Plan (PFPP)

	1% Decrease <u>6%</u>	Current Discount Rate <u>7%</u>	1% Increase <u>8%</u>
Net Pension Liability	\$17,923,789	\$11,724,799	\$ 6,580,601

5. Investments

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

A. NUPP

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

B. PPP

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>Gross Return</u>	<u>Real Return</u>
Domestic Equity	35%	8.2%	5.7%
International Equity	35%	8.2%	5.7%
Fixed Income	19%	3.1%	.6%
Merger Arbitrage	10%	5.5%	3.0%
Cash	<u>1%</u>	<u>2.5%</u>	<u>0.0%</u>
	<u>100%</u>	<u>6.9%</u>	<u>4.4%</u>

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

5. Investments (Continued)

C. PFPP

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

6. Changes in Net Pension Liability

NUPP

	----- Increase (Decrease) -----		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2018	\$23,168,854	\$17,930,404	\$ 5,238,450
Changes for the Year:			
Service Cost	\$ 416,352	\$ 0	\$ 416,352
Interest	1,589,582	0	1,589,582
Differences Between Expected and Actual Experience	(1,099,110)	0	(1,099,110)
Contributions – Employer	0	577,405	(577,405)
Contributions – Employee	0	215,348	(215,348)
Net Investment Income	0	1,775,610	(1,775,610)
Benefit Payments and Refunds of Employee Contributions	(1,141,620)	(1,141,620)	0
Administrative Expense	0	(60,083)	60,083
Net Changes	(\$ 234,796)	\$ 1,366,660	(\$ 1,601,456)
Balances at December 31, 2019	\$22,934,058	\$19,297,064	\$ 3,636,994

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

6. Changes in Net Pension Liability (Continued)

PPP

	----- Increase (Decrease) -----		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2018	\$49,638,541	\$35,508,802	\$14,129,739
Changes for the Year:			
Service Cost	\$ 604,076	\$ 0	\$ 604,076
Interest	3,311,173	0	3,311,173
Benefit Payments	(3,019,750)	(3,019,750)	0
Contributions - Employer (1)	0	2,299,876	(2,299,876)
Contributions - Employee	0	227,862	(227,862)
Net Investment Income	0	3,430,781	(3,430,781)
Administrative Expense	0	(10,012)	10,012
Net Changes	\$ 895,499	\$ 2,928,757	(\$ 2,033,258)
Balances at December 31, 2019	\$50,534,040	\$38,437,559	\$12,096,481

PFPP

	----- Increase (Decrease) -----		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2018	\$53,285,162	\$35,602,348	\$17,682,814
Changes for the Year:			
Service Cost	\$ 869,877	\$ 0	\$ 869,877
Interest	3,674,539	0	3,674,539
Differences between Expected and Actual Experience	(4,212,507)	0	(4,212,507)
Benefit Payments	(3,268,799)	(3,268,799)	0
Contributions - Employer (1)	0	2,639,355	(2,639,355)
Contributions - Employee	0	197,326	(197,326)
Net Investment Income	0	3,465,153	(3,465,153)
Administrative Expense	0	(11,910)	11,910
Net Changes	(\$ 2,936,890)	\$ 3,021,125	(\$ 5,958,015)
Balances at December 31, 2019	\$50,348,272	\$38,623,473	\$11,724,799

(1) - Includes State Aid

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

7. Deferred Outflows of Resources and Deferred Inflows of Resources

NUPP

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between Expected and Actual Experience	\$ 0	\$1,306,984
Changes of Assumptions	7,145	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>1,960,733</u>	<u>861,789</u>
Total	<u>\$1,967,878</u>	<u>\$2,168,773</u>

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

<u>Year Ended</u>	<u>Amount</u>
2020	(\$ 34,391)
2021	(135,891)
2022	304,648
2023	(313,711)
2024	(21,550)
Thereafter	0

PPP

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between Expected and Actual Experience	\$ 0	\$2,726,080
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>4,124,922</u>	<u>1,837,314</u>
Total	<u>\$4,124,922</u>	<u>\$4,563,394</u>

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

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 555,796
2021	393,993
2022	920,487
2023	(400,548)
2024	(204,470)
Thereafter	(1,703,730)

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

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

PFPP

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between Expected and Actual Experience	\$ 172,330	\$4,035,616
Changes in Assumptions	400,046	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>4,213,338</u>	<u>1,928,217</u>
Total	<u>\$4,785,714</u>	<u>\$5,963,833</u>

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

<u>Year Ended</u>	<u>Amount</u>
2020	\$270,867
2021	(188,374)
2022	530,455
2023	(869,580)
2024	(658,204)
Thereafter	(263,283)

8. Annual Pension Expense

Components of Pension Expense for the year ended December 31, 2019:

NUPP

Service Cost	\$ 416,352
Interest	1,589,582
Recognition of Difference between Expected and Actual Experience	(534,523)
Recognition of Changes of Assumptions	71,465
Employee Contributions	(215,348)
Projected Earnings on Pension Plan Investments	(1,284,611)
Recognition of Differences between Projected and Actual Earnings on Plan Investments	720,087
Administrative Expenses	<u>60,083</u>
Total Pension Expense	<u>\$ 823,087</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Single-Employer Plans (Continued)

8. Annual Pension Expense (Continued)

PPP

Service Cost	\$ 604,076
Interest	3,311,173
Recognition of Differences between Expected and Actual Experience	(204,470)
Employee Contributions	(227,862)
Projected Earnings on Pension Plan Investments	(2,541,467)
Recognition of Differences between Projected and Actual Earnings on Plan Investments	1,429,600
Administrative Expenses	<u>101,096</u>
Total Pension Expense	<u>\$2,472,146</u>

PFPP

Service Cost	\$ 869,877
Interest	3,674,539
Difference between Expected and Actual Experience	(898,648)
Changes of Assumptions	571,498
Employee Contributions	(197,326)
Projected Earnings on Pension Plan Investments	(2,463,968)
Differences between Projected and Actual Earnings on Plan Investments	1,426,540
Administrative Expenses	<u>11,910</u>
Total Pension Expense	<u>\$2,994,422</u>

9. City Contributions

The City contributions for 2019 for each Plan is as follows:

NUPP	\$ 577,405
PPP	2,299,876
PFPP	2,639,355

10. Plan Related Financial Statement Items

As of December 31, 2019 and for the year then ended, the Plan's had the following:

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Plan Related Assets	\$19,297,064	\$38,437,559	\$38,623,473
Deferred Outflows of Resources	1,967,878	4,124,922	4,785,714
Net Pension Liability	3,636,994	12,096,481	11,724,799
Deferred Inflows of Resources	2,168,773	4,563,394	5,963,833
Pension Expense	823,087	2,472,146	2,994,422
Pension Expenditures	577,405	2,299,876	2,639,355

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Component Unit

Altoona Water Authority

Summary of Significant Accounting Policies

Basis of Accounting

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

Valuation of Investments

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

Plan Description

Plan Administration

The Altoona Water Authority Employees' Pension Plan is a single-employer defined benefit pension plan. The Plan was established effective January 15, 1930. The Plan was amended and restated by Resolution No. 03-02-235, effective January 1, 2002. The Plan is governed by the Board of Directors of the Altoona Water Authority which may amend the plan provisions, and which is responsible for the management of Plan assets. The Board of Directors has delegated the authority to manage certain Plan assets to the M&T Trust Company. The plan is required to file Form PC-203C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2019.

Plan Membership

The plan provides pensions for full-time employees of the Authority. As of December 31, 2019, pension plan membership consists of:

• Active Employees	121
• Retirees and Beneficiaries Currently Receiving Benefits	64
• Terminated Employees Entitled to Benefits But Not Yet Receiving Them	<u>10</u>
Total	195

Benefit Program

Pension plan benefit provisions are as follows:

• Eligibility Requirements

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Plan Description (Continued)

Benefit Program (Continued)

• Retirement Benefit

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

• Death Benefit

Before Vesting:

Refund of contributions plus interest.

After Vesting But
Before Retirement:

The participant may elect the following: If a participant dies after becoming vested and before retirement, the spouse will receive a benefit payable at the later of the participant's date of death or earliest retirement date, equal to 50% of the joint and 50% survivor benefit, payable as if the participant had terminated employment at the date of death, survived to earliest retirement date and commenced payment of benefits.

After Retirement:

Benefit in force at participants death.

• Disability Benefit

Service Related:

Normal Retirement benefit, after 5 years of service, calculated at date of disability, payable at Normal retirement date. Participants may elect earlier commencement of reduced benefits, but this causes the special benefit credit to cease.

Non-Service Related:

Same.

• Vesting Benefit

Retirement Benefit as calculated as termination date is payable at Normal Retirement date.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Plan Description (Continued)

Benefit Program (Continued)

- Early Retirement Retirement Benefit calculated at termination is reduced by 0.5% for each month early.
- Member Contributions

Amount or Rate:	2.0%
Interest Rate Credited to Member Contributions:	6.0%

Contributions

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

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

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

Deposits and Investment at Risk Disclosures

Deposits

At December 31, 2019, the Plan held \$0 in deposits. All deposits are fully insured by the Federal Deposit Insurance Corporation.

Investments

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Deposits and Investment at Risk Disclosures (Continued)

Investments (Continued)

<u>Asset Class</u>	<u>Target Percentages</u>
Equity	65%
Fixed Income	35%

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Cash Equivalents	\$ 547,746	NR
Fixed Income Mutual Funds	1,868,948	NR
Corporate Debt	453,460	A + -
Corporate Debt	88,825	AA + -
Corporate Debt	<u>478,729</u>	BBB + -
 Total	 \$3,437,708	

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2019, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5.99</u>	<u>6-10</u>
Fixed Income Funds*	\$1,868,948	\$ 0	\$1,581,998	\$ 286,950
U.S. Government Agency Securities	1,124,810	0	778,695	346,115
Corporate Debt	<u>1,021,014</u>	<u>115,618</u>	<u>712,563</u>	<u>192,833</u>
 Total	 \$4,014,772	 \$115,618	 \$3,073,256	 \$ 825,898

*average portfolio maturity

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Net Pension Liability

The components of the net pension liability at December 31, 2019 are as follows:

Total Pension Liability*	\$17,198,941
Plan Fiduciary Net Position	(14,742,956)
Net Pension Liability	<u>\$ 2,455,985</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>85.7%</u>

*The total pension liability was determined by an actuarial as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions

Inflation:	2.75%
Salary Increase:	4.5% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar Adjustment, with rates set forward 5 years for disabled members. Mortality improvements based on the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.
Expected Long-Term Rate of Return:	7.25%, applied to all periods

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset claim included in the target asset allocation as of December 31, 2019 are summarized in the following table:

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Actuarial Assumptions (Continued)

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

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in Net Pension Liability

	----- Increase (Decrease) -----		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at 12/31/2018	\$16,506,212	\$12,235,144	\$4,271,068
Changes for the Year:			
Service Cost	\$ 364,753	\$ 0	\$ 364,753
Interest	1,186,006	0	1,186,006
Differences Between Expected and Actual Experience	(178,393)	0	(178,393)
Contributions - Employer	0	572,000	(572,000)
Contributions - Employee	0	130,192	(130,192)
Net Investment Income	0	2,587,071	(2,587,071)
Benefit Payments and Refunds of Employee Contributions	(679,637)	(679,637)	0
Administrative Expense	0	(101,814)	101,814
Net Changes	\$ 692,729	\$ 2,507,812	(\$1,815,083)
Balances at 12/31/2019	\$17,198,941	\$14,742,956	\$2,455,985

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Changes in Net Pension Liability (Continued)

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

	1% Decrease <u>6.25%</u>	Current Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Net Pension Liability	\$4,359,946	\$2,455,985	\$ 819,985

Payable to the Pension Plan

At December 31, 2019, there were no outstanding Authority contributions.

