

**CITY OF LATROBE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

**City of Latrobe
December 31, 2018
Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities and Changes in Net Position	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities and Changes in Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Project Fund	10
Statement of Net Position - Fiduciary Funds	11
Statement of Changes in Net Position - Fiduciary Funds	12
Combining Financial Statements - Non-Major Governmental Funds	
Combining Balance Sheet	13
Combining Statement of Revenues, Expenses and Changes in Fund Balance	14
Notes to the Primary Government Financial Statements	15
Supplementary Information	35

DEBLASIO & DEBLASIO ASSOCIATES

A PROFESSIONAL CORPORATION

The American Institute of
Certified Public Accountants

CERTIFIED PUBLIC ACCOUNTANTS

The Pennsylvania Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Latrobe
Latrobe, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Latrobe, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Latrobe, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9-10 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.

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The combining and individual nonmajor fund financial statements 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



DeBlasio & DeBlasio Associates
Certified Public Accountants
Greensburg, Pennsylvania
September 16, 2019

Primary Government Financial Statements

City of Latrobe
Statement of Net Position
December 31, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 3,532,896
Taxes Receivable	638,286
Prepaid Expenses	24,433
Accounts Receivable	138,828
Capital Assets Not Depreciated	671,443
Capital Assets Net of Depreciation	5,620,258
Net Pension Asset	<u>894,018</u>
Total Assets	<u>11,520,162</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	556,219
Deferred Outflows from Bond Refunding	<u>42,666</u>
Total Deferred Outflows of Resources	<u>598,885</u>
Liabilities	
Accounts Payable	127,688
Other Current Liabilities	47,052
Other Post Employment Benefits Obligation	1,666,242
Salaries and Wages Payable	105,620
Net Pension Liability	682,777
Long-Term Debt, due in one year	274,732
Long-Term Debt, due in more than one year	<u>3,164,022</u>
Total Liabilities	<u>6,068,133</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	<u>761,954</u>
Net Position	
Net Investment in Capital Assets	2,857,070
Restricted	269,624
Unrestricted	<u>2,162,266</u>
Total Net Position	<u>\$ 5,288,960</u>

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

City of Latrobe
Statement of Activities and Changes in Net Position
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Government	\$ 1,548,349	\$ 114,696	\$ 215,573	\$ (1,218,080)
Public Safety	1,940,358	127,461	-	(1,812,897)
Public Works and Sanitation	2,263,798	2,135,028	299,246	170,476
Culture and Recreation	92,871	-	-	(92,871)
Parking	35,004	217,835	-	182,831
Depreciation	<u>404,855</u>	<u>-</u>	<u>-</u>	<u>(404,855)</u>
Total Governmental Activities and Primary Government	\$ <u>6,285,235</u>	\$ <u>2,595,020</u>	\$ <u>514,819</u>	<u>(3,175,396)</u>
General Revenues				
Taxes:				
Property taxes, levied for general purposes, net				1,408,408
Taxes levied for specific purposes				1,715,387
Licenses permits, fines and forfeits				225,138
Investment Earnings				28,948
Miscellaneous				<u>57,871</u>
Total General Revenues				<u>3,435,752</u>
Change in Net Position				260,356
Net Position at December 31, 2017				5,865,554
Prior Period Adjustment				<u>(836,950)</u>
Net Position at December 31, 2018				<u>\$ 5,288,960</u>

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

City of Latrobe
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Capital Projects Funds	Parking Revenue Funds	Other Gov. Funds	Total Gov. Funds
Assets					
Cash	\$ 1,723,161	\$ 1,125,455	\$ 413,609	\$ 270,671	\$ 3,532,896
Taxes Receivable	393,536	-	-	-	393,536
Accounts Receivable	138,828	-	-	-	138,828
Prepaid Expenses	<u>24,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,433</u>
Total Assets	\$ <u>2,279,958</u>	\$ <u>1,125,455</u>	\$ <u>413,609</u>	\$ <u>270,671</u>	\$ <u>4,089,693</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 127,686	\$ -	\$ -	\$ -	\$ 127,686
Salaries and Wages Payable	<u>105,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,620</u>
Total Liabilities	<u>233,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,306</u>
Fund Balances					
Nonspendable	24,433	-	-	-	24,433
Restricted	-	-	-	269,623	269,623
Committed	-	1,125,455	413,609	1,048	1,540,112
Unassigned	<u>2,022,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,022,219</u>
Total Fund Balances	<u>2,046,652</u>	<u>1,125,455</u>	<u>413,609</u>	<u>270,671</u>	<u>3,856,387</u>
Total Liabilities and Fund Balances	\$ <u>2,279,958</u>	\$ <u>1,125,455</u>	\$ <u>413,609</u>	\$ <u>270,671</u>	\$ <u>4,089,693</u>

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

City of Latrobe
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

Total Fund Balances - Governmental Funds	\$ 3,856,387
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

Land	\$ 671,443	
Depreciable Assets	<u>5,620,258</u>	
		6,291,701

Noncurrent liabilities, including long-term debt, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated Absences	(47,053)
Other Post Employment Benefits	(1,666,242)
Pension Obligation	211,241
Notes Payable	(3,438,754)

Deferred Outflows are not current assets or financial resources; and Deferred Inflows are not due and payable in the current period and are therefore not reported in the governmental funds.

