HERBEIN
CPAS + CONSULTANTS

CITY OF READING

FINANCIAL AND COMPLIANCE AUDIT REPORT

Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Members of City Council
City of Reading
Reading, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Reading, Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the basic financial statements, which collectively comprise the City of Reading, Pennsylvania'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Reading Area Water Authority, a component unit of the City of Reading as stated in Note 1 of the financial statements. The Reading Area Water Authority represents 90%, 74%, and 99% of the assets, net position, and revenues of the water fund, respectively. Those statements were audited by another auditor whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Reading Area Water Authority, is based solely on the report of the other auditor. 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 a 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 risks assessments, the auditor considers internal control relevant to the City'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 City'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.

Opinions

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

Other Matters

Distressed City - Financial Recovery Plan

As more fully discussed in Note 2 of the financial statements, the City is considered a distressed community under the provisions of the "Municipalities Financial Recovery Act" (Act 47 of 1987) of the Commonwealth of Pennsylvania. Under the provisions of Act 47 of 1987, the City adopted a financial recovery plan (Plan) which, among other things, permits the City to increase certain tax rates and fees, levy new taxes, and requires reduction of certain spending levels. The Plan is intended to enable the City to maintain services at the current level. The implementation of the Plan is subject to periodic review by the Pennsylvania Department of Community and Economic Development. In July of 2019, the City adopted a three year exit plan from Act 47 of 1987 with the goal of exiting the program by the end of 2022.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, and the pension and other postemployment benefit information on pages 115 through 119 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reading, Pennsylvania's basic financial statements. The schedule of revenues and other financing sources - budgetary basis - general fund, schedule of expenditures and other financing uses - budgetary basis - general fund, and the combining nonmajor governmental funds, water funds, and fiduciary funds financial statements/schedules 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 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.

The general fund budgetary basis schedules, the combining nonmajor governmental, water, and fiduciary funds financial statements/schedules, 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, based on our audit and the procedures performed as described previously, and the report of the other auditors, the general fund budgetary basis schedules, the combining nonmajor governmental, water, and fiduciary funds financial statements/schedules, 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 October 25, 2021, on our consideration of the City of Reading, 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 solely 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 the 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 Reading, Pennsylvania's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
October 25, 2021

CITY OF READING, PENNSYLVANIA

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INTRODUCTION

This Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City of Reading (City) for the year ended December 31, 2020. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the City's financial condition at December 31, 2020. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

- The City's property tax millage remained the same in 2020, for the fifth consecutive year, at 17.689 mills.

- During 2020, The City's general fund had an increase in fund balance of $2,438,312. The primary reason for the increase is because the City's Real Estate Transfer Tax (RTT) revenue exceeded its budget by $2.4 million.

- During 2020, the City's change in net position was $34.3 million. The net position (deficit) of governmental activities decreased by $18.1 million and the net position of business-type activities increased by $16.2 million.

- The City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2020 by $90.8 million. Of this amount, net position (deficit) of $(123.2) million was from governmental activities, $(126.4) million of which is unrestricted, and $214.0 million was from business-type activities, $164.6 million of which is unrestricted.

- Long-term liabilities decreased overall by $18.2 million, or 3.4%. Governmental activities long-term liabilities decreased by $19.6 million primarily because of net principal payments over refinanced debt of $.9 million, decrease in net pension liability of $20.7 million and increase in OPEB liability of $1.9 million. Business-type activities long-term liabilities increased by $1.4 million primarily because of net new borrowings over principal payments of $3.8 million, decrease in net pension liability of $2.3 million, and decrease in OPEB liability of $.1 million.

- The City refinanced most of the outstanding principal on the General Obligations Bonds Series of 2014, and refinanced a small amount of the outstanding principal on the General Obligation Bonds Series of 2015. A total of $36,145,000 was advance refunded, allocated among governmental activities, $30,439,051, or 84.2%; water fund, $2,104,069, or 5.8% and sewer fund, $3,601,880, or 10%. The present value of net cash savings from the advance refunding, among the general fund, water fund and sewer fund, was $725,043.

- In 2020, management of the City has elected to present the Capital Projects Fund as a major fund. See Note 1.C. on page 38 for more information.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

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

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

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

- **Government-wide financial statements**, the first two statements provide a broad overview of the City's overall financial status as well as the financial status of the City's component units, in a manner similar to private-sector business.

- **Fund financial statements**, the remaining statements, focus on individual parts of City government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:

    - *Governmental* fund statements show how general government services such as public safety were financed in the short term, as well as what remains for future spending.

    - *Proprietary* fund statements offer short-term and long-term financial information about the activities the City operates like a business.

    - *Fiduciary* fund statements reflect activities involving resources that are held by the City as a trustee or agent for the benefit of others, including the City's retirement plans and OPEB Trust fund. Fiduciary funds are not reflected in the government-wide statements, because the resources cannot be used to support the City's programs.

Table 1 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

Table 1
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental	Business-Type	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the City such as general government, public safety and public works	The business-type activities of the City, such as water and sewer	Instances in which the City administers resources on behalf of others, such as employee pension plans
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows	• Statement of Net Position - Fiduciary Funds - Trust Funds • Statement of Changes in Net Position - Fiduciary Funds - Trust Funds
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources	All assets and liabilities, both financial and capital, current and noncurrent; funds do not contain capital assets, although they can
Types of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter, expenditures when good or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

Government-Wide Financial Statements

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

- The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except fiduciary funds, with the difference reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.

- The statement of activities focuses on how the City's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not related to a particular program), it shows to what extent each program has had to rely on local taxes for funding.

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

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

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

There are two categories of activities for the primary government.

- *Governmental activities* include the City's basic services such as general government, public safety, public works, community development, and culture and recreation. Property taxes and other taxes, plus operating grants and revenues, finance most of these activities.

- *Business-type activities* generally charge a fee to customers to help cover the cost of services.

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

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

- Capitalize current outlays for capital assets

- Report long-term debt as a liability

- Depreciate capital assets and allocate the depreciation to the proper program/activities

- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting

- Allocate net position balances as follows:

    - Net investment in capital assets

    - Restricted net position are those with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation

    - Unrestricted net position is net position that does not meet any of the above criteria.

Fund Financial Statements

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

The City has three kinds of funds:

- *Governmental funds* include most of the City's basic services and focus on: (1) the flow in and out of cash and other financial assets that can be readily converted to cash, and (2) the balances left at year-end that are available for spending. The six governmental funds that the City maintains (General, Community Development, Grant and Capital Projects [major funds] plus Shade Tree and Liquid Fuels [non-major funds]) are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs.

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

  The City adopts an annual budget for the general, community development block grant, and capital projects. Budgetary comparisons for the general fund are presented as required supplementary information as this is a legally required budget.

- *Proprietary funds* report business-type programs and activities that charge fees designed to cover the cost of providing services. They report using the full accrual basis of accounting.

- *Fiduciary funds* are funds for which the City is the trustee or fiduciary. These include the Officers and Employees Pension Fund, the Police Pension Fund, the Firemen Pension Fund and OPEB Trust fund, and certain agency funds or clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The City is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the City's government-wide financial statements, because the City cannot use these assets to finance its operations.

Notes to Financial Statements

The notes, beginning on page 34, are integral to developing a complete understanding of both the government-wide and fund financial statements. They provide additional explanation of the amounts shown in the various statements.

Other Information

This report also includes required supplementary information related to employee pension liabilities, other postemployment benefits, and the budgetary comparison schedule for the general fund. The combining statements and other financial information, in connection with nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds are presented following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position may serve as a useful indicator of a government's financial position. The table below summarizes the City's net position at December 31, 2020 and 2019.