Components of Pension Expense for the Year Ended December 31, 2019:

Service Cost	\$ 364,753
Interest on the Total Pension Liability	1,186,006
Recognition of Differences Between Expected and Actual Experience	(74,929)
Recognition of Changes in Assumptions	147,196
Employee Contributions	(130,192)
Projected Earnings on Pension Plan Investments	(891,176)
Recognition of Differences Between Projected and Actual Earnings on Plan Investments	83,405
Pension Plan Administrative Expense	<u>101,814</u>
Total Pension Expense	<u>\$ 786,877</u>

At December 31, 2019, the Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 0	\$ 332,649
Changes of Assumptions	691,822	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>959,497</u>	<u>1,632,584</u>
Total	<u>\$1,651,319</u>	<u>\$1,965,233</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

D. Pension Plans (Continued)

Component Unit (Continued)

Altoona Water Authority (Continued)

Payable to the Pension Plan (Continued)

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

Year ended December 31:

2020	(\$ 61,519)
2021	(96,761)
2022	41,173
2023	(238,479)
2024	64,941
Thereafter	(<u>23,269</u>)
Net	(<u>\$313,914</u>)

E. Deferred Retirement Option Plan (DROP) Agreement

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(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
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(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 - Single Employer

Police Postretirement Benefits

Police Plan Description

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

Separate financial statements are not issued for this plan.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Police Postretirement Benefits (Continued)

Police Plan Description (Continued)

Memberships of the plan are as follows:

	<u>12/31/19</u>
Active Members	38
Retirees and Beneficiaries Currently Receiving Benefits	89
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	<u>0</u>
Total	127 <hr style="width: 100%;"/>

Plan Funding

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

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

Valuation Date

July 1, 2019

Actuarial Assumptions

Inflation

2.5%

Discount Rate

4.0% (including inflation). The interest rate represents the 20-year AA/Aa municipal bond rates.

Salary Increases

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

Mortality

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Police Postretirement Benefits (Continued)

Actuarial Assumptions (Continued)

Turnover

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

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

Disability

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

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

Retirement

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

Percent Married

85% of retiring members are assumed to be married at the time of retirement. Female spouses are assumed to be the same age as male spouses.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

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

Police Postretirement Benefits (Continued)

Actuarial Assumptions (Continued)

Member Elections

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

Medicare Eligibility

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

Medical Claims Rates

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

<u>Ages</u>	<u>Female Factors</u>	<u>Male Factors</u>
<20	0.500	0.587
20-24	0.394	0.625
25-29	0.410	0.922
30-34	0.515	1.165
35-39	0.646	1.200
40-44	0.805	1.229
45-49	1.016	1.349
50-54	1.339	1.587
55-59	1.740	1.835
60-64	2.233	2.184
65-69	2.786	2.618
70+	3.338	3.087

Medical Inflation

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

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

Police Postretirement Benefits (Continued)

Actuarial Assumptions (Continued)

Medical Inflation (Continued)

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

Census Data

The actuarial valuation was prepared using census data and plan benefits and costs as of January 1, 2019.

Actuarial Cost Method

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Police Postretirement Benefits (Continued)

Components of Net OPEB Liability as of December 31, 2019 Measurement Date

Total OPEB Liability	\$18,332,513
Plan Fiduciary Net Position	<u>0</u>
Net OPEB Liability	<u>\$18,332,513</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Payroll	\$ 3,446,332
Net Liability as a Percentage of Covered Payroll	531.94%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of December 31, 2019

	1% Decrease <u>3.00%</u>	Current Discount Rate <u>4.00%</u>	1% Increase <u>5.00%</u>
Net Pension Liability	<u>\$20,845,866</u>	<u>\$18,332,513</u>	<u>\$16,274,250</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates as of December 31, 2019

	1% Decrease in Medical <u>Trend Rate</u>	Current Medical <u>Trend Rate%</u>	1% Increase in Medical <u>Trend Rate</u>
Net Pension Liability	<u>\$16,055,240</u>	<u>\$18,332,513</u>	<u>\$21,154,987</u>

Investments and Discount Rate

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Police Postretirement Benefits (Continued)

Changes in Net OPEB Liability

	----- Increase (Decrease) -----		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1, 2019	\$16,686,194	\$ 0	\$16,686,194
<hr/>			
Changes for the Year:			
Service Cost	\$ 466,294	\$ 0	\$ 466,294
Interest	721,949	0	721,949
Differences Between Expected and Actual Experience	1,334,377	0	1,334,377
Employer Contributions	0	876,301	(876,301)
Benefit Payments	(876,301)	(876,301)	0
Net Changes	\$ 1,646,319	\$ 0	\$ 1,646,319
<hr/>			
Balances at December 31, 2019	\$18,332,513	\$ 0	\$18,332,513
<hr/>			

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows	Deferred Inflows
Differences in Projected and Actual Experience	\$872,655	\$0
	<hr/>	<hr/>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to other post-retirement benefits will be recognized in other post-retirement benefits expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$461,722
2021	410,933
2022	0
2023	0
2024	0
	<hr/>
	\$872,655
	<hr/>

Annual OPEB Expense

Components of OPEB Expense for the year ended December 31, 2019:

Service Cost	\$ 466,294
Interest	721,949
Differences Between Expected and Actual Experience	<u>461,722</u>
Total OPEB Expense	<u>\$1,649,965</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Police Postretirement Benefits (Continued)

City Contributions

The City's contributions for the year ended December 31, 2019 was \$876,301.

Plan Related Financial Statement Items

As of December 31, 2019 and for the year then ended, the Plan's had the following:

Plan Related Assets	\$ 0
Deferred Outflows of Resources	872,655
Net OPEB Liability	(18,332,513)
Deferred Inflows of Resources	0
OPEB Expense	1,649,965
OPEB Expenditures	876,301

Firemen's Postretirement Benefits Plan

Firemen Plan Description

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

Separate financial statements are not issued for this plan.

Memberships of the plan are as follows:

	<u>12/31/19</u>
Active Members	21
Retirees and Beneficiaries Currently Receiving Benefits	78
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	<u>0</u>
Total	99
	=

Plan Funding

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Firemen's Postretirement Benefits Plan (Continued)

Firemen Plan Description (Continued)

Valuation Date

January 1, 2019

Actuarial Assumptions

Inflation

2.5%

Discount Rate

4.0% (including inflation). The interest rate represents the 20-year AA/Aa municipal bond rates.

Salary Increases

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

Mortality

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

Turnover

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Firemen's Postretirement Benefits Plan (Continued)

Actuarial Assumptions (Continued)

Disability

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

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

Retirement

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

Percent Married

85% of retiring members are assumed to be married at the time of retirement. Female spouses are assumed to be the same age as male spouses.

Member Elections

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

Medicare Eligibility

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

Medical Claims Rates

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Firemen's Postretirement Benefits Plan (Continued)

Actuarial Assumptions (Continued)

Medical Claims Rates (Continued)

<u>Ages</u>	<u>Female Factors</u>	<u>Male Factors</u>
<20	0.500	0.587
20-24	0.394	0.625
25-29	0.410	0.922
30-34	0.515	1.165
35-39	0.646	1.200
40-44	0.805	1.229
45-49	1.016	1.349
50-54	1.339	1.587
55-59	1.740	1.835
60-64	2.233	2.184
65-69	2.786	2.618
70+	3.338	3.087

Medical Inflation

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

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

Census Data

The actuarial valuation was prepared using census data and plan benefits and costs as of January 1, 2019.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

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

Firemen's Postretirement Benefits Plan (Continued)

Actuarial Cost Method

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

Components of Net OPEB Liability as of December 31, 2019 Measurement Date

Total Pension Liability	\$13,055,114
Plan Fiduciary Net Position	<u>0</u>
Net OPEB Liability	<u>\$13,055,114</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Payroll	\$1,362,960
Net Liability as a Percentage of Covered Payroll	957.85%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of December 31, 2019

	1% Decrease <u>3.00%</u>	Current Discount Rate <u>4.00%</u>	1% Increase <u>5.00%</u>
Net Pension Liability	<u>\$14,833,544</u>	<u>\$13,055,114</u>	<u>\$11,597,863</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates as of December 31, 2019

	1% Decrease in Medical <u>Trend Rate</u>	Current Medical <u>Trend Rate</u>	1% Increase in Medical <u>Trend Rate</u>
Net Pension Liability	<u>\$11,539,816</u>	<u>\$13,055,114</u>	<u>\$14,907,258</u>

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

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

Firemen's Postretirement Benefits Plan (Continued)

Investments and Discount Rate

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

Changes in Net OPEB Liability

	----- Increase (Decrease) -----		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1, 2019	\$12,316,484	\$ 0	\$12,316,484
Changes for the Year:			
Service Cost	\$ 209,157	\$ 0	\$ 209,157
Interest	514,083	0	514,083
Differences Between Expect and Actual Experience	637,466	0	637,466
Employer Contributions	0	622,076	(622,076)
Benefit Payments	(622,076)	(622,076)	0
Net Changes	\$ 738,630	\$ 0	\$ 738,630
Balances at December 31, 2019	\$13,055,114	\$ 0	\$13,055,114

Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences in Projected and Actual Experience	\$258,022	\$0

Amounts reported as deferred outflows of resources and deferred inflows of resources related to other post-retirement benefits will be recognized in other post-retirement benefits expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$258,022
2021	0
2022	0
2023	0
2024	0
	<u>\$258,022</u>

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

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

Firemen's Postretirement Benefits Plan (Continued)

Annual OPEB Expense

Components of OPEB Expense for the year ended December 31, 2019:

Service Cost	\$ 209,157
Interest	514,083
Differences Between Expected and Actual Experience	<u>379,444</u>
 Total OPEB Expense	 <u>\$1,102,684</u>

City Contributions

The City's contributions for the year ended December 31, 2019 was \$622,076.