Deferred Outflow - Pension	598,885
Deferred Inflow - Pension	(761,954)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	<u>244,749</u>
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Total Net Position - Governmental Activities	\$ <u>5,288,960</u>
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City of Latrobe
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

Revenues	General Fund	Capital Projects Fund	Parking Revenue Fund	Other Gov. Fund	Total Gov. Fund
Real Property Taxes	\$ 1,355,861	\$ -	\$ -	\$ 13,171	\$ 1,369,032
Local Enabling Act Taxes	1,715,387	-	-	-	1,715,387
Licenses and Permits	186,610	-	-	-	186,610
Fines and Forfeits	38,528	-	-	-	38,528
Interest, Rents and Royalties	8,770	19,841	32	304	28,947
Intergovernmental Revenues	215,573	-	-	299,246	514,819
Charges for Services	2,356,884	-	217,835	20,300	2,595,019
Miscellaneous	<u>25,794</u>	<u>9,166</u>	<u>5,670</u>	<u>17,240</u>	<u>57,870</u>
Total Revenues	<u>5,903,407</u>	<u>29,007</u>	<u>223,537</u>	<u>350,261</u>	<u>6,506,212</u>
Expenditures					
General Government	1,660,140	-	-	-	1,660,140
Public Safety	1,848,252	396,927	-	42,142	2,287,321
Public Works and Sanitation	1,860,112	459,490	35,088	-	2,354,690
Culture and Recreation	79,700	-	-	13,171	92,871
Other Expenditures	2,706	-	-	32,295	35,001
Debt Service					
Principal	15,000	157,521	-	-	172,521
Interest	<u>39,931</u>	<u>14,547</u>	<u>-</u>	<u>-</u>	<u>54,478</u>
Total Expenditures	<u>5,505,841</u>	<u>1,028,485</u>	<u>35,088</u>	<u>87,608</u>	<u>6,657,022</u>
Excess/(Deficiency) of Revenues Over Expenditures	397,566	(999,478)	188,449	262,653	(150,810)
Other Financing Sources/(Uses)					
Issuance of long-term debt	-	114,729	-	-	114,729
Operating Transfers In	-	370,839	-	22,860	393,699
Operating Transfers Out	<u>(143,699)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(393,699)</u>
Total Other Financing Sources(Uses)	<u>(143,699)</u>	<u>485,568</u>	<u>-</u>	<u>(227,140)</u>	<u>114,729</u>
Net Change in Fund Balance	253,867	(513,910)	188,449	35,513	(36,081)
Beginning Fund Balance	<u>1,792,785</u>	<u>1,639,365</u>	<u>225,160</u>	<u>235,158</u>	<u>3,892,468</u>
Ending Fund Balance	<u>\$ 2,046,652</u>	<u>\$ 1,125,455</u>	<u>\$ 413,609</u>	<u>\$ 270,671</u>	<u>\$ 3,856,387</u>

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

City of Latrobe
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balances - Governmental Funds	\$ (36,081)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period.

Capital Outlays	\$ 521,388
Depreciation Expense	(404,855)

Some revenues not collected as of the year ended are not considered available revenues in the governmental funds. This is the change in the amounts that were not considered available in the current year.

39,375

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. While repayment of principal is an expenditure in the government funds, it reduces long-term liabilities in the Statement of Activities

Loan Proceeds	(114,729)
Amortization of Bond Premium	3,988
Deferred Charge on Refunding Bonds	(2,667)

Principal payments on note payable are reported in governmental funds as expenditures. However, in the Statement of Activities, the borrowings are an increase of a Liability

172,522

In the statement of activities, certain expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used.

OPEB Liability	(77,713)
Pension Liability	156,802
Accrued Compensated Absences	<u>2,326</u>

296,437

Change in net position of governmental activities	\$ <u>260,356</u>
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City of Latrobe
Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund
For the Year Ended December 31, 2018

Revenues	Budget	Actual	Variance Favorable (Unfavorable)
Real Property Taxes	\$ 1,350,250	\$ 1,355,861	\$ 5,611
Local Enabling Act Taxes	1,577,000	1,715,387	138,387
Licenses and Permits	176,200	186,610	10,410
Fines and Forfeits	45,100	38,528	(6,572)
Interest, Rents and Royalties	10,300	8,770	(1,530)
Intergovernmental Revenues	191,000	215,573	24,573
Charges for Services	1,984,024	2,356,884	372,860
Miscellaneous	<u>25,000</u>	<u>25,794</u>	<u>794</u>
Total Revenues	<u>5,358,874</u>	<u>5,903,407</u>	<u>544,533</u>
Expenditures			
General Government	1,772,633	1,660,140	112,493
Public Safety	1,664,871	1,848,252	(183,381)
Public Works and Sanitation	1,920,831	1,860,112	60,719
Culture and Recreation	79,700	79,700	-
Other Expenditures	-	2,706	(2,706)
Debt Service			
Principal	-	15,000	(15,000)
Interest	<u>-</u>	<u>39,931</u>	<u>(39,931)</u>
Total Expenditures	<u>5,438,035</u>	<u>5,505,841</u>	<u>(67,806)</u>
Excess/(Deficiency) of Revenues Over Expenditures	(79,161)	397,566	476,727
Other Financing Sources/(Uses)			
Operating Transfers In	200,000	-	(200,000)
Operating Transfers Out	<u>(120,839)</u>	<u>(143,699)</u>	<u>22,860</u>
Total Other Financing Sources(Uses)	<u>79,161</u>	<u>(143,699)</u>	<u>(222,860)</u>
Net Change in Fund Balance	<u>-</u>	<u>253,867</u>	<u>253,867</u>
Fund Balance, January 1		<u>1,792,785</u>	
Fund Balance, December 31		<u>\$ 2,046,652</u>	