Table 2
Condensed Statement of Net Position
(Amounts expressed in thousands)

	Governmental Activities			Business-Type Activities			Total		
	2020	2019	% Change	2020	2019 (restated)	% Change	2020	2019 (restated)	% Change
Current & Other Assets	$ 89,140	$ 85,386	4.4%	$ 190,697	$ 185,161	3.0%	$ 279,837	$ 270,547	3.4%
Capital Assets	52,475	49,287	6.5%	292,675	282,706	3.5%	345,150	331,993	4.0%
Total Assets	141,615	134,673	5.2%	483,372	467,867	3.3%	624,987	602,540	3.7%
Deferred Outflows of Resources	32,288	34,776	-7.2%	5,898	6,483	-9.0%	38,186	41,259	-7.4%
Current & Other Liabilities	15,562	16,144	-3.6%	24,128	21,460	12.4%	39,690	37,604	5.5%
Long-Term Liabilities	248,948	267,839	-7.1%	247,722	251,931	-1.7%	496,670	519,770	-4.4%
Total Liabilities	264,510	283,983	-6.9%	271,850	273,391	-0.6%	536,360	557,374	-3.8%
Deferred Inflows of Resources	32,635	26,764	21.9%	3,433	3,170	8.3%	36,068	29,934	20.5%
Net Position:									
Net Investment in Capital Assets	(17,783)	(25,261)	-29.6%	40,909	34,188	19.7%	23,126	8,927	159.1%
Restricted	20,924	19,197	9.0%	8,513	9,473	-10.1%	29,437	28,670	2.7%
Unrestricted	(126,383)	(135,234)	-6.5%	164,565	154,128	6.8%	38,182	18,894	102.1%
Total Net Position	$ (123,242)	$ (141,298)	-12.8%	$ 213,987	$ 197,789	8.2%	$ 90,745	$ 56,491	60.6%

The City's net investment in capital assets, net of the related debt outstanding used to acquire those assets, is $23.1 million, or 25.5% of its net position. These capital assets are used to provide services and are not available for future spending. The resources needed to repay the debt incurred to acquire these assets will come from future revenues.

An additional portion of net position, $29.5 million or 32.4% represents resources subject to external restrictions. The unrestricted balance increased by $19.3 million from last year; the primary reasons for the overall increases are discussed in the sections for governmental activities and business-type activities.

The changes in long-term liabilities are described in the Financial Highlights section of the MD&A on page 19.

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

Table 3
Changes in Net Position
(Amounts expressed in thousands)

	Governmental Activities			Business-Type Activities			Total		
	2020	2019	% Change	2020	2019 (restated)	% Change	2020	2019 (restated)	% Change
Revenues:									
Program Revenues:									
Charges for services	$ 10,774	$ 13,483	-20.1%	$ 76,798	$ 77,660	-1.1%	$ 87,572	$ 91,143	-3.9%
Operating Grants and Contributions	10,903	11,010	-1.0%	246	552	-55.4%	11,149	11,562	-3.6%
Capital Grants and Contributions	1,745	3,431	-49.1%	-	-	0.0%	1,745	3,431	100.0%
General Revenues:									
Property Tax	24,367	25,040	-2.7%	-	-	0.0%	24,367	25,040	-2.7%
Act 511 Taxes	37,553	36,257	3.6%	-	-	0.0%	37,553	36,257	3.6%
Indirect Cost Allocation	1,741	1,747	-0.3%	-	-	0.0%	1,741	1,747	0.0%
Other	1,283	1,367	-6.1%	958	2,842	-66.3%	2,241	4,209	-46.8%
Total Revenues	88,366	92,335	-4.3%	78,002	81,054	-3.8%	166,368	173,389	-4.0%
Expenses									
General Government	9,155	7,106	28.8%	1,741	1,747	0.0%	10,896	8,853	23.1%
Public Safety	54,763	57,877	-5.4%	-	-	0.0%	54,763	57,877	-5.4%
Public Works - Highway and Streets	1,454	1,560	-6.8%	-	-	0.0%	1,454	1,560	-6.8%
Public Works - Other	5,615	6,001	-6.4%	-	-	0.0%	5,615	6,001	-6.4%
Community Development	7,313	8,421	-13.2%	-	-	0.0%	7,313	8,421	-13.2%
Culture and Recreation	1,808	1,932	-6.4%	-	-	0.0%	1,808	1,932	-6.4%
Other (employee benefits)	935	201	365.2%	-	-	0.0%	935	201	365.2%
Debt Service - Interest	4,821	5,573	-13.5%	-	-	0.0%	4,821	5,573	-13.5%
Water	-	-	0.0%	21,517	23,155	-7.1%	21,517	23,155	-7.1%
Sewer	-	-	0.0%	17,948	19,172	-6.4%	17,948	19,172	-6.4%
Solid Waste	-	-	0.0%	5,044	4,576	10.2%	5,044	4,576	10.2%
Total Expenses	85,864	88,671	-3.2%	46,250	48,650	-4.9%	132,114	137,321	-3.8%
Excess of revenues over expenses before transfers	2,502	3,664	-31.7%	31,752	32,404	-2.0%	34,254	36,068	-5.0%
Transfers	15,554	12,775	21.8%	(15,554)	(12,775)	21.8%	-	-	0.0%
Increase in net position	18,056	16,439	9.8%	16,198	19,629	-17.5%	34,254	36,068	-5.0%
Net Position (Deficit) - Beginning of Year - Restated	(141,298)	(157,737)	-10.4%	197,789	181,587	8.9%	56,491	23,850	136.9%
Restatement (see Note 15)	-	-		-	(3,427)		-	(3,427)	
Net Position (Deficit) - Beginning of Year - Restated	(141,298)	(157,737)		197,789	178,160		56,491	20,423	
Net Position (Deficit) - End of Year - Restated	$ (123,242)	$ (141,298)	-12.8%	$ 213,987	$ 197,789	8.2%	$ 90,745	$ 56,491	60.6%

During 2020, the City's governmental activities net position (deficit) decreased by $18.1 million, from $(141.3 million) to $(123.2 million). Total governmental activities revenues decreased by $4.0 million, from $92.3 million to $88.3 million. Charges for services decreased by $2.7 million because of the COVID-19 pandemic. Capital grants and contributions were $1.7 million less than last year largely because of timing and completion of capital grants from year to year.

Expenses for governmental activities decreased $2.8 million, or 3.2%. The expenses cover a range of services, the largest being public safety. Public safety (police, fire, and EMS) expense decreased by $3.1 million, or 5.4%, mostly because of the net effect of a decrease to pension expense of $5.7 million and an increase in OPEB expense of $2.4 million. General government expense increased by $2.0 million, or 28.8%, primarily because of IT spending of $1.6 million. Community development expense decreased by $1.1 million, or 13.2%, mostly because of a reduction of services because of the COVID-19 pandemic.

Net Cost of Services

Net cost of services indicates the amount of support required from taxes and other general revenues for a program of the government. In 2020, real estate and Act 511 taxes totaled $61.9 million. Table 4 depicts the net program expenses for the years ended December 31, 2020 and 2019.

Table 4
Net Cost of Governmental Activities
(Amounts expressed in thousands)

	Total Cost of Services		%	Net (Expense)/Revenue Generated		2020
	2020	2019	Change	2020	2019	Surplus/(Deficit)
Expenses						
General Government	$ 9,155	$ 7,106	28.8%	$ (2,414)	$ (1,196)	(Deficit)
Public Safety	54,763	57,877	(5.4)%	(45,908)	(48,011)	(Deficit)
Public Works - Highway and Streets	1,454	1,560	(6.8)%	1,701	1,214	Surplus
Public Works - Other	5,615	6,001	(6.4)%	(5,327)	(5,697)	(Deficit)
Community Development	7,313	8,421	(13.2)%	(2,157)	1,111	(Deficit)
Culture and Recreation	1,808	1,932	(6.4)%	(840)	(647)	(Deficit)
Other (employee benefits)	935	201	(365.2)%	(935)	(201)	(Deficit)
Debt Service - interest	4,821	5,573	(13.5)%	(4,821)	(5,573)	(Deficit)
Total Expenses	$ 85,864	$ 88,671	(3.2)%	$(60,701)	$(59,000)	

The City relied on real estate tax, Act 511 taxes, and other general revenues to fund 71.5% of its governmental activities in 2020.