Plan Related Financial Statement Items

As of December 31, 2019 and for the year then ended, the Plan's had the following:

Plan Related Assets	\$ 0
Deferred Outflows of Resources	258,022
Net OPEB Liability	(13,055,114)
Deferred Inflows of Resources	0
OPEB Expense	1,102,684
OPEB Expenditures	622,076

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 \$57,878 have been recorded as a payable in the general fund as of December 31, 2019. 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.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

G. Risk Management (Continued)

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

- a. As respects to the loss comprised of medical and rehabilitation expenses:
 - i. the first \$110,000 incurred during the first retention period
 - ii. the first \$60,000 incurred during the second retention period
 - iii. the first \$50,000 incurred during the third and each other retention period
- b. As respects to the loss comprised of periodic income benefits: The first \$27,000 due during each retention period.
- c. \$450,000, as respects to the loss:
 - i. comprised of liability imposed by law for damages
 - ii. comprised of lump-sum benefits (including lump-sum benefits payable in installments) rather than periodic income benefits
 - iii. for which you purchase an annuity or make other financial arrangement to discharge your liability for payment of periodic income benefits
 - iv. for which any governmental entity requires you to make a deposit to fund the payment of periodic income benefits
- d. subject to a maximum retention of \$450,000

The annual changes to worker's compensation liabilities for claims as of December 31, 2019 are as follows:

<u>January 1, 2019</u>	<u>Net Change</u>	<u>December 31, 2019</u>	<u>Due Within One Year</u>
\$685,820	(\$51,017)	\$634,803	\$ 57,878
=====	=====	=====	=====

The City has recognized, as due within one year, the payments made under the City's self-insured program through March 31, 2020.

H. Lease Obligations

Operating Leases

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

I. Long-Term Debt

General Obligation Note, Series of 2011

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. 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>
04/01/2020	\$ 57,754	\$ 5,172	\$ 62,926	
10/01/2020	59,069	3,857	62,926	\$125,852
04/01/2021	60,325	2,601	62,926	
10/01/2021	<u>62,223</u>	<u>703</u>	<u>62,926</u>	<u>125,852</u>
	\$239,371	\$ 12,333	\$ 251,704	\$ 251,704

General Obligation Notes

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

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

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

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

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. 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>
03/01/2020			\$ 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>
		\$ 790,000	\$ 46,000	\$ 836,000	\$ 836,000

General Obligation Bonds, Series of 2013

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

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

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

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

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
03/01/2020			\$ 2,405	\$ 2,405
09/01/2020	<u>\$185,000</u>	2.6%	<u>2,405</u>	<u>187,405</u>
	\$185,000		\$ 4,810	\$189,810

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.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2014 (Continued)

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%.

These bonds were redeemed in December 2019.

General Obligation Bonds, Series of 2016

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

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

Governmental Activities

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
03/01/2020			\$ 109,957	\$ 109,957	
09/01/2020	\$ 5,000	1.400%	109,957	114,957	\$ 224,914
03/01/2021			109,923	109,923	
09/01/2021	5,000	2.000%	109,923	114,923	224,846
03/01/2022			109,873	109,873	
09/01/2022	420,000	3.000%	109,873	529,873	639,746
03/01/2023			103,572	103,572	
09/01/2023	325,000	2.000%	103,572	428,572	532,144
03/01/2024			100,323	100,323	
09/01/2024	525,000	2.000%	100,323	625,323	725,646
03/01/2025			95,073	95,073	
09/01/2025	540,000	2.000%	95,073	635,073	730,146
03/01/2026			89,672	89,672	
09/01/2026	770,000	2.000%	89,672	859,672	949,344
03/01/2027			81,972	81,972	
09/01/2027	1,625,000	2.100%	81,972	1,706,972	1,788,944
03/01/2028			64,910	64,910	
09/01/2028	1,030,000	2.200%	64,910	1,094,910	1,159,820
03/01/2029			53,580	53,580	
09/01/2029	1,045,000	2.350%	53,580	1,098,580	1,152,160
03/01/2030			41,301	41,301	
09/01/2030	1,075,000	2.350%	41,301	1,116,301	1,157,602
03/01/2031			28,670	28,670	
09/01/2031	1,100,000	2.350%	28,670	1,128,670	1,157,340
03/01/2032			15,745	15,745	
09/01/2032	1,125,000	2.350%	15,745	1,140,745	1,156,490
03/01/2033			2,526	2,526	
09/01/2033	<u>215,000</u>	2.350%	<u>2,526</u>	<u>217,526</u>	<u>220,052</u>
	<u>\$9,805,000</u>		<u>\$2,014,194</u>	<u>\$11,819,194</u>	<u>\$11,819,194</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

I. Long-Term Debt (Continued)

General Obligation Bonds, Series of 2017

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

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

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

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
03/01/2020	\$ 0	2.56%	\$ 114,048	\$ 114,048
09/01/2020	463,000	2.56%	114,048	577,048
03/01/2021	0	2.56%	108,122	108,122
09/01/2021	921,000	2.56%	108,122	1,029,122
03/01/2022	0	2.56%	96,333	96,333
09/01/2022	759,000	2.56%	96,333	855,333
03/01/2023	0	2.56%	86,618	86,618
09/01/2023	699,000	2.56%	86,618	785,618
03/01/2024	0	2.56%	77,670	77,670
09/01/2024	713,000	2.56%	77,670	790,670
03/01/2025	0	2.56%	68,544	68,544
09/01/2025	734,000	2.56%	68,544	802,544
03/01/2026	0	2.56%	59,149	59,149
09/01/2026	750,000	2.56%	59,149	809,149
03/01/2027	0	2.56%	49,549	49,549
09/01/2027	770,000	2.56%	49,549	819,549
03/01/2028	0	2.56%	39,693	39,693
09/01/2028	790,000	2.56%	39,693	829,693
03/01/2029	0	2.56%	29,581	29,581
09/01/2029	555,000	2.56%	29,581	584,581
03/01/2030	0	2.56%	22,477	22,477
09/01/2030	571,000	2.56%	22,477	593,477
03/01/2031	0	2.56%	15,168	15,168
09/01/2031	585,000	2.56%	15,168	600,168
03/01/2032	0	2.56%	7,680	7,680
09/01/2032	<u>600,000</u>	2.56%	<u>7,680</u>	<u>607,680</u>
	<u>\$8,910,000</u>		<u>\$1,549,264</u>	<u>\$10,459,264</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

I. Long-Term Debt (Continued)

General Obligation Note, Series of 2015

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

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

As of December 31, 2019, \$1,513,172 had been drawn on this Note.

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

Governmental Activities

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
04/01/2020	\$ 72,540	2.384%	\$ 12,249	\$ 84,789	
10/01/2020	73,400	2.384%	11,389	84,789	\$ 169,578
04/01/2021	74,280	2.384%	10,509	84,789	
10/01/2021	75,160	2.384%	9,629	84,789	169,578
04/01/2022	76,060	2.384%	8,729	84,789	
10/01/2022	76,970	2.384%	7,819	84,789	169,578
04/01/2023	77,880	2.384%	6,909	84,789	
10/01/2023	78,810	2.384%	5,979	84,789	169,578
04/01/2024	79,750	2.384%	5,039	84,789	
10/01/2024	80,700	2.384%	4,089	84,789	169,578
04/01/2025	81,670	2.384%	3,119	84,789	
10/01/2025	73,020	4.750%*	4,311	77,331	162,120
04/01/2026	74,750	4.750%*	2,577	77,327	
10/01/2026	<u>33,762</u>	<u>4.750%*</u>	<u>802</u>	<u>34,564</u>	<u>111,891</u>
	\$1,028,752		\$ 93,149	\$1,121,901	\$1,121,901

* Interest rate at maximum capped rate of 4.75%.

General Obligation Note, Series A of 2015

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

I. Long-Term Debt (Continued)

General Obligation Note, Series A of 2015 (Continued)

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

These Notes were paid off in December 2019.

General Obligation Note, Series A of 2019

As of December 17, 2019, the City entered into a Note with Webster Public Finance Corporation for a principal amount of \$9,683,000 to retire the City's General Obligation Bonds, Series of 2014 (\$6,350,000) and the City's General Obligation Note, Series of 2015 (\$3,333,000).

The City has covenanted to (i) include the amount of the debt services for the Note in its budget for each year in which an amount is payable; (ii) appropriate such amounts from its general revenues for the payment of such debt service, and (iii) punctually pay the principal of the Note and the interest thereon at the date stated. The City has pledged irrevocably its full faith, credit, and taxing power. Interest on the Note is fixed at 1.959% until August 1, 2027.

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

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
02/01/2020		1.959%	\$ 23,184	\$ 23,184	
08/01/2020	\$1,102,300	1.959%	94,845	1,197,145	\$ 1,220,329
02/01/2021		1.959%	84,048	84,048	
08/01/2021	1,492,600	1.959%	84,048	1,576,648	1,660,696
02/01/2022		1.959%	69,428	69,428	
08/01/2022	1,440,100	1.959%	69,428	1,509,528	1,578,956
02/01/2023		1.959%	55,322	55,322	
08/01/2023	1,649,700	1.959%	55,322	1,705,022	1,760,344
02/01/2024		1.959%	39,163	39,163	
08/01/2024	1,495,500	1.959%	39,163	1,534,663	1,573,826
02/01/2025		1.959%	24,515	24,515	
08/01/2025	1,521,800	1.959%	24,515	1,546,315	1,570,830
02/01/2026		1.959%	9,609	9,609	
08/01/2026	899,600	1.959%	9,609	909,209	918,818
02/01/2027		1.959%	797	797	
08/01/2027	<u>81,400</u>	1.959%	<u>797</u>	<u>82,197</u>	<u>82,994</u>
	<u>\$9,683,000</u>		<u>\$683,793</u>	<u>\$10,366,793</u>	<u>\$10,366,793</u>

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. Long-Term Debt (Continued)

Guaranteed Sewer Revenue Bonds, Series of 2019

On July 11, 2019, the City Issued Sewer Revenue Bonds, Series of 2019 (Bonds) in the amount of \$28,895,000.

The City owns facilities that provide sanitary sewage collection, transmission, and treatment services in the City and neighboring municipalities (the Sewer System). The Sewer System is operated by the Altoona Water Authority (the Authority) under a Sewer System Agreement of Lease, dated March 23, 2011 (the Sewer Lease). Under the Sewer Lease the Authority renders, and bills customers for, Sewer System services and the resulting revenues are applied by the Authority to pay the following, in order of priority: (1) Authority Operating Expenses and Administrative Expenses, (2) all sums due on Authority Sewer Indebtedness, including PENNVEST loans of the Authority, and (3) at least the minimum net rentals due to the City. The amount of such minimum lease rentals must be sufficient to cover at least 100% of the Debt Service Requirements on City Sewer Indebtedness plus supplemental lease rentals that represents the City's rate of return for its ownership of the Sewer System.

These Bonds are secured by all rights, titles, and interest of the City in and to; (1) the annual lease payments receivable by it from the Authority under the Sewer Lease in amounts by fiscal year equal to the principal and interest due on the Bonds, and (2) all Sewer System rates, fees and other revenues received or receivable by the City following any termination of the Sewer Lease, including applicable deposits, accounts and accounts receivable, and which are legally available for the payment of debt service due on the Bonds (collectively, the Sewer Revenues). The City has also covenanted that if the pledged Sewer Revenues are insufficient to pay the Bonds when due the City will pay the balance from its tax and other general revenues (the Guaranty). The City covenants to include the amount of the debt service, or the amount payable in respect of the Guaranty, for each fiscal year of the City in which such sums are payable, in its budget for that year; appropriate such amounts from its Sewer Revenues and, in respect of the Guaranty, from its tax and other general revenues, for the payment of such debt service and Guaranty, respectively; and duly and punctually pay or cause to be paid from the Sinking Fund, or any other of its receipts, revenues, and money pledged hereunder, or, in respect of the Guaranty, from its tax and other general revenues. For such budgeting, appropriation and payment of the Guaranty, the City has pledged, irrevocably, its full faith, credit, and taxing power. The interest rates range from 2.0% to 5.0%.