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

City of Latrobe
Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2018

Revenues	Budget	Actual	Variance Favorable (Unfavorable)
Interest	\$ 200	\$ 19,841	\$ 19,641
Miscellaneous	<u>-</u>	<u>9,166</u>	<u>9,166</u>
Total Revenues	<u>200</u>	<u>29,007</u>	<u>28,807</u>
Expenditures			
Public Safety	38,862	396,927	(358,065)
Public Works	372,525	459,490	(86,965)
Debt Service			
Principal	-	157,521	(157,521)
Interest	<u>-</u>	<u>14,547</u>	<u>(14,547)</u>
Total Expenditures	<u>411,387</u>	<u>1,028,485</u>	<u>(617,098)</u>
Excess/(Deficiency) of Revenues Over Expenditures	(411,187)	(999,478)	(588,291)
Other Financing Sources/(Uses)			
Issuance long-term debt	-	114,729	114,729
Operating Transfers In	<u>411,187</u>	<u>370,839</u>	<u>(40,348)</u>
Total Other Financing Sources(Uses)	<u>411,187</u>	<u>485,568</u>	<u>114,729</u>
Net Change in Fund Balance	<u>-</u>	<u>(513,910)</u>	<u>(473,562)</u>
Fund Balance, January 1		<u>1,639,365</u>	
Fund Balance, December 31		<u>\$ 1,125,455</u>	

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

City of Latrobe
Statement of Fiduciary Net Position - Pension Trust Fund
December 31, 2018

	Pension Trust Fund
Assets	
Cash and Cash Equivalents	\$ 249,816
Investments	<u>5,506,710</u>
Total Assets	<u>\$ 5,756,526</u>
Net Position	
Restricted for Pension Benefits	<u>\$ 5,756,526</u>

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

City of Latrobe
Statement of Changes in Fiduciary Net Position - Pension Trust Fund
For the Year Ended December 31, 2018

	<u>Pension Trust Fund</u>
Additions	
Contributions	
Employer	\$ 231,935
Members	<u>27,485</u>
Total Contributions	<u>259,420</u>
Investment Income	
Interest and Dividends	178,309
Net Appreciation in Fair Value	(295,612)
Less: Investment Expenses	<u>(36,782)</u>
Net Investment Income	<u>(154,085)</u>
Total Additions	<u>105,335</u>
Deductions	
Benefits	<u>270,333</u>
Total Deductions	<u>270,333</u>
Net Increase	(164,998)
Beginning Net Position	<u>5,921,524</u>
Ending Net Position	<u>\$ 5,756,526</u>

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

City of Latrobe
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2018

	Liquid Fuels	Library	Police Canine	DUI	Total Other Gov. Funds
Assets					
Cash	\$ <u>245,470</u>	\$ <u>1,048</u>	\$ <u>23,887</u>	\$ <u>266</u>	\$ <u>270,671</u>
Total Assets	<u>245,470</u>	<u>1,048</u>	<u>23,887</u>	<u>266</u>	<u>270,671</u>
Fund Balances					
Restricted	245,470	-	23,887	266	269,623
Committed	<u>-</u>	<u>1,048</u>	<u>-</u>	<u>-</u>	<u>1,048</u>
Total Fund Balances	<u>245,470</u>	<u>1,048</u>	<u>23,887</u>	<u>266</u>	<u>270,671</u>
Total Liabilities and Fund Balances	\$ <u>245,470</u>	\$ <u>1,048</u>	\$ <u>23,887</u>	\$ <u>266</u>	\$ <u>270,671</u>

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

City of Latrobe
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2018

Revenues	Liquid Fuels	Library	Police Canine	DUI	Total Other Gov. Fund
Real Property Taxes	\$ -	\$ 13,171	\$ -	\$ -	\$ 13,171
Interest, Rents and Royalties	142	3	131	28	304
Intergovernmental Revenues	299,246	-	-	-	299,246
Charges for Services	-	-	-	20,300	20,300
Miscellaneous	-	-	16,961	280	17,241
Total Revenues	299,388	13,174	17,092	20,608	350,262
Expenditures					
Public Safety	-	-	42,142	-	42,142
Culture and Recreation	-	13,171	-	-	13,171
Other Expenses	-	-	-	32,296	32,296
Total Expenditures	-	13,171	42,142	32,296	87,609
Excess/(Deficiency) of Revenues Over Expenditures	299,388	3	(25,050)	(11,688)	262,653
Other Financing Sources/(Uses)					
Operating Transfers In	(250,000)	-	-	-	(250,000)
Operating Transfers Out	22,860	-	-	-	22,860
Total Other Financing Sources(Uses)	(227,140)	-	-	-	(227,140)
Net Change in Fund Balance	72,248	3	(25,050)	(11,688)	35,513
Beginning Fund Balance	173,222	1,045	48,937	11,954	235,158
Ending Fund Balance	\$ 245,470	\$ 1,048	\$ 23,887	\$ 266	\$ 270,671

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

Notes to Primary Government Financial Statements

City of Latrobe
Notes to the Financial Statements
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Latrobe (City) was incorporated as a Borough on May 24, 1854. The City operates under a Council-Manager form of government and provided the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning and general administrative services.

As of January 1, 1998, the Borough of Latrobe became the City of Latrobe, and operates as a Home Rule Municipality.

The accounting policies of the City of Latrobe conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Basis of Presentation

The government-wide financial statements report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statement in this report into three generic fund types.

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

Capital Projects Funds - Capital Project Funds are used to account for the revenues and expenditures designated for a particular capital project.

Proprietary Funds

The City has no Enterprise Funds for 2018.

Fiduciary Funds

Pension Trust Funds - Pension Trust Funds are used to account for assets held by the City in a trustee capacity for the police and non-uniform retirement plans of the City.

B. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are 5 to 50 years.

C. Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund and Capital Projects Fund on an accrual basis of accounting.

Adoption of the budgets by the Council constitutes appropriations for the expenditures for the fiscal year. The expenditure budget may be amended by the council after a public hearing, provided that such amendment shall not result in expenditures exceeding estimated revenue determined at the time of the amendment. Any excess appropriations at the end of the fiscal year are not carried forward, but instead lapse.