Revenues of the City's business-type activities (see Table 3) decreased by 3.8% ($78.0 million in 2020 compared to $81.1 million in 2019). Included within total revenues are other revenues, composed of investment earnings and miscellaneous income, of $1.0 million in 2020 and $2.8 million in 2019. Expenses decreased by 4.9% ($46.3 million in 2020 compared with $48.7 million in 2019).

During 2020, the City's business-type activities net position increased by $16.2 million, from $197.8 million (restated) to $214.0 million. Total business-type activities revenues decreased by $3.1 million, from $81.1 million to $78.0 million.

Expenses for business-type activities decreased $2.4 million, or 4.9%. The expenses cover providing services to the City's water, sewer and solid waste customers. Water fund expenses decreased by $1.6 million, or 7.1%, because of a decrease in interest expense of $1.5 million realized by the City's blended component unit, Reading Area Water Authority. Sewer fund expenses decreased by $1.2 million, or 6.4%; most of the decrease resulted from net effect of decreases in personnel and pension expense of $.7 million each, with an increase in interest expense of $.3 million.

Operations of the water, sewer and solid waste funds are entirely funded through charges and fees for services.

Table 5
Net Cost of Business-Type Activities
(Amounts expressed in thousands)

	Total Cost of Services		%	Net (Expense)/Revenue Generated		2020
	2020	2019	Change	2020	2019	Surplus/(Deficit)
Business Type Activities:						
Water	$ 21,517	$ 23,155	(7.1)%	$ 11,751	$ 9,423	Surplus
Sewer	17,948	19,172	(6.4)%	18,066	18,577	Surplus
Solid Waste	5,044	4,576	10.2%	978	1,562	Surplus
Total Expenses	$ 44,509	$ 46,903	(5.1)%	$ 30,795	$ 29,562	

Financial Analysis of the Government's Funds

GOVERNMENTAL FUNDS

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

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

The City's governmental funds include the general fund, special revenue funds, debt service fund, and capital projects fund. The general fund is the chief operating fund for the City. Special revenue funds are restricted to specific legislated use. The capital projects fund accounts for the proceeds of grants, and when applicable, proceeds on bond issues to be used for capital projects. The major funds are shown on the statement of revenues, expenditures, and changes in fund balance in the financial statements.

Governmental Fund Revenues

Governmental fund revenues by source for the years ended December 31, 2020 and 2019 were as follows. Table 6 also presents changes from 2020 to 2019.

Table 6
Revenues by Source
Governmental Funds
(Amounts expressed in thousands)

	2020	2019	Change	Percent Change
Real Estate Taxes	$ 24,605	$ 25,257	$ (652)	(2.6)%
Earned Income Tax	27,184	27,900	(716)	(2.6)%
Other Taxes	10,143	8,180	1,963	24.0%
Licenses, Permits, Fines	4,292	5,444	(1,152)	(21.2)%
Intergovernmental	12,727	14,721	(1,994)	(13.5)%
Charges for Services	6,620	8,618	(1,998)	(23.2)%
Interest and Rent	1,282	1,352	(70)	(5.2)%
Other	3,426	2,759	667	24.2%
Total Revenue	$ 90,279	$ 94,231	$ (3,952)	(4.2)%

Governmental fund revenues totaled $90.3 million for the year ended December 31, 2020. This is a decrease of $3.9 million from 2019. The overall decrease is primarily due to net effect of a decrease in earned income tax revenue of $.7 million offset by an increase in real estate transfer tax of $2.0 million, decreases in licenses, permits and fines, and charges for services of $1.2 million and $2.0 million, respectively, because of the U.S. pandemic and a decrease in intergovernmental revenue of $2.0 million, approximately $1.7 million of which was because of a decrease in Community Development Block Grant (CDBG) revenue.

Governmental Fund Expenditures

Governmental fund expenditures by function for the years ended December 31, 2020 and 2019 were as follows. Table 7 also presents changes from 2020 to 2019.

Table 7
Expenditures by Function
Governmental Funds
(Amounts expressed in thousands)

	2020	2019	Change	Percent Change
General Government	$ 8,609	$ 5,292	$ 3,317	62.7%
Public Safety	58,482	58,554	(72)	(.1)%
Public Works - Highways & Streets	5,368	4,351	1,017	23.4%
Public Works - Other	6,481	6,031	450	7.5%
Community Development	7,829	10,489	(2,660)	(25.4)%
Culture and Recreation	1,260	1,279	(19)	(1.5)%
Other (employee Benefits)	3,301	2,778	523	18.8%
Debt Service - Principal	6,285	6,704	(419)	(6.3)%
Debt Service - Interest	4,580	4,803	(223)	(4.6)%
Total Expenditures	$ 102,195	$ 100,281	$ 1,914	1.9%

The City maintains six 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, community development, grant fund, and capital projects fund. The capital projects fund includes the street paving, city facilities construction, and housing improvements funds which are considered major funds. Non-major funds include the shade tree fund and liquid fuels fund which are presented separately in the combining balance sheet - non-major governmental funds and in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds.

Governmental fund expenditures totaled $102.2 million for the year ended December 31, 2020, an increase of 1.9% from 2019.

Governmental Fund Balances (Deficit) and Net Position of Enterprise Funds

Table 8 reflects ending fund balances (deficit) for governmental funds and the net position for enterprise funds at December 31, 2020 and 2019.

Table 8
Ending Fund Balances (Deficit), Governmental Funds; Net Position, Enterprise Funds
(Amounts expressed in thousands)

	2020		2019	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds (restated)
General	$ 34,970	$ -	$ 32,531	$ -
Community Development	1,868	-	1,002	-
Grant Fund	595	-	589	-
Shade Tree	(11)	-	113	-
Liquid Fuels	6,354	-	6,254	-
Capital Projects	16,817	-	15,955	-
Debt Service	-	-	-	-
Water	-	22,324	-	18,980
Sewer	-	186,084	-	174,119
Solid Waste	-	5,579	-	4,689
Total	$ 60,593	$ 213,987	$ 56,444	$ 197,788

The City's governmental funds reported a combined fund balance of $60.6 million at December 31, 2020. Of the total, $16.8 million is for capital projects and acquisitions, $6.4 million is restricted for liquid fuels, $2.4 million is restricted for certain purposes, $2.0 million is assigned for various projects and $2.3 million is assigned for the 2021 budget contingency.

Budgetary Highlights

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

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

Because the City's fiscal year differs from those of the Commonwealth and the federal government, it is difficult to know what grants will be forthcoming in the City's fiscal year. Some revenue variances are due to budgeting for grants not received. Other revenue variances are based on grants received but not anticipated.

Capital Assets

The City's investment in capital assets at December 31, 2020, net of accumulated depreciation, was $345.2 million. Capital assets consist of land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Table 9 is a summary of capital assets at December 31, 2020 and 2019.

Table 9
Capital Assets at December 31, 2020 and 2019
(Amounts expressed in thousands)

	Governmental Activities		Business - Type Activities		Total	
	2020	2019	2020	2019 (restated)	2020	2019 (restated)
Land	$ 2,348	$ 2,348	$ 2,104	$ 2,104	$ 4,452	$ 4,452
Construction in Progress	6,240	2,784	181,529	165,310	187,769	168,094
Buildings	12,990	13,868	8,711	9,648	21,701	23,516
Improvements	19,768	19,445	90,889	95,731	110,657	115,176
Machinery and Equipment	9,281	8,905	9,442	9,913	18,723	18,818
Infrastructure	1,848	1,937	-	-	1,848	1,937
Total	$ 52,475	$ 49,287	$ 292,675	$ 282,706	$ 345,150	$ 331,993

Major capital asset acquisitions during the year include the following:

Governmental activities:

- Various projects that remain to be completed and are included in construction in progress, including River Road extension, fire department apparatus, Schlegel Pool, and city-wide handicapped ramps on sidewalks.
- Safety improvement in the area of South Fifth Street and Penn Street, $487,000
- 6th and Laurel intersection improvement, $121,000
- Various public safety equipment, $223,000
- Various public safety vehicles, $551,000
- Two new public works dump trucks, $334,000
- New ambulance, $176,000

Business-type activities:

- Ongoing construction of the new wastewater treatment plant, $16.2 million

Detailed information about the City's capital assets can be found in Note 9 in the financial statements.