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>Interest</u>	<u>Annual Debt Service</u>
06/01/2020				\$ 490,866	
12/01/2020	\$ 915,000	5.000	1.680	490,866	\$ 1,896,732
06/01/2021				467,991	
12/01/2021	940,000	5.000	1.720	467,991	1,875,982
06/01/2022				444,491	
12/01/2022	990,000	5.000	1.770	444,490	1,878,981
06/01/2023				419,741	
12/01/2023	1,040,000	5.000	1.820	419,740	1,879,481

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. Long-Term Debt (Continued)

Guaranteed Sewer Revenue Bonds, Series of 2019 (Continued)

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>Interest</u>	<u>Annual Debt Service</u>
06/01/2024				\$ 393,741	
12/01/2024	\$ 1,090,000	5.000	1.900	393,740	\$ 1,877,481
06/01/2025				366,491	
12/01/2025	1,145,000	5.000	1.950	366,490	1,877,981
06/01/2026				337,866	
12/01/2026	1,205,000	5.000	2.000	337,865	1,880,731
06/01/2027				307,741	
12/01/2027	1,265,000	5.000	2.090	307,740	1,880,481
06/01/2028				276,116	
12/01/2028	1,330,000	2.250	2.450	276,115	1,882,231
06/01/2029				261,153	
12/01/2029	1,355,000	2.375	2.550	261,153	1,877,306
06/01/2030				245,063	
12/01/2030	1,395,000	2.750	2.920	245,062	1,885,125
06/01/2031				225,882	
12/01/2031	1,425,000	2.750	2.920	225,881	1,876,763
06/01/2032				206,288	
12/01/2032	1,470,000	2.750	2.920	206,287	1,882,575
06/01/2033				186,075	
12/01/2033	1,510,000	3.000	3.050	186,075	1,882,150
06/01/2034				163,425	
12/01/2034	1,555,000	3.000	3.050	163,425	1,881,850
06/01/2035				140,100	
12/01/2035	1,600,000	3.000	3.050	140,100	1,880,200
06/01/2036				116,100	
12/01/2036	1,650,000	3.000	3.100	116,100	1,882,200
06/01/2037				91,350	
12/01/2037	1,695,000	3.000	3.100	91,350	1,877,700
06/01/2038				65,925	
12/01/2038	1,750,000	3.000	3.100	65,925	1,881,850
06/01/2039				39,675	
12/01/2039	1,795,000	3.000	3.100	39,675	1,874,350
06/01/2040				12,750	
12/01/2040	<u>850,000</u>	3.000	3.100	<u>12,750</u>	<u>875,500</u>
	<u>\$27,970,000</u>			<u>\$10,517,650</u>	<u>\$38,487,650</u>

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended December 31, 2019 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	26,483,000	0	(7,583,000)	18,900,000	653,000
General Obligation Notes	6,671,938	9,800,674	(4,731,489)	11,741,123	2,025,063
Guaranteed Sewer Revenue Bonds (1)	0	28,895,000	(925,000)	27,970,000	915,000
Accumulated Compensated Absences	3,090,052	42,154	0	3,132,206	87,787
Capital Lease Obligation	1,374,377	20,523	(157,586)	1,237,314	156,223
Net Pension Liability	37,051,003	0	(9,592,729)	27,458,274	0
Net OPEB Liability	<u>29,002,678</u>	<u>2,384,949</u>	<u>0</u>	<u>31,387,627</u>	<u>0</u>
Total Government Activity Long-Term Liabilities	<u>\$104,249,973</u>	<u>\$41,143,300</u>	<u>(\$22,989,804)</u>	<u>\$122,403,469</u>	<u>\$3,835,073</u>

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 2020.

(1) – Paid by Altoona Water Authority

Component Units

Altoona Water Authority

Loans Payable - PENNVEST

The capital debt of the Authority has been obtained primarily by borrowing from Pennsylvania Infrastructure Investment Authority (PENNVEST) and issuing revenue bonds. Long-Term bonds and notes issued and outstanding as of December 31, 2019 are as follows:

Water Division

PENNVEST loan no. 50035, issued November 7, 1994 in the original amount of \$20,000,000, repayable in monthly installments of \$71,518 including interest at an annual rate of 1%. \$4,115,827

PENNVEST loan no. 12590 issued January 7, 2003 in the original amount of \$7,204,016, repayable in monthly installments of \$32,818 including interest at an annual rate of 1%. 1,982,231

PENNVEST loan no. 89197 issued June 28, 2013, in the original amount of \$6,466,636 currently repayable in interest only payments until closing. The interest rate is fixed at 1%. 4,507,095

Total - Water Division \$10,605,153

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. Long-Term Debt (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Loans Payable - PENNVEST (Continued)

Wastewater Division

PENNVEST loan no. 27787 issued February 16, 2010, in the original amount of \$20,000,000, repayable in monthly installments of \$94,444 including interest. The interest rate is fixed at 1.274% for the first 5 years and then adjusts to 2.547% for the remaining 15 years. \$13,412,059

PENNVEST loan no. 72400 issued April 20, 2011, in the original amount of \$10,000,000, repayable in monthly installments of \$32,164 including interest. The interest rate is fixed at 1.00%. 7,299,843

PENNVEST loan no. 71402 issued September 2, 2014, in the original amount of \$6,116,523 currently repayable in monthly installments of \$28,120 including interest. The interest rate is fixed at 1.00%. 4,915,319

PENNVEST loan no. 75334 issued January 3, 2019, in the original amount of \$11,695,000 repayable in monthly installments of \$37,616 including interest, commencing June 1, 2021. The interest rate is fixed at 1.00%. As of December 31, 2019, \$3,363,212 had been advanced on this loan. 3,363,212

Total Wastewater Division \$28,990,443

Total PENNVEST \$39,595,586

Less: Current Portion (2,981,940)

Net PENNVEST Long Term Position \$36,613,646

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

Aggregate payments due under the loans are as follows:

	<u>Water Principal</u>	<u>Water Interest</u>	<u>Water Total</u>	<u>Sewer Principal</u>	<u>Sewer Interest</u>	<u>Sewer Total</u>
2020	\$ 1,509,760	\$ 99,144	\$ 1,608,904	\$ 1,472,180	\$ 483,899	\$ 1,956,079
2021	1,524,927	83,977	1,608,904	1,745,561	454,560	2,200,121
2022	1,540,246	68,658	1,608,904	1,953,132	421,055	2,374,187
2023	1,555,720	53,184	1,608,904	1,987,790	386,397	2,374,187
2024	1,499,830	37,556	1,537,386	2,023,183	351,004	2,374,187

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. Long-Term Debt (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

	<u>Water Principal</u>	<u>Water Interest</u>	<u>Water Total</u>	<u>Sewer Principal</u>	<u>Sewer Interest</u>	<u>Sewer Total</u>
2025-2029	\$ 1,745,426	\$104,590	\$ 1,850,016	\$10,294,517	\$1,198,551	\$11,493,068
2030-2034	1,229,244	22,193	1,251,437	6,369,130	351,687	6,720,817
2035-2039	0	0	0	1,874,079	106,158	1,980,237
2040-2043	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,270,861</u>	<u>24,508</u>	<u>1,295,369</u>
	<u>\$10,605,153</u>	<u>\$469,302</u>	<u>\$11,074,455</u>	<u>\$28,990,433</u>	<u>\$3,777,819</u>	<u>\$32,768,252</u>

Loans Payable - Bank

On March 8, 2018, the Authority secured a \$3,400,000 Water Revenue Note Series of 2018. The note is considered a demand note and functions like a line of credit to draw down and is payable biannually for interest only at a variable interest rate based on 30 day LIBOR, rounded, plus 1% basis points, starting at 2.75%. The note has no prepayment penalty and is due to be paid in full by March 8, 2020. During the years ended December 31, 2019 and 2018, the Authority had drawn \$968,966 and \$1,464,081, respectively, to finance capital purchases, the full amount (\$2,433,047) of which remains outstanding at December 31, 2019.

Water Revenue Refunding Bond - Series 2007

During 2007, the Authority issued Water Revenue Refunding Bonds, Series of 2007 in the amount of \$47,740,000. The bonds were issued to advance-refund the remaining principal of the 1997 and 1994 Bond series. The 2007 Bonds also bear a fixed interest rate lower than the 1997 and 1994 series. Remaining principal and interest requirements on the bonds for each year are as follows: These bonds matured in 2019.

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

During 2010, the Authority issued Sewer Revenue Bonds, Series B of 2010 in the amount of \$16,340,000. The bonds were issued to finance various capital improvements.

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

These bonds were retired in 2019 by the City of Altoona, using the proceeds from the City's Guaranteed Sewer Revenue Bonds, Series of 2019.

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

During 2010, the Authority issued Sewer Revenue Bonds, Series C of 2010 in the amount of \$15,745,000. The bonds were issued to finance various capital improvements.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

I. Long-Term Debt (Continued)

Component Units (Continued)

Altoona Water Authority (Continued)

Sewer Revenue Bonds - Series C of 2010, Build America Bonds (Continued)

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

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

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

These bonds were retired in 2019 by the City of Altoona, using the proceeds from the City's Guaranteed Sewer Revenue Bonds, Series of 2019.

Unearned Interest

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

The Authority has received gross fees under this arrangement aggregating \$640,640. At December 31, 2019, accumulated accretion was \$640,640. During 2019, the Authority recognized \$52,655 of interest income.

The Parking Authority of the City of Altoona

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. This loan was paid off in May 2019.

Efficiency Edge Project Loan

On September 29, 2015, the Authority entered into an agreement with Direct Energy to provide financing in the amount of \$87,833 for its LED lighting project, with a fixed interest rate of 7.5%, which will be paid in 120 monthly payments of \$1,760. This loan was paid off in May 2019.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)**

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

I. Long-Term Debt (Continued)

Component Units (Continued)

The Parking Authority of the City of Altoona (Continued)

Term Loan

On May 17, 2019, the Authority entered into a \$200,000 term note agreement with M&T Bank, with a fixed interest rate of 3.86%, which will be repaid in 96 monthly payments of \$2,425, including interest, with a final maturity of June 15, 2027. This loan is secured by all of the revenues and assets owned by the Authority.