D. Measurement Focus

The government funds of the City are accounted for on a "spending" measurement focus. Accordingly, only current assets and current liabilities are included on the governmental fund balance sheets, and the fund balances reflect spendable or appropriate resources. The operating statements for the governmental funds reflect increases and decreases in spendable resources through revenues and expenditures.

The Pension Trust Fund used the "income determination " measurement focus. Accordingly, the assets and liabilities are included on the balance sheet, and the fund balance reflects the market value of the trust fund. The operating statement reflects the change in the market value for the period through the revenues, expenses, and realized and unrealized gains and losses on the investments.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

E. Compensated Absences

The accumulated vested compensated absences, payable from future resources, is recorded in the Government-Wide Statement of Net Assets. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is allowed to be paid upon retirement or separation. The accumulated vested compensated absences at December 31, 2018, consisted of sick pay of \$47,053.

F. Fund Equity

The City has implemented GASB Statement No. 54. GASB Statement establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type and permanent fund type are clarified by the provisions in the Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definition of other governmental fund types also have been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the town council the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council and manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the township's policy to use externally restricted resources first, the unrestricted resources - committed, assigned, and unassigned - in order as needed.

NOTE 2: CASH AND TEMPORARY INVESTMENTS

During 2018, cash was on deposit in institutions who are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2018, \$3,102,385 of the City's deposits were not covered by the FDIC, but were collateralized under Act 72 of Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

At December 31, 2018, the Pension Trust Fund investments reported at fair market value consisted of:

Investments with PMRS (Non-Uniform)		\$	5,329,554
<u>Police Pension</u>			
Bank CD's & Cash Equivalents	\$	249,816	
Fixed Income Securities		2,498,643	
Equities		349,893	
Mutual Funds		2,629,875	
Accrued Income		<u>28,299</u>	
			<u>5,756,526</u>
Total		\$	<u>11,086,080</u>

The City invested idle cash with various financial institutions in flexible money market funds and certificates of deposit. The interest rates in these funds varied over the year.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

NOTE 3: LONG TERM LIABILITIES

During 2018, general long-term debt changed as follows:

	<u>Principal</u> <u>Outstanding</u> <u>January</u>	<u>New Issues</u>	<u>Debt Retired</u>	<u>Principal</u> <u>Outstanding</u> <u>December 31</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
PEMA # 10012	\$ 18,967	\$ -	\$ 12,289	\$ 6,678	\$ 5,357
Obligation Loan	40,894	-	40,894	-	-
Capital Lease	-	26,305	8,540	17,765	8,743
Capital Lease	-	88,424	16,711	71,713	17,038
Capital Lease	126,775	-	41,056	85,719	42,247
Capital Lease	46,673	-	15,063	31,610	15,553
Capital Lease	67,917	-	14,989	52,928	17,261
Capital Lease	16,513	-	7,980	8,533	8,533
Bond Premium	67,795	-	3,987	63,808	-
Obligation Bond					
Series of 2016	<u>3,115,000</u>	<u>-</u>	<u>15,000</u>	<u>3,100,000</u>	<u>160,000</u>
Total Debt	<u>\$ 3,500,534</u>	<u>\$ 114,729</u>	<u>\$ 176,509</u>	<u>\$ 3,438,754</u>	<u>\$ 274,732</u>

A. BONDS PAYABLES

In August 2016, the City completed a new bond issue, Series 2016. It issued bonds totaling \$3,115,000, of which the final maturity is December 31, 2034. The City refunded the 2012 bonds. The proceeds of the bond issue are to be utilized for the 2012 bond refunding. In 2019, \$160,000 of the new issue will be paid. The interest rates of the new issue vary from 1.000% to 4.000% per annum.

Principal maturities due for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 160,000	\$ 79,713	\$ 239,713
2020	160,000	74,913	234,913
2021	175,000	68,513	243,513
2022	175,000	61,512	236,512
2023	175,000	58,013	233,013
2024-2028	955,000	235,163	1,190,163
2029-2033	1,065,000	127,219	1,192,219
2034	<u>235,000</u>	<u>7,050</u>	<u>242,050</u>
Total	<u>\$ 3,100,000</u>	<u>\$ 712,096</u>	<u>\$ 3,812,096</u>

B. NOTES PAYABLE

- a. During 2004, the City borrowed \$150,000 to finance the purchase of a fire truck. The terms are 2.0% interest per annum, with payments of \$965 for 180 months. The balance of this loan was \$6,678 at December 31, 2018. The next five year maturities are:

2019	\$ 5,357
2020	<u>1,321</u>
Total	<u>\$ 6,678</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2018

C. CAPITAL LEASE

- a. During 2016, the City entered into a Lease-Purchase agreement to purchase a street sweeper. The terms are 2.9% interest per annum, with payments of \$44,733.65 per annum for the next five years. The balance of this lease was \$85,719 at December 31, 2018.
- b. During 2016, the City entered into a Lease-Purchase agreement to purchase a Ford F550. The terms are 2.6% interest per annum, with payments of \$16,579 per annum for the next five years. The balance of this lease was \$31,610 at December 31, 2018.
- c. During 2017, the City entered into a Lease-Purchase agreement to purchase a dump truck. The terms are 3.2% interest per annum, with payments of \$18,425 per annum for the next five years. The balance of this lease was \$52,928 at December 31, 2018.
- d. During 2017, the City entered into a Lease-Purchase agreement to purchase a police car. The terms are 3.2% interest per annum, with payments of \$8,674 per annum for the next three years. The balance of this lease was \$8,533 at December 31, 2018.
- e. During 2018, the City entered into a Lease-Purchase agreement to purchase a police vehicle. The terms are 3.13% interest per annum, with payments of \$9,068 per annum for the next three years. The balance of this lease was \$17,765 at December 31, 2018.
- f. During 2018, the City entered into a Lease-Purchase agreement to purchase a Ford 550. The terms are 3.35% interest per annum, with payments of \$18,943 per annum for the next five years. The balance of this lease was \$71,712 at December 31, 2018.