Debt Administration

Noncurrent Liabilities

At December 31, 2020, the City's governmental activities had $254.6 million of noncurrent liabilities outstanding, including bonds, notes, capital leases, compensated absences and liabilities for pension and other postemployment benefits. The City's business-type activities had $260.1 million of noncurrent liabilities outstanding. Table 10 provides a summary of outstanding debt.

Table 10
Summary of Noncurrent Liabilities
(Amounts expressed in thousands)

	Governmental Activities	Business-type Activities
Bonds/Notes/Leases Payable, net	$ 114,433	$ 255,904
Net Pension Liability	73,567	3,130
Other Postemployment Benefits	65,291	1,074
Compensated Absences	1,278	-
	$ 254,569	$ 260,108

The amount of indebtedness a City may incur is limited by Pennsylvania law to 250% (nonelectoral) and 350% (net non-electoral and lease rental) of a three-year average of the total revenue received, exclusive of governmental grants for a specific purpose. The City's non-electoral debt limit at December 31, 2020 was approximately $444 million, and the total debt outstanding was $293 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2020 was approximately $621 million and the total debt outstanding was $387 million.

Bond Rating

The City's debt rating was BBB+ (negative outlook) by S&P as of December 31, 2020. Insurance has been purchased to guarantee repayment of certain of the City's indentures.

Detailed information about the City's Long-term Debt can be found in Note 10 in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2021 General Fund budget, adopted in December 2020, including balances and transfers, is $92.5 million. The 2021 adopted General Fund budget represents a significant $2.0 million or 2.1% decrease from the 2020 adopted budget of $94.5 million, in response to the COVID-19 pandemic. The 2021 General Fund adopted budget includes the use of fund balance of $2.3 million. For 2021, the property tax millage rate was increased by .44 mills from 17.689 mills to 18.129 mills; a 2.5% increase, which is the first increase since 2016.

The City's real estate tax calendar for 2021 has been restored to the pre-COVID-19 calendar. See Note 4 for more information of the City's property tax calendar.

Interest rates have fallen drastically, over 90%, in 2020, and have not yet recovered.

In June 2021, the City received $30,567,485 of Coronavirus State and Local Fiscal Recovery Funds from the U.S. Treasury. A second receipt of the same amount is expected to be received in March 2022. City Council and the Administration are in the process of determining how to expend these funds. The City has until December 31, 2024 to commit these funds and until December 31, 2026 to expend these funds. The City has created a separate fund to account for these funds.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michael R. Oppenheimer, City Controller at (610) 655-2583. Written inquiries may be made to City of Reading, Finance Department, 815 Washington Street, Reading, PA 19601.

CITY OF READING

STATEMENT OF NET POSITION

December 31, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Reading Parking Authority	Reading Redevelopment Authority
ASSETS					
Cash	$ 44,372,473	$ 104,500,741	$ 148,873,214	$ 2,232,620	$ 824,207
Investments	20,482,607	55,820,727	76,303,334	-	-
Accounts receivable, net	2,558,320	10,126,816	12,685,136	562,061	8,750
Taxes receivable, net	7,062,801	-	7,062,801	-	-
Internal balances	282,114	(282,114)	-	-	-
Intergovernmental receivables	2,273,250	10,729,040	13,002,290	-	-
Lease rental receivable due within one year	213,000	-	213,000	-	-
Inventory	-	114,583	114,583	-	475,181
Other current assets	15,457	-	15,457	28,015	38,631
Restricted cash and investments	766,884	8,803,801	9,570,685	15,187,560	-
Capital assets not being depreciated	8,588,099	183,632,267	192,220,366	4,709,764	-
Capital assets, net of accumulated depreciation	43,886,529	109,042,501	152,929,030	28,340,038	-
Other noncurrent assets:					
Lease rental receivable	1,521,000	-	1,521,000	-	-
Loans receivable, net	355,408	-	355,408	-	-
Notes receivable, net	9,237,015	-	9,237,015	-	-
Leased land rights	-	883,620	883,620	-	-
TOTAL ASSETS	141,614,957	483,371,982	624,986,939	51,060,058	1,346,769
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on bond refunding	11,616,799	4,138,296	15,755,095	26,160	-
Deferred outflows of resources for pension	13,099,392	1,574,652	14,674,044	-	-
Deferred outflows of resources for other postemployment benefits	7,572,223	185,185	7,757,408	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	32,288,414	5,898,133	38,186,547	26,160	-
LIABILITIES					
Accounts payable	5,823,815	1,325,635	7,149,450	575,354	7,420
Accounts payable - capital	-	9,152,102	9,152,102	-	-
Accrued interest	541,859	187,971	729,830	42,444	-
Accrued claims	1,516,969	-	1,516,969	-	-
Unearned revenue	1,889,615	-	1,889,615	100,099	-
Other current liabilities	168,584	1,076,361	1,244,945	179,861	11,390
Long-term debt due within one year	5,621,630	12,385,891	18,007,521	1,503,565	-
Noncurrent liabilities:					
Notes and bonds payable, net	108,811,485	243,518,700	352,330,185	28,442,670	-
Other liabilities	-	-	-	69,496	-
Compensated absences	1,278,126	-	1,278,126	-	-
Net pension liability	73,567,204	3,129,908	76,697,112	-	-
Other postemployment benefits liability	65,290,255	1,073,776	66,364,031	-	-
TOTAL LIABILITIES	264,509,542	271,850,344	536,359,886	30,913,489	18,810
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources for pension	28,322,458	3,386,721	31,709,179	-	-
Deferred inflows of resources for other postemployment benefits	4,312,812	46,127	4,358,939	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	32,635,270	3,432,848	36,068,118	-	-
NET POSITION					
Net investment in capital assets	(17,782,688)	40,908,474	23,125,786	10,756,506	-
Restricted	20,923,795	8,513,384	29,437,179	7,560,781	-
Unrestricted (deficit)	(126,382,548)	164,565,065	38,182,517	1,855,442	1,327,959
TOTAL NET POSITION (DEFICIT)	$ (123,241,441)	$ 213,986,923	$ 90,745,482	$ 20,172,729	$ 1,327,959