The debt service requirements of the above debt are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 22,257	\$ 6,843	\$ 29,100
2021	23,132	5,968	29,100
2022	24,040	5,060	29,100
2023	24,985	4,115	29,100
2024	25,967	3,133	29,100
2025-2027	<u>66,874</u>	<u>3,276</u>	<u>70,150</u>
Total	<u>\$187,255</u>	<u>\$28,395</u>	<u>\$215,650</u>

Change in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2019:

<u>Description and Purpose</u>	<u>Balance January 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2019</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
Term Note Payable	\$ 0	\$200,000	(\$12,745)	\$187,255	\$22,257
Façade Loan	7,996	0	(7,996)	0	0
Efficiency Edge Project Loan	<u>39,111</u>	<u>0</u>	<u>(39,111)</u>	<u>0</u>	<u>0</u>
	<u>\$47,107</u>	<u>\$200,000</u>	<u>(\$59,852)</u>	<u>\$187,255</u>	<u>\$22,257</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

J. Lease Obligations

1. 2017 Capital Lease

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

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ended December 31</u>	<u>Governmental Activities</u>
2020	\$ 8,091
2021	<u>8,091</u>
Total Minimum Lease Payments	\$16,182
Less: Amount Representing Interest	(<u>768</u>)
Present Value of Minimum Lease Payments	<u>\$15,414</u>

2. 2017 Capital Lease - Fire Department

In 2017, the City entered into a lease agreement as lessee for financing the acquisition of a new Custom Rosenbauer Pumper Truck for the fire department valued at \$514,244. The equipment will not be placed into service until 2019. The amount of \$104,102 was included in depreciation expense in the current year. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ended December 31</u>	<u>Governmental Activities</u>
2020	\$103,651
2021	103,651
2022	<u>103,651</u>
Total Minimum Lease Payments	\$310,953
Less: Amount Representing Interest	(<u>17,505</u>)
Present Value of Minimum Lease Payments	<u>\$293,448</u>

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

J. Lease Obligations (Continued)

3. 2018 Capital Lease - Fire Department

In 2018, the City entered into a lease agreement as lessee for financing the acquisition of a new Custom Rosenbauer Aerial Truck for the fire department valued at \$960,364. The equipment will not be placed into service until 2019. The amount of \$192,079 was included in depreciation expense in the current year. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ended December 31</u>	<u>Governmental Activities</u>
2020	\$ 86,345
2021	86,345
2022	86,346
2023	86,345
2024	86,345
2025-2029	431,727
2030-2033	<u>345,382</u>
Total Minimum Lease Payments	\$1,208,835
Less: Amount Representing Interest	(<u>296,424</u>)
Present Value of Minimum Lease Payments	<u>\$ 912,411</u>

4. 2019 Capital Lease – Codes Department

In 2019, the City entered into a lease agreement as lessee for financing the acquisition of a new 2019 Ford Escape SE 4WD vehicle for the Codes Department valued at \$23,523, before a trade-in allowance of \$3,000. The equipment has a five-year estimated useful life. The amount of \$4,105 was included in depreciation expense in the current year. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

J. Lease Obligations (Continued)

4. 2019 Capital Lease – Codes Department (Continued)

<u>Year Ended December 31</u>	<u>Governmental Activities</u>
2020	\$ 4,481
2021	4,481
2022	4,481
2023	<u>4,481</u>
Total Minimum Lease Payments	\$17,924
Less: Amount Representing Interest	(<u>1,883</u>)
Present Value of Minimum Lease Payments	<u>\$16,041</u>

K. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2019 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	\$ 73,825
General Fund	Altoona Public Access	6,000
Recreation Capital Reserve	General Fund	2,313
General Fund	Highway Aid Fund	8,152
General Fund	Capital Expenditures	314,408
General Fund	Act 205 Pension Fund	8,855
General Fund	Martin Goodman Trust	<u>500</u>
Total		<u>\$414,053</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, 2019
(CONTINUED)**

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

L. Interfund Transfers

<u>Transfers Out</u>	----- <u>Transfer In</u> -----						<u>Total</u>
	<u>General Fund</u>	<u>Special Reserves</u>	<u>Grant Match Program</u>	<u>Equipment Replacement Fund</u>	<u>Special Investigations</u>	<u>Recreation Project</u>	
Highway Aid Fund	\$ 456,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 456,700
Act 205 Pension Fund	3,937,997	0	0	0	0	0	3,937,997
General Fund	0	1,442,646	1,000,000	1,453,484	30,000	6,230	3,932,360
Justice Grant Trust Fund	14,901	0	0	0	0	0	14,901
Special Reserve Fund	0	0	0	4,322,516	0	0	4,322,516
Major Disaster	24,442	0	0	0	0	0	24,442
Schulman Acquisition Account	913	0	0	0	0	0	913
Chief's Reserved Fund	759	0	0	0	0	0	759
Residential Land Bank	137,116	0	0	0	0	0	137,116
Board Avenue Curb and Sidewalk	35	0	0	0	0	0	35
Total	\$4,572,863	\$1,442,646	\$1,000,000	\$5,776,000	\$30,000	\$6,230	\$12,827,739

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 2019, the Commonwealth of Pennsylvania paid to the City \$1,578,639 for on-behalf payments for pensions of City employees.

N. Cooperation Agreement - Altoona Water Authority

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

O. Contingent Liabilities

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

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

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(CONTINUED)

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

O. Contingent Liabilities (Continued)

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

P. Prior Period Adjustment

During the current year, management determined that the City has owned 219 shares of the stock since the demutualized. As a result, unassigned fund balance, as of December 31, 2018 was understated by \$9,258.

Q. Subsequent Events

The date to which events occurring after December 31, 2019, the date of the most recent balance sheet, have been evaluated by management for possible adjustment to the financial statements or disclosure is June 9, 2020, which is the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic, and the City expects its operations to be affected. The City has adjusted certain aspects of its operations to protect its employees, customers, and residents, while still meeting customers' and residents' needs. The City will continue to monitor the situation closely and it is possible that the City will implement further measures. In light of the uncertainty as to the severity and duration of the pandemic, the impact on the City's revenues, expenditures, and financial position is uncertain at this time.

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

Total Pension Liability

As of and for Year Ended December 31, 2019

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Service Cost	\$ 416,352	\$ 604,076	\$ 869,877
Interest	1,589,582	3,311,173	3,674,539
Differences between Expected and Actual Experience	(1,099,110)	0	(4,212,507)
Benefit Payments	(1,141,620)	(3,019,750)	(3,268,799)
Net Change in Total Pension Liability	(\$ 234,796)	\$ 895,499	(\$ 2,936,890)
<u>Total Pension Liability</u> - Beginning	<u>23,168,854</u>	<u>49,638,541</u>	<u>53,285,162</u>
<u>Total Pension Liability</u> - Ending	<u>\$22,934,058</u>	<u>\$50,534,040</u>	<u>\$50,348,272</u>

Plan's Fiduciary Net Position

As of and for Year Ended December 31, 2019

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Contributions - Employer (1)	\$ 577,405	\$ 2,299,876	\$ 2,639,355
Contributions - Employees	215,348	227,862	197,326
Net Investment Income	1,775,610	3,430,781	3,465,153
Benefit Payments	(1,141,620)	(3,019,750)	(3,268,799)
Administrative Expense	(60,083)	(10,012)	(11,910)
Net Change in Plan's Fiduciary Net Position	\$ 1,366,660	\$ 2,928,757	\$ 3,021,125
<u>Plan's Fiduciary Net Position</u> - Beginning	<u>17,930,404</u>	<u>35,508,802</u>	<u>35,602,348</u>
<u>Plan's Fiduciary Net Position</u> - Ending	<u>\$19,297,064</u>	<u>\$38,437,559</u>	<u>\$38,623,473</u>
<u>City's Net Position Liability</u> - Ending	<u>\$ 3,636,994</u>	<u>\$12,096,481</u>	<u>\$11,724,799</u>

(1) - Included State Aid

Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	84.1%	76.06%	76.71%
Estimated Covered Payroll	\$ 4,416,048	\$ 4,429,587	\$ 3,979,021
Net Pension Liability as a Percentage of Covered Payroll	82.40%	273.08%	294.67%

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

Total Pension Liability

As of and for Year Ended December 31, 2018

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

Plan's Fiduciary Net Position

As of and for Year Ended December 31, 2018

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

(1) - Included State Aid

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

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

Total Pension Liability

As of and for Year Ended December 31, 2017

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

Plan's Fiduciary Net Position

As of and for Year Ended December 31, 2017

	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Contributions - Employer (1)	\$ 582,815	\$ 2,651,796	\$ 2,568,624
Contributions - Employees	209,817	233,341	198,443
Net Investment Income	2,446,581	5,088,928	5,243,966
Benefit Payments	(1,033,681)	(2,885,118)	(3,148,214)
Administrative Expense	(<u>59,574</u>)	(<u>8,702</u>)	(<u>25,246</u>)
Net Change in Plan's Fiduciary Net Position	\$ 2,145,958	\$ 5,080,245	\$ 4,837,573
<u>Plan's Fiduciary Net Position</u> - Beginning	<u>17,792,598</u>	<u>34,280,643</u>	<u>35,172,196</u>
<u>Plan's Fiduciary Net Position</u> - Ending	<u>\$19,938,556</u>	<u>\$39,360,888</u>	<u>\$40,009,769</u>
<u>City's Net Position Liability</u> - Ending	<u>\$ 2,287,799</u>	<u>\$10,945,714</u>	<u>\$12,128,411</u>

(1) - Included State Aid

Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	89.7%	78.24%	76.74%
Estimated Covered Payroll	\$4,172,831	\$ 3,925,817	\$ 3,666,874
Net Pension Liability as a Percentage of Covered Payroll	54.8%	278.81%	330.76%

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

Total Pension Liability

As of and for Year Ended December 31, 2016

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

Plan's Fiduciary Net Position

As of and for Year Ended December 31, 2016

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

(1) - Included State Aid

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

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

Total Pension Liability

As of and for Year Ended December 31, 2015

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

Plan's Fiduciary Net Position

As of and for Year Ended December 31, 2015

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

(1) - Included State Aid

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

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

	----- 2019 -----		
	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Actuarially Determined Contribution	\$ 577,405	\$2,299,876	\$2,639,355
City Contribution	<u>577,405</u>	<u>2,299,876</u>	<u>2,639,355</u>
Contribution Deficiency	\$ 0	\$ 0	\$ 0
Covered Payroll	<u>\$4,416,048</u>	<u>\$4,429,587</u>	<u>\$3,392,973 (1)</u>
Contribution as a Percentage of Covered Payroll	<u>13.1%</u>	<u>51.921%</u>	<u>77.79%</u>
	----- 2018 -----		
	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Actuarially Determined Contribution	\$ 588,619	\$2,669,372	\$2,561,844
City Contribution	<u>588,619</u>	<u>2,669,372</u>	<u>2,561,844</u>
Contribution Deficiency	\$ 0	\$ 0	\$ 0
Covered Payroll	<u>\$4,199,354</u>	<u>\$4,077,231</u>	<u>\$3,467,438 (1)</u>
Contribution as a Percentage of Covered Payroll	<u>14.0%</u>	<u>65.47%</u>	<u>73.88%</u>
	----- 2017 -----		
	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Actuarially Determined Contribution	\$ 582,815	\$2,651,796	\$2,568,624
City Contribution	<u>582,815</u>	<u>2,651,796</u>	<u>2,568,624</u>
Contribution Deficiency	\$ 0	\$ 0	\$ 0
Covered Payroll	<u>\$4,172,831</u>	<u>\$3,925,817</u>	<u>\$3,558,221 (1)</u>
Contribution as a Percentage of Covered Payroll	<u>14.0%</u>	<u>67.548%</u>	<u>72.19%</u>