The following schedule summarizes maturities of Lease-Purchase agreements of the City of Latrobe at December 31, 2018:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>
2019	\$ 116,423
2020	107,749
2021	37,368
2022	<u>18,943</u>
Total Payments	280,483
Less Interest	<u>(12,215)</u>
Present Value of Future Minimum Lease Payments	\$ <u>268,268</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2018

NOTE 4: PROPERTY TAXES

Based on assessed valuations provided by Westmoreland County (approximately \$65,840,360 in 2018), the City bills and collects its own property taxes. The schedule for property taxes levied is:

March 1	- levy date
March 1 - April 30	- 2% discount period
May 1 - June 30	- face payment period
July 1	- 10% penalty

The City's tax rate for 2018 was 21.5 mills (21.3 per \$1,000 of assessed valuation for general purposes, and .2 mills for the Adams Memorial library).

NOTE 5: CONTINGENT LIABILITIES

Grant Programs

The City participates in state and federal assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

Litigations

In the normal course of operations, the City is involved in various civil disputes. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the City's financial position.

NOTE 6: BUDGET COMPARISONS

For 2018, the Capital Projects Fund, for which a budget was prepared, had a decrease of \$(513,910).

NOTE 7: ALLOWANCE FOR DOUBTFUL ACCOUNTS

Utilizing its experience and collection history, the City has established an allowance for uncollectible accounts of \$3,500, for all receivables. This allowance is predominately allocated to sanitation receivables.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

NOTE 8: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 671,443	\$ -	\$ -	\$ 671,443
Total Non-Depreciated Assets	<u>671,443</u>	<u>-</u>	<u>-</u>	<u>671,443</u>
Capital Assets, being Depreciated:				
Improvements	156,340	3,761	-	160,101
Machinery and Equipment	1,120,488	32,409	-	1,152,897
Buildings	5,770,432	356,250	-	6,126,682
Furniture	33,482	-	-	33,482
Infrastructure	29,367	-	-	29,367
Vehicles	<u>1,702,835</u>	<u>134,840</u>	<u>(15,317)</u>	<u>1,822,358</u>
Total Depreciated Assets	<u>8,812,944</u>	<u>527,260</u>	<u>(15,317)</u>	<u>9,324,887</u>
Total Capital Assets	<u>9,484,387</u>	<u>527,260</u>	<u>(15,317)</u>	<u>9,996,330</u>
	Beginning Balance	Additions	Retirements	Ending Balance
Accumulated Depreciation:				
Improvements	(103,963)	(9,311)	-	(113,274)
Machinery and Equipment	(603,334)	(80,124)	-	(683,458)
Buildings	(1,470,873)	(151,145)	-	(1,622,018)
Furniture	(24,860)	(1,774)	-	(26,634)
Infrastructure	(20,552)	(1,468)	-	(22,020)
Vehicles	<u>(1,085,637)</u>	<u>(161,034)</u>	<u>9,446</u>	<u>(1,237,225)</u>
Total	<u>(3,309,219)</u>	<u>(404,856)</u>	<u>9,446</u>	<u>(3,704,629)</u>
Net Depreciated Assets	<u>5,503,725</u>	<u>122,404</u>	<u>(5,871)</u>	<u>5,620,258</u>
Net Capital Assets	<u>\$ 6,175,168</u>	<u>\$ 122,404</u>	<u>\$ (5,871)</u>	<u>\$ 6,291,701</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2018

NOTE 9: DEPOSITS AND INVESTMENTS

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. In addition to the investments authorized for Governmental Funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice. The deposit and investment policy of the City adheres to state statutes and prudent business practice. Governmental Funds' amounts are either maintained in demand deposits or certificates of deposit, captioned as "cash" in the combined balance sheet. These amounts are stated at cost which approximates market. The deposits and investments of the Fiduciary Funds are administered by trustees and are held separately from those of other municipal funds. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

Investments

The City had no investments at December 31, 2018.

NOTE 10: LEASE AGREEMENT

A lease agreement was entered into between the Authority and two individuals in 2000 for the purpose of providing off-street parking. The lease is payable in equal monthly installments of \$480 per month. The lease ended on January 31, 2002 and has not been renewed as of December 31, 2018. However, the original terms of the lease have been followed. Minimum future lease payments as of December 31, 2018 are as follows:

<u>Year Ended</u> <u>December 31,</u>		
2019	\$	5,760
2020		5,760
2021		5,760
2022		5,760
2023		<u>5,760</u>
Total	\$	<u>28,800</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2018

NOTE 11: FUND BALANCES REPORTING

<u>Classification/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted		
Other Government Funds	Liquid Fuels	\$ 245,470
Police Canine Fund	Police Canine	23,887
DUI Fund	DUI	266
Nonspendable		
General Fund	Prepaid	24,433
Committed		
Capital Fund	Capital Projects	1,485,455
Parking Fund	Parking Lots	413,609
Library Fund	Library	1,048
Unassigned		
General Fund		<u>1,662,219</u>
Total Fund Balance		<u>\$ 3,856,387</u>

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15 and 16, the City provides post retirement health care benefits. Generally, eligible retired police officers receive medical coverage for themselves until Medicare eligibility. Retiring police employees receive medical coverage for themselves if they retire from the City after age 50 and 25 years of service. Retiring non-police receive medical coverage for themselves if they retire from the City at the age of 60 and 20 years of service. Full time and permanent part-time employees receive coverage until age 65, with the permanent part-time paying 50% of the cost of the benefits. Life insurance is also provided for retirees of all employee groups (\$6,000 for retiring police and \$15,000 for retiring non-police employees). Currently, twenty retirees meet the eligibility requirements. During the year, expenditures of \$77,713 were recognized for post retirement health care. The City funds all contributions on a pay-as-you-go basis. Such benefits are funded through the General Fund.