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Reading Parking Authority	Component Units: Reading Redevelopment Authority
Primary Government										
Governmental activities:										
General government	$ 9,155,142	$ (1,944,854)	$ 4,056,004	$ 490,602	$ 250,000	$ (2,413,682)	$ -	$ (2,413,682)	$ -	$ -
Public safety:										
Police	35,349,362	-	1,242,883	3,319,617	100,000	(30,686,862)	-	(30,686,862)	-	-
Fire	14,848,011	-	286,450	992,350	88,656	(13,480,555)	-	(13,480,555)	-	-
Emergency medical services	4,565,101	-	2,483,818	341,884	-	(1,739,399)	-	(1,739,399)	-	-
Public works - highways and streets	1,453,532	-	213,275	2,291,320	649,956	1,701,019	-	1,701,019	-	-
Public works - other	5,615,255	-	188,400	99,483	-	(5,327,372)	-	(5,327,372)	-	-
Community development	7,312,768	203,634	2,209,338	2,493,496	656,509	(2,157,059)	-	(2,157,059)	-	-
Culture and recreation	1,807,837	-	93,299	874,326	-	(840,212)	-	(840,212)	-	-
Other (employee benefits, bond costs	935,498	-	-	-	-	(935,498)	-	(935,498)	-	-
Debt service - interest	4,820,876	-	-	-	-	(4,820,876)	-	(4,820,876)	-	-
Total governmental activities	85,863,382	(1,741,220)	10,773,467	10,903,078	1,745,121	(60,700,496)	-	(60,700,496)	-	-
Business-type activities:										
Water	21,517,244	128,372	33,267,103	129,567	-	-	11,751,054	11,751,054	-	-
Sewer	17,947,555	1,226,236	37,239,377	-	-	-	18,065,586	18,065,586	-	-
Solid waste	5,044,020	386,612	6,292,176	116,390	-	-	977,934	977,934	-	-
Total business-type activities	44,508,819	1,741,220	76,798,656	245,957	-	-	30,794,574	30,794,574	-	-
Total Primary Government	$ 130,372,201	$ -	$ 87,572,123	$ 11,149,035	$ 1,745,121	(60,700,496)	30,794,574	(29,905,922)	-	-
Component Units										
Reading Parking Authority	$ 7,421,186	$ -	$ 7,293,347	$ -	$ -	-	-	-	(127,839)	-
Reading Redevelopment Authority	1,101,885	-	442,025	845,957	-	-	-	-	-	186,097
Total Component Units	$ 8,523,071	$ -	$ 7,735,372	$ 845,957	$ -	-	-	-	(127,839)	186,097
General Revenues										
Taxes:										
Property taxes						24,366,724	-	24,366,724	-	-
Earned income taxes						27,184,124	-	27,184,124	-	-
Other taxes						10,368,680	-	10,368,680	-	-
Investment earnings						154,940	1,272,160	1,427,100	57,211	4,397
Miscellaneous income						1,128,301	(314,190)	814,111	-	-
Transfers - internal activities						15,553,744	(15,553,744)	-	-	-
Total General Revenues and Transfers						78,756,513	(14,595,774)	64,160,739	57,211	4,397
Change in Net Position						18,056,017	16,198,800	34,254,817	(70,628)	190,494
Net Position (Deficit) - Beginning of Year - Restated						(141,297,458)	197,788,123	56,490,665	20,243,357	1,137,465
Net Position (Deficit) - End of year						$(123,241,441)	$ 213,986,923	$ 90,745,482	$ 20,172,729	$ 1,327,959

See accompanying notes to the financial statements.

CITY OF READING

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

	General	Community Development	Grant Fund	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash	$ 13,838,430	$ 2,737,377	$ 896,906	$ 18,156,171	$ 6,653,853	$ 42,282,737
Restricted cash	-	-	766,884	-	-	766,884
Investments	16,959,959	-	48,758	-	-	17,008,717
Accounts receivable	2,439,198	118,665	-	-	-	2,557,863
Taxes receivable, net	7,381,138	-	-	-	60,144	7,441,282
Interfund receivables	954,610	360,159	16,555	551,281	4,600	1,887,205
Intergovernmental receivable	248	1,046,478	1,226,067	457	-	2,273,250
Lease rental receivable	1,734,000	-	-	-	-	1,734,000
Loans receivable	355,408	-	-	-	-	355,408
TOTAL ASSETS	$ 43,662,991	$ 4,262,679	$ 2,955,170	$ 18,707,909	$ 6,718,597	$ 76,307,346
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 1,973,757	$ 874,337	$ 831,661	$ 1,806,462	$ 321,187	$ 5,807,404
Interfund payables	423,302	12,330	1,147,326	84,295	72	1,667,325
Unearned revenue	-	1,508,165	381,450	-	-	1,889,615
Other liabilities	168,584	-	-	-	-	168,584
TOTAL LIABILITIES	2,565,643	2,394,832	2,360,437	1,890,757	321,259	9,532,928
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue:						
Property taxes	3,731,236	-	-	-	53,576	3,784,812
Other	662,370	-	-	-	-	662,370
Lease rental receivable	1,734,000	-	-	-	-	1,734,000
TOTAL DEFERRED INFLOWS OF RESOURCES	6,127,606	-	-	-	53,576	6,181,182
FUND BALANCES						
Restricted for:						
Community development	-	1,867,847	-	-	-	1,867,847
Donor or regulatory restricted	-	-	594,733	-	-	594,733
Liquid fuels	-	-	-	-	6,354,600	6,354,600
Capital projects	-	-	-	9,917,152	-	9,917,152
Committed	49,365	-	-	6,900,000	-	6,949,365
Assigned for:						
2021 budget appropriations	2,255,138	-	-	-	-	2,255,138
Demolition	1,000,000	-	-	-	-	1,000,000
Property acquisition	1,000,000	-	-	-	-	1,000,000
Unassigned	30,665,239	-	-	-	(10,838)	30,654,401
TOTAL FUND BALANCES	34,969,742	1,867,847	594,733	16,817,152	6,343,762	60,593,236
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 43,662,991	$ 4,262,679	$ 2,955,170	$ 18,707,909	$ 6,718,597	$ 76,307,346

See accompanying notes to the financial statements.

CITY OF READING

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

December 31, 2020

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 60,593,236
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $129,157,688 and the accumulated depreciation is $76,683,060.		52,474,628
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and ,therefore, are reported as unavailable revenue in the funds.		3,784,812
Other long-term assets (receivables and restricted cash) and lease rental receivable are not available to pay current period expenditures and, therefore, are reported as unearned revenue in the funds.		14,034,156
Establish allowance for doubtful accounts - property taxes receivable ($378,481) and other long-term asset receivables ($2,400,771).		(2,779,252)
Long-term liabilities, including bonds payable, 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:		
Bonds/notes payable	$ (113,405,320)	
Accrued interest	(541,859)	
Unamortized bond discount	269,403	
Unamortized bond premium	(1,297,198)	
Deferred charge on bond refunding	11,616,799	
Compensated absences	(1,278,126)	(104,636,301)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(88,790,270)
The other postemployment benefits liability and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		(62,030,844)
Internal service funds are used by the City to charge the costs of workman's compensation insurance and other insurance to individual funds. The assets and liabilities of the internal service funds are included with governmental activities on the statement of net position.		4,108,394
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (123,241,441)

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended December 31, 2020

	General	Community Development	Grant Fund	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Real estate taxes	$ 24,327,932	$ -	$ -	$ -	$ 277,523	$ 24,605,455
Earned income taxes	20,649,613	-	-	6,534,511	-	27,184,124
Other taxes	10,143,108	-	-	-	-	10,143,108
Licenses, permits, and fines	4,291,995	-	-	-	-	4,291,995
Intergovernmental	5,897,774	2,679,912	1,669,664	350,000	2,129,217	12,726,567
Charges for services	6,081,537	538,443	-	-	-	6,619,980
Interest and rent	1,249,475	359	465	22,637	9,121	1,282,057
Other	3,423,744	-	2,361	-	-	3,426,105
TOTAL REVENUES	76,065,178	3,218,714	1,672,490	6,907,148	2,415,861	90,279,391
EXPENDITURES						
Current:						
General government	6,785,601	-	-	1,822,962	-	8,608,563
Public safety:						
Police	36,294,648	-	632,466	829,933	-	37,757,047
Fire	14,467,540	-	172,559	1,022,041	-	15,662,140
Emergency medical services	5,062,982	-	-	-	-	5,062,982
Public works - highways and streets	989,449	-	-	2,340,476	2,037,822	5,367,747
Public works - other	5,785,821	-	694,989	-	-	6,480,810
Community development	3,987,983	3,643,831	167,173	29,527	-	7,828,514
Culture and recreation	858,626	-	-	-	401,798	1,260,424
Other (employee benefits, debt issuance costs)	3,300,550	-	-	-	-	3,300,550
Debt service - principal	6,284,600	-	-	-	-	6,284,600
Debt service - interest	4,580,189	-	-	-	-	4,580,189
TOTAL EXPENDITURES	88,397,989	3,643,831	1,667,187	6,044,939	2,439,620	102,193,566
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,332,811)	(425,117)	5,303	862,209	(23,759)	(11,914,175)
OTHER FINANCING SOURCES (USES)						
Issuance of refunding bonds	30,439,051	-	-	-	-	30,439,051
Transfers in	6,928,866	1,291,450	-	-	-	8,220,316
Transfers in - lease payments	10,668,530	-	-	-	-	10,668,530
Payment to escrow agent for refunding bonds	(29,930,222)	-	-	-	-	(29,930,222)
Transfers out	(3,335,102)	-	-	-	-	(3,335,102)
TOTAL OTHER FINANCING SOURCES (USES)	14,771,123	1,291,450	-	-	-	16,062,573
NET CHANGE IN FUND BALANCES	2,438,312	866,333	5,303	862,209	(23,759)	4,148,398
FUND BALANCES - BEGINNING OF YEAR	32,531,430	1,001,514	589,430	15,954,943	6,367,521	56,444,838
FUND BALANCES - END OF YEAR	$ 34,969,742	$ 1,867,847	$ 594,733	$ 16,817,152	$ 6,343,762	$ 60,593,236

See accompanying notes to the financial statements.