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

	----- 2016 -----		
	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Actuarially Determined Contribution	\$ 492,824	\$2,175,571	\$3,084,533
City Contribution	<u>492,824</u>	<u>2,175,571</u>	<u>3,084,533</u>
Contribution Deficiency	\$ 0	\$ 0	\$ 0
Covered Payroll	<u>\$4,111,031</u>	<u>\$4,181,246</u>	<u>\$4,026,014 (1)</u>
Contribution as a Percentage of Covered Payroll	<u>12.0%</u>	<u>52.032%</u>	<u>76.62%</u>
	----- 2015 -----		
	<u>NUPP</u>	<u>PPP</u>	<u>PFPP</u>
Actuarially Determined Contribution	\$ 500,327	\$2,194,478	\$3,039,983
City Contribution	<u>500,327</u>	<u>2,194,478</u>	<u>3,039,983</u>
Contribution Deficiency	\$ 0	\$ 0	\$ 0
Covered Payroll	<u>\$4,226,241</u>	<u>\$4,127,756</u>	<u>\$3,823,241 (1)</u>
Contribution as a Percentage of Covered Payroll	<u>11.8%</u>	<u>53.164%</u>	<u>79.51%</u>

(1) - Amount used from Minimum Municipal Obligation

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

	<u>Altoona Non-Uniformed Employee Pension Plan</u>	<u>Altoona Police Pension Plan</u>	<u>Altoona Paid Firemen's Pension Plan</u>
Valuation date	01/01/19	01/01/19	01/01/19
Actuarial cost method	Entry age	Entry age normal	Entry age normal
Amortization method	Level Dollar Closed	Level Dollar	Level Dollar
Remaining Amortization period	10 Years	15 Years	18 Years
Actuarial asset valuation method	4 year smoothing	5 year smoothing Asset Corridor ± 20%	Fair Value
Actuarial assumptions:			
Investment rate of return	7.25%	7.25%	7.0%
Projected salary increases	4.5%	4.5%	4.5%
Actuarial assumptions:			
Post-retirement benefit increases	None	Every officer in good standing who retires on or after January 1, 1996, shall receive an annual cost of living adjustment, not to exceed 50% of the original benefit. The annual adjustment will be based on the annual percentage increase in the Consumer Price Index on a year basis from October to October of the prior year. In addition to the 50% maximum, such accumulated COLA increases shall not at any time exceed 50% of the current salary being paid patrolmen of the highest pay grade. Not available to officers hired after 2013.	For retirements after December 31, 1995, annual increases are based on the CPI, capped at 50% of the original benefit. At no time can the total pension benefit received exceed 50% of the salary paid to fireman of the highest pay grade. Not applicable to Post-2013 hires.
Inflation	3%	2.25%	2.5%
Mortality	RP-2000 Combined Healthy Mortality Table, with disabled lives set forward 5 years for disabled lives.	RP 2000 Gen Scale AA, set forward 10 years for disable lives.	Generational, AA
Disability Retirement	For total and permanent Disablement which occurs After the completion of 10 years of service, the member will receive their Normal Retirement Benefit.	1992 Railroad Retirement Board	If disabled in line of duty, same benefit as Retirement Benefit. If non-service related, 50% of monthly compensation at date of disability; if less than 10 years of service, 25% of monthly compensation.
Retirement	Age 60 and 20 years of service.	Latter of age 54 and 20 years of service.	20 years of service.

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

Total OPEB Liability

	<u>As of and for the Year Ended December 31, 2019</u>	<u>As of and for the Year Ended December 31, 2018</u>
Service Cost	\$ 466,294	\$ 552,195
Interest	721,949	659,843
Differences Between Expected and Actual Experience	1,334,377	0
Benefit Payments	(876,301)	(939,463)
Net Change in Total Pension Liability	\$ 1,646,319	(\$ 272,575)
<u>Total Pension Liability</u> – Beginning	<u>16,686,194</u>	<u>16,413,619</u>
<u>Total Pension Liability</u> – Ending	<u>\$18,332,513</u>	<u>\$16,686,194</u>

City's Fiduciary Net Position

Net Change in Plan's Fiduciary Net Position	\$ 0	\$ 0
<u>Plan's Fiduciary Net Position</u> – Beginning	<u>0</u>	<u>0</u>
<u>Plan's Fiduciary Net Position</u> – Ending	<u>\$ 0</u>	<u>\$ 0</u>

<u>City's Net OPEB Liability</u> – Ending	<u>\$18,332,513</u>	<u>\$16,686,194</u>
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Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%	0%
Estimated Covered Employee Payroll	\$ 3,446,332	\$ 3,062,984
Net Pension Liability as a Percentage of Covered Employee Payroll	531.94%	544.77%

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

	<u>Year Ending December 31, 2019</u>	<u>Year Ending December 31, 2018</u>
<u>Schedule of Contributions</u>		
Actuarially Determined Contribution	\$1,674,707	\$1,639,115
City Contribution	<u>876,301</u>	<u>939,463</u>
Contribution Deficiency	<u>\$ 798,406</u>	<u>\$ 699,652</u>
Covered Employee Payroll	<u>\$3,446,332</u>	<u>\$3,343,406</u>
Contribution as a Percentage of Covered Employee Payroll	<u>25.43%</u>	<u>28.10%</u>
<u>Schedule of Investment Returns</u>		
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>N/A</u>	<u>N/A</u>

**CITY OF ALTOONA
REQUIRED SUPPLEMENTARY INFORMATION
OPEB LIABILITY INFORMATION RELATED TO SINGLE EMPLOYER PLAN - POLICE PLAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

	<u>Year Ending December 31, 2019</u>	<u>Year Ending December 31, 2018</u>
<u>Plan Membership</u>		
Retirees or Beneficiaries Receiving Benefits	38	38
Terminated Members Entitled to But Not Yet Receiving Benefits	0	0
Active Plan Members	<u>89</u>	<u>95</u>
Total	127	133

	<u>Year Ending December 31, 2019</u>	<u>Year Ending December 31, 2018</u>
<u>Components of the Net OPEB Liability</u>		
Total OPEB Liability	\$18,332,513	\$16,686,194
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>
Net OPEB Liability	<u>\$18,332,513</u>	<u>\$16,686,194</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

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

	<u>1% Decrease 3.00%</u>	<u>Current Discount Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Net OPEB Liability	<u>\$20,845,866</u>	<u>\$18,332,513</u>	<u>\$16,274,250</u>

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

	<u>1% Decrease in Medical Trend Rate</u>	<u>Current Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rate</u>
Net OPEB Liability	<u>\$16,055,240</u>	<u>\$18,332,513</u>	<u>\$21,154,987</u>

**CITY OF ALTOONA
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - POLICE PLAN
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Valuation Date

January 1, 2019

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Dollar, Closed

Remaining Amortization Period

21.0 Years

Actuarial Asset Valuation Method

Market Value

Discount Rate

4.00% per annum

Inflation

2.5%

Interest Rate

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

Salary Increases

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

Mortality

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

Turnover

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

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

**CITY OF ALTOONA
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - POLICE PLAN
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 (CONTINUED)**

Disability

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

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

Retirement

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

Percent Married

85% of retiring members are assumed to be married at the time of retirement. Female spouses are assumed to be the same age as male spouses.

Member Elections

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

Medicare Eligibility

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

Medical Claims Rates

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

<u>Ages</u>	<u>Female Factors</u>	<u>Male Factors</u>
<20	0.500	0.587
20-24	0.394	0.625
25-29	0.410	0.922
30-34	0.515	1.165
35-39	0.646	1.200
40-44	0.805	1.229
45-49	1.016	1.349
50-54	1.339	1.587
55-59	1.740	1.835
60-64	2.233	2.184
65-69	2.786	2.618
70+	3.338	3.087

**CITY OF ALTOONA
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - POLICE PLAN
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 (CONTINUED)**

Medical Inflation

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

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

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

Total OPEB Liability

	<u>As of and for the Year Ended December 31, 2019</u>	<u>As of and for the Year Ended December 31, 2018</u>
Service Cost	\$ 209,157	\$ 210,464
Interest	514,083	490,495
Differences Between Expected and Actual Experience	637,466	0
Benefit Payments	(622,076)	(872,776)
 Net Change in Total Pension Liability	 \$ 738,630	 (\$ 171,817)
<u>Total Pension Liability</u> – Beginning	<u>12,316,484</u>	<u>12,488,301</u>
<u>Total Pension Liability</u> – Ending	<u>\$13,055,114</u>	<u>\$12,316,484</u>
 <u>City's Fiduciary Net Position</u>		
Net Change in Plan's Fiduciary Net Position	\$ 0	\$ 0
<u>Plan's Fiduciary Net Position</u> – Beginning	<u>0</u>	<u>0</u>
<u>Plan's Fiduciary Net Position</u> – Ending	<u>\$ 0</u>	<u>\$ 0</u>
 <u>City's Net OPEB Liability</u> – Ending	 <u>\$13,055,114</u>	 <u>\$12,316,484</u>
 Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	 0%	 0%
Estimated Covered Employee Payroll	\$ 1,362,960	\$ 1,536,846
Net Pension Liability as a Percentage of Covered Employee Payroll	957.85%	801.41%

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

	<u>Year Ending December 31, 2019</u>	<u>Year Ending December 31, 2018</u>
<u>Schedule of Contributions</u>		
Actuarially Determined Contribution	\$1,039,071	\$ 996,299
City Contribution	<u>622,076</u>	<u>872,776</u>
Contribution Deficiency	\$ 416,995	\$ 123,523
	=====	=====
Covered Employee Payroll	\$1,362,960	\$1,536,846
	=====	=====
Contribution as a Percentage of Covered Employee Payroll	45.64%	56.79%
	=====	=====
<u>Schedule of Investment Returns</u>		
Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A	N/A
	=====	=====

**CITY OF ALTOONA
REQUIRED SUPPLEMENTARY INFORMATION
OPEB LIABILITY INFORMATION RELATED TO SINGLE EMPLOYER PLAN - FIREMEN'S PLAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

	<u>Year Ending December 31, 2019</u>	<u>Year Ending December 31, 2018</u>
<u>Plan Membership</u>		
Retirees or Beneficiaries Receiving Benefits	78	80
Terminated Members Entitled to But Not Yet Receiving Benefits	0	0
Active Plan Members	<u>21</u>	<u>23</u>
Total	99	103
	=	=

	<u>Year Ending December 31, 2019</u>	<u>Year Ending December 31, 2018</u>
<u>Components of the Net OPEB Liability</u>		
Total OPEB Liability	\$13,055,114	\$12,316,484
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>
Net OPEB Liability	<u>\$13,055,114</u>	<u>\$12,316,484</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

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

	<u>1% Decrease 3.00%</u>	<u>Current Discount Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Net OPEB Liability	<u>\$14,833,544</u>	<u>\$13,055,114</u>	<u>\$11,597,863</u>

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

	<u>1% Decrease in Medical Trend Rate</u>	<u>Current Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rate</u>
Net OPEB Liability	<u>\$11,539,816</u>	<u>\$13,055,114</u>	<u>\$14,907,258</u>

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - FIREMEN'S PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Valuation Date

January 1, 2019

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Dollar, Closed

Remaining Amortization Period

24.0 Years

Actuarial Asset Valuation Method

Market Value

Discount Rate

4.00% per annum

Inflation

2.5%

Interest Rate

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

Salary Increases

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

Mortality

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

Turnover

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - FIREMEN'S PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

Disability

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

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

Retirement

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

Percent Married

85% of retiring members are assumed to be married at the time of retirement. Female spouses are assumed to be the same age as male spouses.