Net OPEB Liability - The City's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions - The total OPEB liability in the December 21, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.25%
Inflation	2.75%
Investment rate of return	3.25%
Mortality rates	RP-2014 Mortality Table with 50% of the Blue Collar Adjustment and rates set forward 5 years for disabled lives
Healthcare cost trend rate	3.50% in the first year, trending up to 5.00% in 2025 and later.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

The following table shows the components of the City's annual OPEB liability.

<u>Projection of Changes in the OPEB Liabilities</u>	
Total OPEB Liability	2018
Service Cost	\$ 73,783
Benefit Payments	(49,300)
Interest	<u>53,230</u>
Net Change in Total OPEB Liability	<u>77,713</u>
Total OPEB Liability - Fiscal Year Beginning	1,588,529
Total OPEB Liability - Fiscal Year Ending	<u>1,666,242</u>
Plan Fiduciary Net Position	<u>-</u>
Net OPEB Liability	\$ <u>1,666,242</u>

Sensitivity of the net OPEB liability to changes in the discount rate

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

12/31/2018

Current discount rate	\$ 1,666,242
1% decrease	\$ 1,814,767
1% increase	\$ 1,534,622

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the City, as well as what the Township's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rates.

12/31/2018

Current trend rate	\$ 1,666,242
1% decrease	\$ 1,525,851
1% increase	\$ 1,827,025

Projection of OPEB Expense

Changes in Benefit Terms:	None
Changes in Assumptions and Other Inputs:	None
Components of OPEB Expense:	
Service Cost	\$ 73,783
Interest on the total OPEB liability	<u>53,230</u>
Total OPEB expense	\$ <u>127,013</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2018

NOTE 13: POLICE PENSION PLAN

A. Description of Plan

1. General

The City of Latrobe Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No, 67-10, effective March 27, 1967. The plan was amended and restated effective January 1, 2013. The Plan is governed by the City Council of the City of Latrobe which may amend plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Commercial National Bank.

2. Plan Membership

Actuarial Valuation report dated January 1, 2018 and discloses that pension plan membership consists of:

Active Employees	13
Retirees and Beneficiaries Currently Receiving Benefits	15
Deferred	<u>2</u>
Total	<u>30</u>

3. Benefit Provisions

Actuarial Valuation report dated January 1, 2017 discloses that the pension plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement:

Later of age 50 and completion of 25 years of aggregate service.

Retirement Benefit:

A monthly benefit equal to 50 percent of final monthly average salary averaged over the final 36 months of employment, which will be reduced by 75 percent of the Social Security Benefit. Reduction will commence with the month following eligibility for full Social Security Benefits.

Death Benefit

Before Retirement Eligibility:

Refund of contributions

City of Latrobe
Notes to the Financial Statements
December 31, 2018

After Normal Retirement
Eligibility:

The spouse will receive 50 percent of the amount the participant was receiving or entitled to receive payable for life. In the event of death, the participant's children will share the benefit until age 18, or age 23, if attending college.

Killed in Service:

A monthly benefit equal to 100 percent of the participant's fixed, periodic pay in month prior to death, payable to the participant's spouse for life. In event of the spouse's death, each of the participant's dependent children will receive an equal share of the benefit until age 18, or until age 23, if attending college.

Disability Benefit

Service Related:

For total and permanent disablement that occurs in the line of duty, a monthly benefit equal to 50 percent of the participants fixed, periodic pay in the month before disablement reduced by social security disability received for the same injury.

Non-Service Related:

None

Member Contributions

Amount of Rate:

2.75 percent of wages subject to social security taxation and 5.0 percent of wages not subject to this tax.

Interest Rate Credited
to Member Contributions:

5.0 percent

B. Summary of Significant Accounting Policies

1. 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.

2. Valuation of Investments

Plan investments are listed at fair value as reported by Commercial National Bank.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

C. Contributions

Act 205 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation (annual valuation for distressed plans). The MMO included 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 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 2.75 percent of covered payroll subject to social security taxation and 5.0 percent of covered payroll not subject to this tax. The contribution is governed by the Plan's governing ordinance 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.

Net Pension Liability - The Employees' Retirement net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net police pension liability of the City of Latrobe at December 31, 2018, were as follows:

Total Pension Liability	\$ 6,603,145
Employee's Retirement Plan Fiduciary Net Position	<u>5,920,368</u>
City's Net Pension Liability	<u>\$ 682,777</u>

Employees' Retirement Plan Net Position as a Percentage of Total Pension Liability	89.65%
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality Rates - Were based on the RP2000 Mortality Table.

Investment Rate of Return - 6.5 % compounded annually, net of expenses.

Cost of Living - 4.5% per year, subject to plan limitation

City of Latrobe
Notes to the Financial Statements
December 31, 2018

Changes in Net Pension Liability - Changes in the Employees' Retirement net pension liability for the year ended December 31, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2017	\$ 6,218,752	\$ 6,005,979	\$ 212,773
Changes for the year:			
Service Cost	146,118	-	146,118
Interest	408,279	-	408,279
Changes in Benefit Terms	-	-	-
Change in Assumptions	-	-	-
Contributions - Employer	-	231,935	(231,935)
Contributions - Member	-	27,485	(27,485)
Net Investment Income	-	(131,903)	131,903
Benefits Payments	(170,004)	(170,004)	-
Admin Expense	-	(43,124)	43,124
Net Changes	<u>384,393</u>	<u>(85,611)</u>	<u>470,004</u>
Balance at 12/31/2018	<u>\$ 6,603,145</u>	<u>\$ 5,920,368</u>	<u>\$ 682,777</u>

Sensitivity of the Net Pension Liability to Changes in Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 5.5%, as well as what the City's net pension would be if it were calculated using a discount rate that is 1 percentage point lower (4.5%) or 1 percentage point higher (6.5%) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	5.5%	\$ 1,401,142
Current discount rate	6.5%	\$ 682,777
1% increase	7.5%	\$ 81,367

At December 31, 2018, 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	\$ 9,197	\$ 28,220
Changes in assumptions	-	53,411
Net difference between projected and actual earnings on pension plan investments	<u>491,992</u>	<u>232,969</u>
Total	<u>\$ 501,189</u>	<u>\$ 314,600</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2018

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

Year ended December 31:	
2019	\$ 48,865
2020	21,088
2021	12,630
2022	104,006

NOTE 14: NON-UNIFORMED PENSION

A. Description of Plan

1. General

The Latrobe City Non-uniformed Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution No. 80-14 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS Website. A copy can be obtained by contacting the PMRS accounting office.