CITY OF READING

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 4,148,398
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 expense.		
Capital outlays	$ 7,195,895	
Less: loss on disposal of assets	(43,423)	
Less: depreciation expense	(3,964,817)	3,187,655
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,261,095)
Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Issuance of refunding bonds	(30,439,051)	
Payment to escrow agent for bond refunding	29,930,222	
Repayment of bond/note principal	6,284,600	
Amortization of bond discount	(42,093)	
Amortization of bond premium	141,737	
Amortization of deferred charge on bond refunding	(643,500)	5,231,915
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.		303,169
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:		
Compensated absences	(118,758)	
Net pension liability and related deferred outflows and inflows	8,634,869	
OPEB liability and related deferred outflows and inflows	(2,553,344)	5,962,767
An internal service fund is used by the City to charge the costs of insurance claims to the individual funds. The excess revenue (expense) is reported with governmental activities.		483,208
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 18,056,017

CITY OF READING

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

Year Ended December 31, 2020

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash	$ 16,671,916	$ 83,040,232	$ 4,788,593	$ 104,500,741	$ 2,089,736
Investments	119,652	55,701,075	-	55,820,727	3,473,890
Accounts receivable, net of allowance of $7,578,278	5,240,256	3,855,877	1,030,683	10,126,816	457
Interfund receivables	2,663	176,464	116,390	295,517	120,000
Intergovernmental receivables	-	10,729,040	-	10,729,040	-
Inventory	114,583	-	-	114,583	-
Prepaid expenses	-	-	-	-	15,457
Total current assets	22,149,070	153,502,688	5,935,666	181,587,424	5,699,540
Restricted assets:					
Cash and investments	8,803,801	-	-	8,803,801	-
Noncurrent assets:					
Capital assets not being depreciated	2,363,920	181,268,347	-	183,632,267	-
Capital assets, net of accumulated depreciation	71,083,135	37,540,220	419,146	109,042,501	-
Total capital assets, net	73,447,055	218,808,567	419,146	292,674,768	-
Rights to leased land:	883,620	-	-	883,620	-
Total noncurrent assets	74,330,675	218,808,567	419,146	293,558,388	-
TOTAL ASSETS	105,283,546	372,311,255	6,354,812	483,949,613	5,699,540
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on bond refunding	1,223,273	2,915,023	-	4,138,296	-
Deferred outflows of resources for pension	320,060	1,065,869	188,723	1,574,652	-
Deferred outflows of resources for other postemployment benefits	7,514	169,232	8,439	185,185	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,550,847	4,150,124	197,162	5,898,133	-

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2020

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	273,307	717,382	334,946	1,325,635	16,556
Accounts payable - capital	-	9,152,102	-	9,152,102	-
Interfund payables	574,287	-	3,344	577,631	57,621
Accrued interest	187,971	-	-	187,971	-
Accrued payroll and compensated absences	749,792	-	-	749,792	-
Accrued claims	-	-	-	-	1,516,969
Escrow deposits	326,569	-	-	326,569	-
Current portion notes and bonds payable	3,937,449	8,448,442	-	12,385,891	-
Total current liabilities	6,049,375	18,317,926	338,290	24,705,591	1,591,146
Noncurrent liabilities:					
Notes and bonds payable, net	77,045,048	166,473,652	-	243,518,700	-
Net pension liability	662,159	2,198,465	269,284	3,129,908	-
Other postemployment benefits liability	70,811	973,642	29,323	1,073,776	-
Total noncurrent liabilities	77,778,018	169,645,759	298,607	247,722,384	-
TOTAL LIABILITIES	83,827,393	187,963,685	636,897	272,427,975	1,591,146
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources for pension	636,630	2,413,846	336,245	3,386,721	-
Deferred inflows of resources for other postemployment benefit liabilities	46,127	-	-	46,127	-
TOTAL DEFERRED INFLOWS OF RESOURCES	682,757	2,413,846	336,245	3,432,848	-
NET POSITION					
Net investment in capital assets	(6,312,168)	46,801,496	419,146	40,908,474	-
Restricted for debt service	8,513,382	-	-	8,513,382	-
Restricted for capital assets	2	-	-	2	-
Restricted for other	-	-	-	-	2,189,463
Unrestricted net position	20,123,027	139,282,352	5,159,686	164,565,065	1,918,931
TOTAL NET POSITION	$ 22,324,243	$ 186,083,848	$ 5,578,832	$ 213,986,923	$ 4,108,394

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year Ended December 31, 2020

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 32,753,870	$ 37,239,377	$ 6,291,984	$ 76,285,231	$ 3,275,163
Other	513,233	-	192	513,425	166,671
TOTAL OPERATING REVENUES	33,267,103	37,239,377	6,292,176	76,798,656	3,441,834
OPERATING EXPENSES					
Personnel	6,679,973	6,020,476	655,901	13,356,350	65,522
Depreciation and amortization	5,108,157	3,348,697	72,437	8,529,291	-
Risk management	65,800	624,160	262,810	952,770	-
Contracted services	928,007	309,554	3,649,846	4,887,407	-
Chemicals and supplies	1,156,151	382,377	-	1,538,528	-
Utilities	668,639	749,782	-	1,418,421	-
Claims incurred	-	-	-	-	1,723,634
Administrative expenses	-	-	-	-	1,186,802
Other	4,662,714	4,918,431	789,638	10,370,783	-
TOTAL OPERATING EXPENSES	19,269,441	16,353,477	5,430,632	41,053,550	2,975,958
OPERATING INCOME	13,997,662	20,885,900	861,544	35,745,106	465,876
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	129,567	-	116,390	245,957	-
Interest income	508,170	763,990	-	1,272,160	17,332
Loss on sale of equipment	-	(21,909)	(3,737)	(25,646)	-
Other	(305,469)	16,625	300	(288,544)	-
Gain (loss) on sale of solid waste accounts receivable	84,841	-	(84,841)	-	-
Interest expense	(2,376,175)	(2,820,314)	-	(5,196,489)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,959,066)	(2,061,608)	28,112	(3,992,562)	17,332
INCOME BEFORE TRANSFERS	12,038,596	18,824,292	889,656	31,752,544	483,208
Transfers in	2,000,000	-	-	2,000,000	-
Transfers out - lease payments	(10,668,530)	-	-	(10,668,530)	-
Transfers out	(25,789)	(6,859,425)	-	(6,885,214)	-
CHANGE IN NET POSITION	3,344,277	11,964,867	889,656	16,198,800	483,208
NET POSITION - BEGINNING OF YEAR - RESTATED	18,979,966	174,118,981	4,689,176	197,788,123	3,625,186
NET POSITION - END OF YEAR	$ 22,324,243	$ 186,083,848	$ 5,578,832	$ 213,986,923	$ 4,108,394