Member Elections

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

Medicare Eligibility

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

Medical Claims Rates

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

<u>Ages</u>	<u>Female Factors</u>	<u>Male Factors</u>
<20	0.500	0.587
20-24	0.394	0.625
25-29	0.410	0.922
30-34	0.515	1.165
35-39	0.646	1.200
40-44	0.805	1.229
45-49	1.016	1.349
50-54	1.339	1.587
55-59	1.740	1.835
60-64	2.233	2.184
65-69	2.786	2.618
70+	3.338	3.087

**REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER - FIREMEN'S PLAN
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 (CONTINUED)**

Medical Inflation

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

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLAR)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Revenue</u>			
Taxes	\$17,359,135	\$17,359,135	\$17,807,631
Licenses and Permits	1,412,355	1,412,355	1,635,058
Fines and Forfeits	204,750	204,750	118,432
Interest, Rents, and Royalties	272,006	272,006	217,708
Intergovernmental Revenue	6,448,935	6,448,935	3,155,969
Charges for Services (Departmental Earnings)	673,970	673,970	5,142,154
Miscellaneous Revenue	<u>65,600</u>	<u>65,600</u>	<u>14,206</u>
 Total Revenue	 \$26,436,751	 \$26,436,751	 \$28,091,158
<u>Expenditures</u>			
General Government	\$ 2,712,094	\$ 2,712,094	\$ 2,779,362
Public Safety (Protections to Persons and Property)	14,040,356	14,040,356	13,384,056
Public Works – Sanitation	58,000	58,000	58,739
Public Works - Highways, Roads, and Streets	3,692,606	3,692,606	3,894,018
Other Public Works Enterprises	371,352	371,352	754,010
Culture – Recreation	360,998	360,998	325,239
Community Development	864,581	864,581	881,959
Debt Service	3,467,092	3,467,092	13,341,768
Employee Paid Benefits	5,516,636	5,516,636	5,521,902
Insurance	217,067	217,067	354,501
Miscellaneous Expenditures	<u>12,000</u>	<u>12,000</u>	<u>46,635</u>
 Total Expenditures	 \$31,312,782	 \$31,312,782	 \$41,342,189
 Excess (Deficiency) of Revenue Over (Under) Expenditures	 (\$ 4,876,031)	 (\$ 4,876,031)	 (\$13,251,031)
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets	\$ 29,500	\$ 29,500	\$ 112,488
Proceeds from Borrowing	0	0	9,683,000
Proceeds from Capital Lease	0	0	20,523
Transfers In	5,025,782	5,025,782	4,572,863
Transfers Out	(175,000)	(175,000)	(3,932,360)
 Total Other Financing Sources (Uses)	 \$ 4,880,282	 \$ 4,880,282	 \$10,456,514
 Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	 \$ 4,251	 \$ 4,251	 (\$ 2,794,517)
<u>Fund Balance - Beginning</u>			
	\$15,065,139	\$15,065,139	\$ 9,430,428
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>9,258</u>
<u>Fund Balance - Beginning (Restated)</u>	\$15,065,139	\$15,065,139	\$ 9,439,686
 <u>Fund Balance - Ending</u>	 \$15,069,390	 \$15,069,390	 \$ 6,645,169

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HIGHWAY AID FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Revenue</u>			
Interest, Rents, and Royalties	\$ 5,000	\$ 5,000	\$ 13,312
Intergovernmental Revenue	1,824,474	1,824,474	1,533,791
Miscellaneous Revenue	<u>10,000</u>	<u>10,000</u>	<u>79,732</u>
Total Revenue	<u>\$1,839,474</u>	<u>\$1,839,474</u>	<u>\$1,626,835</u>
<u>Expenditures</u>			
Public Works - Highway, Roads, and Streets	<u>\$1,382,774</u>	<u>\$1,382,774</u>	<u>\$1,149,071</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ 456,700</u>	<u>\$ 456,700</u>	<u>\$ 477,764</u>
<u>Other Financing (Uses)</u>			
Transfers Out	<u>(\$ 456,700)</u>	<u>(\$ 456,700)</u>	<u>(\$ 456,700)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,064</u>
<u>Fund Balance</u> - Beginning	<u>0</u>	<u>0</u>	<u>873,252</u>
<u>Fund Balance</u> - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 894,316</u>

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND AND HIGHWAY AID FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019, expenditures exceeded appropriations for all functions (the legal level of budgetary control) except for the Public Safety and Culture-Recreation functions as well as Transfers Out for the General Fund. In addition, expenditures exceeded budgeted expenditures in total.

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AT DECEMBER 31, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	SPECIAL REVENUE FUNDS					TOTAL	CAPITAL PROJECTS	
	Altoona Public Access	Justice Grant Trust Fund	Federal Seizure Fund	Special Investigations Account	Martin Goodman Trust	Nonmajor Special Revenue Funds	Recreation Capital Reserve	Total
<u>ASSETS</u>								
Cash	\$281,847	\$445	\$6,981	\$23,516	\$ 5,177	\$317,966	\$ 0	\$317,966
Investments	0	0	0	0	226,834	226,834	0	226,834
Accounts Receivable	75	0	0	0	0	75	0	75
Due from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,313</u>	<u>2,313</u>
TOTAL ASSETS	<u>\$281,922</u>	<u>\$445</u>	<u>\$6,981</u>	<u>\$23,516</u>	<u>\$232,011</u>	<u>\$544,875</u>	<u>\$2,313</u>	<u>\$547,188</u>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 2,702	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,702	\$ 0	\$ 2,702
Due to Other Funds	6,000	0	0	0	500	6,500	0	6,500
Unearned Revenues - Grants	<u>0</u>	<u>445</u>	<u>6,981</u>	<u>0</u>	<u>0</u>	<u>7,426</u>	<u>0</u>	<u>7,426</u>
Total Liabilities	<u>\$ 8,702</u>	<u>\$445</u>	<u>\$6,981</u>	<u>\$ 0</u>	<u>\$ 500</u>	<u>\$ 16,628</u>	<u>\$ 0</u>	<u>\$ 16,628</u>
<u>Fund Balances</u>								
Assigned for Projects	\$273,220	\$ 0	\$ 0	\$23,516	\$ 0	\$296,736	\$2,313	\$299,049
Assigned for Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>231,511</u>	<u>231,511</u>	<u>0</u>	<u>231,511</u>
Total Fund Balances	<u>\$273,220</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$23,516</u>	<u>\$231,511</u>	<u>\$528,247</u>	<u>\$2,313</u>	<u>\$530,560</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$281,922</u>	<u>\$445</u>	<u>\$6,981</u>	<u>\$23,516</u>	<u>\$232,011</u>	<u>\$544,875</u>	<u>\$2,313</u>	<u>\$547,188</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, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

	SPECIAL REVENUE FUNDS				
	<u>Altoona Public Access</u>	<u>Major Disaster</u>	<u>Justice Grant Trust Fund</u>	<u>Special Investigations Account</u>	<u>Schulman Acquisition Account</u>
<u>Revenues</u>					
Charges for Services	\$ 76,328	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenue	0	0	14,901	0	0
Investment Earnings	<u>1,247</u>	<u>48</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 77,575</u>	<u>\$ 48</u>	<u>\$14,901</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Expenditures</u>					
<u>Current</u>					
General Government	\$ 16,128	\$ 0	\$ 0	\$ 0	\$ 0
Public Safety	0	0	0	23,960	0
Culture - Recreation	0	0	0	0	0
Miscellaneous Expenditures	0	0	0	0	0
<u>Capital Outlay</u>					
General Government	24,875	0	0	0	0
Culture - Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 41,003</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$23,960</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 36,572</u>	<u>\$ 48</u>	<u>\$14,901</u>	<u>(\$23,960)</u>	<u>\$ 0</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$30,000	\$ 0
Transfers (Out)	<u>0</u>	<u>(24,442)</u>	<u>(14,901)</u>	<u>0</u>	<u>(913)</u>
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>(\$24,442)</u>	<u>(\$14,901)</u>	<u>\$30,000</u>	<u>(\$913)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 36,572</u>	<u>(\$24,394)</u>	<u>\$ 0</u>	<u>\$ 6,040</u>	<u>(\$913)</u>
<u>Fund Balances</u> – Beginning	<u>236,648</u>	<u>24,394</u>	<u>0</u>	<u>17,476</u>	<u>913</u>
<u>Fund Balances</u> – Ending	<u>\$273,220</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$23,516</u>	<u>\$ 0</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, 2019
(AMOUNTS EXPRESSED IN WHOLE DOLLARS)**

SPECIAL REVENUE FUNDS		TOTAL	CAPITAL PROJECTS				TOTAL	
Martin Goodman Trust	Chief's Reward Fund	Nonmajor Special Revenue Funds	Residential Land Bank Development Capital Reserve	Recreation Capital Reserve	Recreation Project	Broad Avenue Curb and Sidewalk	Nonmajor Capital Project Funds	Total
\$ 0	\$ 0	\$ 76,328	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,328
0	0	14,901	0	0	0	0	0	14,901
<u>35,368</u>	<u>1</u>	<u>36,664</u>	<u>268</u>	<u>0</u>	<u>19</u>	<u>0</u>	<u>287</u>	<u>36,951</u>
\$ 35,368	\$ 1	\$127,893	\$ 268	\$ 0	\$ 19	\$ 0	\$ 287	\$128,180
\$ 0	\$ 0	\$ 16,128	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,128
0	0	23,960	0	0	0	0	0	23,960
4,100	0	4,100	0	0	0	0	0	4,100
<u>3,778</u>	<u>0</u>	<u>3,778</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,778</u>
0	0	24,875	0	0	0	0	0	24,875
<u>8,095</u>	<u>0</u>	<u>8,095</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,095</u>
\$ 15,973	\$ 0	\$ 80,936	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,936
\$ 19,395	\$ 1	\$ 46,957	\$ 268	\$ 0	\$ 19	\$ 0	\$ 287	\$ 47,244
\$ 0	\$ 0	\$ 30,000	\$ 0	\$ 0	\$ 6,230	\$ 0	\$ 6,230	\$ 36,230
0	(759)	(41,015)	(137,116)	0	0	(35)	(137,151)	(178,166)
\$ 0	(\$759)	(\$ 11,015)	(\$137,116)	\$ 0	\$ 6,230	(\$ 35)	(\$130,921)	(\$141,936)
\$ 19,395	(\$758)	\$ 35,942	(\$136,848)	\$ 0	\$ 6,249	(\$ 35)	(\$130,634)	(\$ 94,692)
<u>212,116</u>	<u>758</u>	<u>492,305</u>	<u>136,848</u>	<u>2,313</u>	<u>(6,249)</u>	<u>35</u>	<u>132,947</u>	<u>625,252</u>
\$231,511	\$ 0	\$528,247	\$ 0	\$2,313	\$ 0	\$ 0	\$ 2,313	\$530,560