2. Plan Membership

As of December 31, 2018, the pension plan membership consisted of:

Active Employees	22
Retirees and Beneficiaries Currently Receiving Benefits	15
Terminated Plan Member Entitled to but not yet Receiving Benefits	-
Total	<u>37</u>

3. Benefit Provisions

As of December 31, 2018, the pension plan benefits provisions were as follows:

***Eligibility Requirements**

Normal Retirement - Attainment of age 60 with 12 years of credited service.

Early Retirement -

Voluntary Service - Early retirement after 20 years of service.

Involuntary Service - Early retirement after 8 years of service.

Vesting - a member is 100% vested after 12 years of service.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

Retirement Benefit

Benefit equals 1.25% times the number of years credited service, times final average salary based upon the member's highest 5 year average salary. There is no social security offset.

***Survivor Benefit**

At retirement a member may select a reduced survivor benefit. If eligible for retirement at the time of death, a member's surviving spouse may receive a lump sum benefit of the accrued benefits provided.

***Disability Benefit**

Service-Related - Disability benefit equal to 50% of the member's final salary for the inability to perform gainful employment. This benefit is offset by workmen's compensation benefits.

Non-Service Related - Disability benefit equal to 30% of the member's final salary for the inability to perform gainful employment. Members must attain 10 years of credited service for eligibility.

***Post-Retirement Adjustments**

PMRS Law provides for municipality to optionally award post-retirement adjustments based on system's investment performance.

***Members' Contributions**

Amount or rate - 3.5% of pay; and

Interest rate credited to members' contributions - 5.5%.

B. Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan

Method Used to Value Investments - Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures requirements required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

C. Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

In accordance with the plan's governing Ordinance or Resolution as applicable, members are required to contribute 3.50% of compensation to the plan.

The plan may also be eligible to receive an allocation of state aid from General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

Net Pension Liability - The Employees' Retirement net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City of Latrobe at December 31, 2018, were as follows:

Total Pension Liability	\$	4,435,536
Employee's Retirement Plan Fiduciary Net Position		<u>5,329,554</u>
City's Net Pension Liability	\$	<u>(894,018)</u>

Employees' Retirement Plan Net Position as a Percentage of Total Pension Liability	120.2%
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality Rates - Were based on the RP2000 Mortality Table.

Investment Rate of Return - 5.5 % compounded annually, net of expenses.

Cost of Living - 3.0% per year, subject to plan limitation

Discount Rate - The discount rate used to measure the total pension liability was 5.5%.

City of Latrobe
Notes to the Financial Statements
December 31, 2018

Changes in Net Pension Liability - Changes in the Employees' Retirement net pension liability for the year ended December 31, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2017	\$ 4,339,619	\$ 4,710,814	\$ (371,195)
Changes for the year:			
Service Cost	70,782	-	70,782
Interest	226,332	-	226,332
Changes in Assumptions	-	-	-
Contributions - Employer	-	1,108	(1,108)
Contributions - PMRS Assessment	-	80	(80)
Contributions - Member	-	31,687	(31,687)
PMRS Investment Income	-	253,962	(253,962)
Market Value Investment Income	-	545,539	(545,539)
Transfers	-	-	-
Benefits Payments	(201,197)	(201,197)	-
PMRS Admin Expense	-	(760)	760
Additional Admin Expense	-	(11,679)	11,679
Net Changes	<u>95,917</u>	<u>618,740</u>	<u>(522,823)</u>
Balance at 12/31/2018	<u>\$ 4,435,536</u>	<u>\$ 5,329,554</u>	<u>\$ (894,018)</u>

Sensitivity of the Net Pension Liability to Changes in Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 5.25%, as well as what the City's net pension would be if it were calculated using a discount rate that is 1 percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	4.25%	\$ (511,242)
Current discount rate	5.25%	\$ (894,018)
1% increase	6.25%	\$ (1,227,989)

At December 31, 2018, 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	\$ -	\$ 26,908
Changes in assumptions	55,030	-
Net difference between projected and actual earnings on pension plan investments	-	420,446
Total	<u>\$ 55,030</u>	<u>\$ 447,354</u>

City of Latrobe
Notes to the Financial Statements
December 31, 2018

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

Year ended December 31:		
2019	\$	(74,717)
2020		(71,493)
2021		(137,007)
2022		(109,107)

NOTE 15: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Independent Auditors' Report date which is the date the financial statements were available to be issued.

NOTE 16: PRIOR PERIOD ADJUSTMENT

During 2018, the City implemented GASB #75. This standard has changed the actuarial assumptions, which resulted in a prior period adjustment. The effect on the financial statements is an increase in the OPEB liability and a decrease in net position of \$836,950.