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2020

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 33,185,133	$ 37,181,314	$ 6,207,822	$ 76,574,269	$ 168,798
Receipts from interfund charges	-	-	-	-	3,275,163
Payments to employees	(6,799,865)	(10,562,437)	(816,080)	(18,178,382)	(65,522)
Payments to suppliers for goods and services	(11,115,627)	(3,572,776)	(6,374,788)	(21,063,191)	(3,860,930)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	15,269,641	23,046,101	(983,046)	37,332,696	(482,491)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Nonoperating revenues/expenses, net	(305,469)	16,625	300	(288,544)	-
Gain (loss) on sale of receivables	84,841	-	(84,841)	-	-
Intergovernmental revenue	129,567	-	116,390	245,957	-
Transfers out, net	(8,694,319)	(3,000,000)	-	(11,694,319)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(8,785,380)	(2,983,375)	31,849	(11,736,906)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Decrease in restricted assets, net	219,324	-	-	219,324	-
Proceeds from capital asset disposals	-	52,500	-	52,500	-
Proceeds from issuance of long-term debt	-	13,271,845	-	13,271,845	-
Costs to acquire long-term debt	(103,960)	-	-	(103,960)	-
Interest paid on debt	(2,359,360)	(2,703,574)	-	(5,062,934)	-
Acquisition and construction of capital assets	(1,367,072)	(19,512,993)	(60,237)	(20,940,302)	-
Principal payments of notes and bonds	(3,228,814)	(3,384,379)	-	(6,613,193)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,839,882)	(12,276,601)	(60,237)	(19,176,720)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	508,170	763,990	-	1,272,160	17,332
Net purchase of investments	(532)	(395,204)	-	(395,736)	(17,332)
NET CASH PROVIDED BY INVESTING ACTIVITIES	507,638	368,786	-	876,424	-
NET INCREASE (DECREASE) IN CASH	152,017	8,154,911	(1,011,434)	7,295,494	(482,491)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	25,323,700	74,885,321	5,800,027	106,009,048	2,572,227
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 25,475,717	$ 83,040,232	$ 4,788,593	$ 113,304,542	$ 2,089,736

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2020

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income	$ 13,997,662	$ 20,885,900	$ 861,544	$ 35,745,106	$ 465,876
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation and amortization	5,108,157	3,348,697	72,437	8,529,291	-
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:					
Accounts receivable	(7,809)	(58,063)	(84,354)	(150,226)	2,126
Interfund receivables	65,790	(175,537)	215,101	105,354	-
Intergovernmental receivables	-	159,219	-	159,219	-
Inventory	45,726	-	-	45,726	-
Prepaid expenses	54,600	-	-	54,600	18,548
Deferred outflows of resources for pension	279,178	726,207	84,291	1,089,676	-
Deferred outflows of resources for other postemployment benefits	13,425	36,586	(3,200)	46,811	-
Accounts payable	(119,532)	(137,350)	(307,096)	(563,978)	(79,259)
Interfund payables	(3,639,777)	(294,229)	(1,580,499)	(5,514,505)	(858,455)
Accrued payroll and compensated absences	(41,123)	-	-	(41,123)	-
Accrued claims	-	-	-	-	(31,327)
Net pension liability	(516,654)	(1,638,236)	(144,968)	(2,299,858)	-
Other postemployment benefits liability	(74,161)	(64,026)	2,383	(135,804)	-
Deferred inflows of resources for pension	59,932	281,624	(98,043)	243,513	-
Deferred inflows of resources for other postemployment benefits	44,227	(24,691)	(642)	18,894	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 15,269,641	$ 23,046,101	$ (983,046)	$ 37,332,696	$ (482,491)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Issuance of refunding bonds	$ 2,104,069	$ 3,601,880	$ -	$ 2,851,800	$ -
Intergovernmental receivable related to debt	-	3,560,542	-	11,134,112	-
Capital additions in accounts payable	2,277,733	2,398,215	-	5,047,753	-
Payment to escrow agent	(884,500)	(2,984,045)	-	(2,476,600)	-

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2020

	Pension/OPEB Trust Funds
ASSETS	
Cash	$ 2,553,885
Investments	275,513,286
Interfund receivable	70
TOTAL ASSETS	278,067,241
LIABILITIES	
Accounts payable	62,620
Interfund payable	215
TOTAL LIABILITIES	62,835
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS	$ 278,004,406

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

Year Ended December 31, 2020

	Pension/OPEB Trust Funds
ADDITIONS	
Contributions:	
Employer (including state aid)	$ 18,364,828
Employees	1,899,723
Investment income:	
Interest and dividends	5,018,260
Net appreciation in fair value of investments	29,482,716
Other	5,284
TOTAL ADDITIONS	54,770,811
DEDUCTIONS	
Benefits, including tax withheld	21,049,603
Administrative expenses	1,034,743
Refunds paid	153,211
TOTAL DEDUCTIONS	22,237,557
CHANGE IN NET POSITION	32,533,254
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS - BEGINNING OF YEAR	245,471,152
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS - END OF YEAR	$ 278,004,406

See accompanying notes to the financial statements.

CITY OF READING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020

The City of Reading, Pennsylvania, (the "City") was founded by Thomas and Richard Penn in 1748, established as a borough in 1783, and incorporated as a city on March 26, 1847. The City operates as a home rule/strong mayor form of government with a seven member council. The City provides municipal services to its residents. Those services include: public safety (police, fire, and emergency medical services), highways and streets, sanitation, economic development, cultural and recreational, public improvements, planning and zoning, and general administrative services.

The major accounting principles and practices followed by the City are presented below to assist the reader in evaluating the basic financial statements and the accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Reading, Pennsylvania, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units.

The City used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the reporting entity has been defined to include all criteria for which the City is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the City's financial statements are provided in the following paragraphs. Separately published audit reports of the component units are available for public inspection in the City's finance office.

1. Blended Component Units

Some component units, despite being legally separate from the primary government (City), are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The component unit reported in this way is the Reading Area Water Authority.

Reading Area Water Authority - The Authority was formed pursuant to the Municipal Authority Act of 1986 for the purpose of providing certain utility services to the residents of the City, through lease of City-owned assets. The seven-member board of directors is appointed by the Mayor and approved by City Council. The Authority's primary activity is the operation of the water distribution system on behalf of the City. The Authority publishes a separate financial statement and is accounted for in the water fund, an enterprise fund, of the City's financial statements.

2. Discretely Presented Component Units

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units presented in this way are the Reading Parking Authority and the Reading Redevelopment Authority.

Reading Parking Authority - The Authority was incorporated in 1953 under the provisions of the parking authority law. The entire board of directors is appointed by the Mayor, and members can be removed from the board at will. The Authority was formed to provide parking facilities to residential and commercial users. The Authority publishes a separate financial statement.

Reading Redevelopment Authority - The Redevelopment Authority was established pursuant to the Urban Redevelopment Act of 1945 (Public Law-991). The Redevelopment Authority is administered by a five-member board, all of whom are appointed by the Mayor. The Authority was established to provide a broad range of urban renewal and maintenance programs within the City, in addition to coordination of efforts to improve the economic vitality, the housing stock, and overall living conditions within the City. On November 9, 2020, the Authority executed a three-year cooperation agreement with the City. The agreement notes the City’s Director of Community Development will serve as the executive director of the Authority. The City will also provide administrative support. The Authority will reimburse $30,000 annually for these services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

3. Fiduciary Component Units

The City has determined it has four fiduciary component units. The City's three defined benefit pension plans and the other postemployment benefits plan are considered fiduciary component units and are reported as pension/OPEB trust funds in the fiduciary financial statements.

4. Potential Component Units Excluded

Reading Housing Authority - The Housing Authority was established pursuant to the housing authority law to promote the availability of safe and sanitary dwelling accommodations at affordable rents to families of low income. The Housing Authority is administered by a five-member board, all of whom are appointed by the mayor.

The Housing Authority operates low rent subsidized housing projects established within the City. The Authority manages the acquisition of federal and state funds for the construction and/or improvements to low income properties and reviews programs with the landlords to ensure compliance with various rules and regulations. The City has no financial accountability over the Housing Authority's operations.

The Housing Authority operates and reports on a fiscal year ending March 31.

Reading Downtown Improvement District (DID) - The DID is a component unit created by the City of Reading to provide services to the downtown area of the City. The DID is not material to the City's financial statements and is therefore excluded from the reporting entity. DID was dissolved as of December 31, 2020. Subsequent to year end, Reading DID's remaining assets and liabilities have been transferred to the City of Reading.