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2019
(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>
<u>ASSETS</u>				
Investments	\$38,623,473	\$38,435,741	\$19,330,899	\$96,390,113
	_____	_____	_____	_____
<u>Liabilities</u>	\$ 0	\$ 0	\$ 0	\$ 0
	_____	_____	_____	_____
<u>Net Position</u>				
Held in Trust for Pension Benefits	\$38,623,473	\$38,435,741	\$19,330,899	\$96,390,113
	_____	_____	_____	_____

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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>
<u>Additions</u>				
Contributions:				
Employer	\$ 2,639,355	\$ 2,299,876	\$ 577,405	\$ 5,516,636
Plan Members	<u>197,326</u>	<u>227,862</u>	<u>215,348</u>	<u>640,536</u>
Total Contributions	<u>\$ 2,836,681</u>	<u>\$ 2,527,738</u>	<u>\$ 792,753</u>	<u>\$ 6,157,172</u>
Investment Income:				
Realized and Unrealized Gains	\$ 2,097,546	\$ 2,030,311	\$ 1,072,479	\$ 5,200,336
Interest/Dividend Income	<u>1,458,887</u>	<u>1,454,780</u>	<u>703,131</u>	<u>3,616,798</u>
	\$ 3,556,433	\$ 3,485,091	\$ 1,775,610	\$ 8,817,134
Less: Investment Expense	(<u>91,280</u>)	(<u>91,083</u>)	(<u>53,117</u>)	(<u>235,480</u>)
Net Investment Income	<u>\$ 3,465,153</u>	<u>\$ 3,394,008</u>	<u>\$ 1,722,493</u>	<u>\$ 8,581,654</u>
Total Additions	<u>\$ 6,301,834</u>	<u>\$ 5,921,746</u>	<u>\$ 2,515,246</u>	<u>\$14,738,826</u>
<u>Deductions</u>				
Benefits	\$ 3,271,532	\$ 3,007,827	\$ 1,130,289	\$ 7,409,648
Administrative Expenses	<u>9,177</u>	<u>10,013</u>	<u>6,966</u>	<u>26,156</u>
Total Deductions	<u>\$ 3,280,709</u>	<u>\$ 3,017,840</u>	<u>\$ 1,137,255</u>	<u>\$ 7,435,804</u>
Net Increase	<u>\$ 3,021,125</u>	<u>\$ 2,903,906</u>	<u>\$ 1,377,991</u>	<u>\$ 7,303,022</u>
Net Position Being Held in Trust for Pension Benefits:				
Beginning of Year	<u>35,602,348</u>	<u>35,531,835</u>	<u>17,952,908</u>	<u>89,087,091</u>
End of Year	<u>\$38,623,473</u>	<u>\$38,435,741</u>	<u>\$19,330,899</u>	<u>\$96,390,113</u>

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Pass-Through Grantor Number</u>	<u>Source</u>	<u>Federal CFDA Number</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grants/Entitlement Grants		D	14.218 *
HOME Investment Partnerships Program		D	14.239 *
Total U.S. Department of Housing and Urban Development			
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters Grant Program		D	97.044
<u>U.S. Department of Transportation</u>			
Passed Through Pennsylvania Department of Transportation:			
Highway Planning and Construction	107965	I	20.205
<u>U.S. Department of Justice</u>			
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			
<u>Environmental Protection Agency</u>			
Passed Through Pennsylvania Department of Environmental Protection:			
Chesapeake Bay Program	4100078318	I	66.466
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, 2019

<u>Passed Through to Subrecipients</u>	<u>Cash Receipts</u>	<u>Accrued or (Deferred) Revenue at 01/01/19</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at 12/31/19</u>
\$591,395	\$1,870,360 (1)	\$106,826	\$1,931,883	\$1,931,883	\$168,349
\$338,687	\$ 381,306 (1)	\$ 2,270	\$ 482,806	\$ 482,806	\$103,770
\$930,082	\$2,251,666	\$109,096	\$2,414,689	\$2,414,688	\$272,119
\$ 0	\$ 25,342	\$ 0	\$ 25,342	\$ 25,342	\$ 0
\$ 0	\$ 640,811	\$491,159	\$ 149,652	\$ 149,652	\$ 0
\$ 0	\$ 33 (1)	(\$ 6,948)	\$ 0	\$ 0	(\$ 6,981)
0	14,901	(445)	14,901	14,901	(445)
0	6,563	0	6,563	6,563	0
\$ 0	\$ 21,497	(\$ 7,393)	\$ 21,464	\$ 21,464	(\$ 7,426)
\$ 0	\$ 55,350	\$ 0	\$ 55,350	\$ 55,350	\$ 0
\$930,082	\$2,994,666	\$592,862	\$2,666,497	\$2,666,497	\$264,693

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 Grants Program/Entitlement Grants Program and HOME Investment Partnerships Program, which represents 91% of the total expenditures reflected on the Schedule of Expenditures of Federal Awards.

The 40% test was satisfied as follows:

Community Development Block Grants/Entitlement Grants	\$1,931,883
HOME Investment Partnerships Program	482,806
Highway Planning and Construction	149,652
Chesapeake Bay Program	55,350
Assistance to Firefighters Grant	25,342
Edward Bryne Memorial JAG Program	14,901
Bulletproof Vest Partnership Program	<u>6,563</u>
	\$2,666,497
	x <u>40%</u>
Minimum Amount Which Must Be Tested	<u><u>\$1,066,598</u></u>

The Community Development Block Grants/Entitlement Grants Program and HOME Investment Partnerships Program are major programs (i.e., must be tested). The major programs exceed \$1,066,598 and, therefore, represent the only programs to which the specific compliance requirements must be applied.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Altoona, as of and for the year ended December 31, 2019, 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 June 9, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

**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 Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-004.

City of Altoona's Response to Findings

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

Purpose of this Report

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

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Altoona's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Altoona's major federal programs for the year ended December 31, 2019. The City of Altoona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Altoona complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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

Report on Internal Control Over Compliance

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

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

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

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

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section I - Summary of Auditor's Results

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

**CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

Section II - Financial Statement Findings

Item 2019-001

Condition

A complete segregation of duties, so that no one individual performs all functions related to any financial transaction, does not exist in all instances. For example, the purchasing function is performed by and purchase orders are prepared by personnel who also perform payables and disbursing functions. In addition, in the Planning Department, one person initiates purchase orders, receives vendor invoices, prepares checks, has access to checks after signature, controls accounts receivable functions, and maintains all journals. This is a repeat finding (2018-002) from the prior year.

Criteria

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

Cause

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

Effect

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

Recommendation

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

City's Response

Due to budgetary constraints, the City has a relatively small number of employees in its Finance Department. The process of reviewing documentation related to financial transactions has changed. The Finance Director and Deputy Finance Director review all financial transactions and purchase orders, as well as all payment activity. Additionally, the City Manager and/or City Clerk reviews all documentation associated with payment activities and authorizes checks or electronic fund transfers (EFT's) for payment.

The plan for resolution of this audit finding – which is being finalized at the time of this writing – involves the transfer of the Accounting Manager position from the Community Development Department to the Finance Department. This transfer, and inclusion of the Accounting Manager in the functionality and financial processes that transpire within the Finance Department, will enable the City to finally achieve sufficient segregation of duties in relation to all financial transactions of every type.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

Section II - Financial Statement Findings (Continued)

Item 2019-002

Condition

The City does not have anyone on its staff who could prepare the external financial statements, including note disclosures. This is a repeat finding (2018-002) from the prior year.

Criteria

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

Cause

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

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 is reviewing the possibility of adding a staff member who has the accounting background that will enable preparation of the external financial statements, including note disclosures. Additionally, resolution of this audit finding could occur in conjunction with full implementation of the Management Information System (MIS). The MIS will enable, and facilitate, the preparation of year-end-financial reports and note disclosures as required by AU-C Section 265.

Item 2019-003

Condition

Accounts payable were not recorded for the CDBG program as of December 31, 2019.

Criteria

All material items should be recorded on an on-going basis.

Cause

The City switched to BS&A software for the CDBG Program in 2019. Once the new software was implemented, the CDBG staff stopped posting accounts payable until they were preparing checks for disbursement. As a result of the new process, the CDBG program failed to recognize any accounts payable as of December 31, 2019.

Effect

Various CDBG expenditures were understated by approximately \$287,000.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

Section II - Financial Statement Findings (Continued)

Item 2019-003 (Continued)

Recommendation

We recommend the CDBG program begin recording accounts payable on an on-going basis.

City's Response

The Accounting Manager in the Community Development Department was not aware of the need to ensure payables were booked in the appropriate fiscal year, due at least in part to the fact that CDBG and HOME program funds are tracked on a cash basis and follow a fiscal year that runs from July through June. Furthermore, 2019 was the first year in which CDBG and HOME fund financial activities were available in the BS&A financial software system.

In order to correct this audit finding, the Accounting Manager will be transferred from the Community Development Department to the Finance Department, where the Accounting Manager will be working in the BS&A financial software system regularly, and will receive the oversight and supervision regarding the posting of accounts payable.

Item 2019-004

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

We recommend that the City divest of these common stock investments.

City's Response

In December of 2015, Prudential Life adopted a Plan of Reorganization to convert from a mutual life insurance company to a stock company. The conversion occurred in November of 2001. Since then, the City has received quarterly dividends from Prudential and has deposited these dividends as revenue into the City's General Fund. This has been an ongoing process and no research was undertaken to examine the nature of the investment or its type in terms of regulatory compliance.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

Section II - Financial Statement Findings (Continued)

Item 2019-004 (Continued)

City's Response (Continued)

Once it was understood that such a financial asset was outside of the City's investment purview, the City took steps to sell the shares of Prudential stock it owns. Working through Computershare, and a local agency, the City sold the Prudential stock and deposited the proceeds of this sale into the City's general fund where it has been, along with other financial holdings of the City, invested in a manner that is compliant with all regulatory standards.

Unfortunately, the City has not liquidated the Met Life shares that fall into the same category of investment as the Prudential Life. Due to the onset of the COVID-19 pandemic and the dramatic effect on financial markets, the City has not liquidated this asset. However, the City will follow the same process as it had undertaken to liquidate the Prudential stock in order to sell the Met Life shares it owns and thereby divest all common stock investments.

CITY OF ALTOONA
BLAIR COUNTY, PENNSYLVANIA
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Findings and Questioned Costs

Section II - Financial Statement Findings

Prior year finding 2018-001, 2018-002, and 2018-004 remain unresolved.

Section III - Financial Statement Findings

No prior year issues were noted.