Supplementary Information

City of Latrobe Non-Uniform Pension Plan
Schedule of Changes in Net Pension Liability
and Schedule of Employer Contributions
As of December 31, 2018

Schedule of Changes in Net Pension Liability

<u>Total Pension Liability</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service Cost (Beginning of Year)	\$ 70,782	\$ 72,147	\$ 76,929	\$ 78,873
Interest (Includes Interest on Service Cost)	226,332	239,593	241,374	243,526
Difference Between Expected and Actual Experience	-	(53,816)	-	(151,182)
Changes in Assumptions	-	85,869	48,386	-
Transfers	-	-	(28,083)	-
Benefit Payments, Including Refunds of Member Contributions	(201,197)	(568,902)	(196,218)	(192,911)
Net Change in Total Pension Liability	95,917	(225,109)	142,388	(21,694)
Total Pension Liability - Beginning	4,339,619	4,564,728	4,422,340	4,444,034
Total Pension Liability - Ending	\$ 4,435,536	\$ 4,339,619	\$ 4,564,728	\$ 4,422,340

Plan Fiduciary Net Position

Contribution - Employer	\$ 1,108	\$ -	\$ -	\$ 2,462
Contribution - PMRS Assessment	80	60	40	-
Contribution - Member	31,687	33,132	32,540	31,338
PMRS Investment Income	253,962	265,945	276,689	268,108
Market Value Investment Income	545,539	139,499	(287,513)	76,604
Transfers	-	-	(28,083)	-
Benefit Payments, Including Refunds of Member Contributions	(201,197)	(568,902)	(196,218)	(192,911)
PMRS Admin Expense	(760)	(800)	(800)	(820)
Additional Admin Expense	(11,679)	(13,029)	(11,535)	(10,282)
Net Change in Plan Fiduciary Net Position	618,740	(144,095)	(214,880)	174,499
Plan Fiduciary Net Position - Beginning	4,710,814	4,854,909	5,069,789	4,895,290
Plan Fiduciary Net Position - Ending	5,329,554	4,710,814	4,854,909	5,069,789
Net Pension Liability - Ending	\$ (894,018)	\$ (371,195)	\$ (290,181)	\$ (647,449)

**City of Latrobe Non-Uniform Pension Plan
Schedule of Changes in Net Pension Liability
and Schedule of Employer Contributions
As of December 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plan Fiduciary Net Position as a Percentage of the				
Total Pension Liability	120.16%	108.55%	106.36%	114.64%
Covered Employee Payroll	\$ 905,350	\$ 946,647	\$ 929,714	\$ 992,460
Net Pension Liability as a Percentage of Covered				
Employee Payroll	-98.75%	-39.21%	-31.21%	-65.24%

Schedule of Employer Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions in Relation to the Actuarially Determined				
Contribution	1,188	60	40	2,462
Contribution Deficiency/(Excess)	(1,188)	(60)	(40)	(2,462)
Covered - Employee Payroll	\$ 905,350	\$ -	\$ 946,647	\$ 992,460
Contributions as a Percentage of Covered Employee				
Payroll	.13%	.13%	.01%	.25%

City of Latrobe Police Pension Plan
Schedule of Changes in Net Pension Liability and
Schedule of Employer Contributions
As of December 31, 2018

Schedule of Changes in Net Pension Liability

<u>Total Pension Liability</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service Cost (Beginning of Year)	\$ 146,118	\$ 139,826	\$ 100,794	\$ 102,566
Interest (Includes Interest on Service Cost)	408,279	385,572	369,929	342,744
Changes in Benefit Terms	-	-	169,140	-
Difference Between Expected and Actual Experience	-	15,541	-	(404,476)
Changes in Assumptions	-	(90,247)	-	-
Benefit Payments, Including Refunds of Member Contributions	(170,004)	(194,337)	(194,439)	(194,439)
Net Change in Total Pension Liability	384,393	256,355	445,424	(153,605)
Total Pension Liability - Beginning	6,218,752	5,962,397	5,516,973	5,670,577
Total Pension Liability - Ending	\$ 6,603,145	\$ 6,218,752	\$ 5,962,397	\$ 5,516,972
<u>Plan Fiduciary Net Position</u>				
Contribution - Employer	\$ 231,935	\$ 240,030	\$ 243,099	\$ 315,091
Contribution - Member	27,485	27,899	27,217	27,636
Investment Income	(131,903)	726,344	268,195	30,120
Benefit Payments, Including Refunds of Member Contributions	(170,004)	(194,337)	(194,439)	(194,439)
Admin Expense	(43,124)	(35,836)	(37,853)	(37,053)
Net Change in Plan Fiduciary Net Position	(85,611)	764,100	306,219	141,355
Plan Fiduciary Net Position - Beginning	6,005,979	5,241,879	4,935,660	4,794,304
Plan Fiduciary Net Position - Ending	5,920,368	6,005,979	5,241,879	4,935,660
Net Pension Liability - Ending	\$ 682,777	\$ 212,773	\$ 720,518	\$ 581,313

City of Latrobe Police Pension Plan
Schedule of Changes in Net Pension Liability and
Schedule of Employer Contributions
As of December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plan Fiduciary Net Position as a Percentage of the				
Total Pension Liability	89.65%	96.57%	87.91%	89.46%
Covered Employee Payroll	\$ 1,233,170	\$ 1,145,655	\$ 1,129,369	\$ 1,078,450
Net Pension Liability as a Percentage of Covered				
Employee Payroll	55.36%	18.57%	63.79%	54.20%

Schedule of Employer Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution				
Contributions in Relation to the Actuarially Determined Contribution	\$ 231,935	\$ 240,030	\$ 243,099	\$ 315,091
Contribution Deficiency/(Excess)	<u>231,935</u>	<u>240,030</u>	<u>243,099</u>	<u>315,091</u>
Covered - Employee Payroll	\$ <u>1,233,170</u>	\$ <u>1,145,655</u>	\$ <u>1,129,369</u>	\$ <u>1,078,450</u>
Contributions as a Percentage of Covered Employee Payroll	19%	21%	22%	29%