School Board and Other Entities -The reporting entity excludes the Reading School District and Reading Area Community College (RACC), both of which operate within the City's geographic boundaries. The School District is a governmental unit with its own elected governing body, and RACC is governed by a board of trustees whose members are appointed by the County of Berks.

5. Related Organizations

The City Council and mayor are also responsible for appointing the members of several boards, but the City's accountability for these organizations does not extend beyond making appointments. These boards include, but are not limited to:

Stadium Commission	Vacant Property Review Committee
Shade Tree Commission	Board of Historical and Architectural Review
Plumbing Board of Examiners	Board of Health
Heating Board of Examiners	Electricians Examining Board

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the City are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes, including those dedicated for specific purposes, and other items not includable in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are contributions made to the component units from the City's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

The City chooses to allocate indirect costs in a separate column in the government-wide financial statements. The City allocates indirect costs primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. These charges are separately reported in the statement of activities. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions within public services and parks.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements

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

The City Reports the Following Major Governmental Funds:

***General Fund*:** This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Community Development Fund: This special revenue fund was established 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.

***Grant Fund*:** These special revenue funds are established for the purpose of accumulating special purpose grants and other resources for purposes (other than for community development or capital projects) that are restricted to expenditures for specified purposes as imposed by outside parties. This fund also includes the fire escrow activity for the City.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment or facilities (other than those financed by proprietary funds).

The following are included in the capital projects fund:

Street Paving: Provides for designated funding for street paving projects.

City Facilities Construction: Provides for designated funding for City facility construction projects.

Housing Improvement: Provides for designated funding for City housing improvement projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The City Has the Following Nonmajor Governmental Funds:

Shade Tree Fund: This special revenue fund is established for the purpose of recording a certain portion of the tax millage to be used for the maintenance and expansion of the City's horticulture. The portion was .2 mills for the year ended December 31, 2020.

Liquid Fuels Fund: This special revenue fund is established to account for proceeds from the State Motor License Fund allocated by the Commonwealth of Pennsylvania. Under the act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Disbursements are legally restricted to disbursements for highway purposes in accordance with Department of Transportation regulations.

The City has the Following Major Enterprise Funds:

***Water Fund*:** This fund was established to account for the user charges and operating expenses of providing water services to City residents. It includes the activity of the Reading Area Water Authority, a blended component unit of the City.

Sewer Fund: This fund was established to account for the user charges and operating expenses of providing wastewater transportation and treatment.

The City has the Following Nonmajor Enterprise Fund:

***Solid Waste Fund*:** This fund is established to account for the user charges and operating expenses of providing trash and recycling collection services to City residents.

Enterprise funds are maintained to account for activities that are financed and operated in a manner similar to private business, with the intent that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered, primarily through user charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the City Reports the Following Fund Types:

***Internal Service Fund*:** Internal Service Fund (Self-Insurance) is a proprietary fund used to account for the risk-management services (including claims for workers' compensation, general liability, and property damage) provided by one department or agency to other departments or agencies of the City, or to other governments on a cost-reimbursement basis. Since the majority of this fund supports governmental activities, its activity is included in the governmental activities in the government-wide statements.

***Pension/OPEB Trust Funds*:** These fiduciary funds were established to provide pension benefits for qualified City employees. The principal revenue source for these funds is employer and employee contributions (includes Police, Fire, and Officers' and Employees' Trust Funds). Also included is the Other Postemployment Benefit Trust Fund, which was established to provide resources to pay future other postemployment benefit expenses. All four plans are considered fiduciary component units.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. 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 and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. 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* as are the proprietary and the fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, and solid waste fund are charges to customers for sales and services. The internal service fund principal operating revenues are charges to fund self-insurance workers' compensation and liability insurance claims. The water and sewer funds also recognize as operating revenue the portion of tapping fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 pension, 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, sales taxes, franchise taxes, and licenses 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position

1. Cash and Cash Equivalents

The City's reporting entity considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

For funds other than Pension Trust Funds, Pennsylvania Third Class City Code allows the City to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the City to invest in certificates of deposit of banks, savings and loan associations, and savings banks both within and outside the Commonwealth of Pennsylvania provided such amounts are insured by the FDIC or other like insurance and that deposits in excess of such insurance are collateralized by the depository. The City may also invest in shares of registered investment companies, provided that investments of such companies are in authorized investments as noted previously.

The law provides that the City's Pension Trust Funds may be invested in any form or type of investment or financial instrument when determined by the City to be prudent. See Note 11 for further discussion of the City's investment policy related to the Pension Trust Funds.

Investments for all funds are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

4. Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventory is recorded as expenditures/expenses when consumed rather than when purchased. Inventory also consists of property held by the Component Unit (Reading Redevelopment Authority) that will be used for future land development and is held for rental purposes.

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

5. Capital Assets, Depreciation, and Amortization

The City's property and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at acquisition value of the item at the date of donation.

The City generally capitalizes machinery, equipment, and vehicles with a cost of $5,000 or more and other assets with a cost of $25,000 or more as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Interest incurred during the construction phase of the business-type activities is included as part of capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives for depreciable assets are as follows:

Assets	Years
Infrastructure	25 - 50
Buildings	10 - 60
Improvements*	5 - 83
Machinery and equipment	3 - 83

* Includes improvements to buildings, roads, water distribution and sewer collection systems.

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The City periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the City's long-lived assets were considered to be impaired as of December 31, 2020.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental and proprietary fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

8. Compensated Absences

City policies permit employees to accumulate earned but unused sick days based on contractual agreements. Payments for sick days are expensed as paid in the governmental fund statements. Accumulated sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a liability in the governmental funds. Accumulated sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred. Additionally, all employees are permitted to accrue compensatory time, paid at their standard hourly rate upon termination.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Pension

The City administers three single employer defined benefit pension plans covering all full-time police officers, full-time paid firemen, and nonuniform employees: the City of Reading Police Pension Plan (PPP), the City of Reading Paid Firemen's Pension Plan (PFPP), and the City of Reading Officers' and Employees' Pension Plan (O&E).

Financial information of the pension plans (Plans) is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law. Investments of the Plans are reported at fair value.

11. Other Postemployment Benefits (OPEB)

The City's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures.

The City sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

12. 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three types of items that qualify for reporting in this category, which are a deferred charge on bond refunding, deferred outflows of resources for pension, and deferred outflows of resources for other postemployment benefits, which are reported on the government-wide statement of net position, as well as the proprietary fund statements.

A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension relate to the City's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, or changes in the internal allocation of the net pension liability among funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

Deferred outflows of resources for other postemployment benefits relate to the City's other postemployment benefit liability and other postemployment benefits expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, or changes in the internal allocation of the other postemployment benefit liability among funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 City has three types of items that qualify for reporting this category.

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue primarily from property taxes, other (alarm fees), and lease rental receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources for pension relate to the City's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual experience, or changes in the internal allocation of the liability among funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefit liabilities relate to the City's liability for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, or changes in the internal allocation of the other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

13. Encumbrances

Appropriations in governmental funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitment. Even though goods and services have not been received, the transactions are accounted for as a reservation of fund balances in the year the commitment is made. While appropriations lapse at the end of the year, encumbrances outstanding are reported as reservations of fund balance for subsequent expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

14. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The net investment in capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

15. Fund Balance Policies and Flow Assumptions

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 restricted fund balance represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. At December 31, 2020, the City had restrictions through grant agreements, enabling legislation, unspent tax revenues, and debt covenants as described in the governmental funds balance sheet and Note 16.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 governing council by resolution 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

The City has a fund balance policy stating that the City shall maintain a fund balance in the general fund of 20% based on the annual general fund budget or a minimum of $22,000,000, whichever is higher, to allow for proper cash flow to fund operations and to allow for monthly contributions to the pension fund.

The policy also establishes a minimum reserve for workers' compensation claims of $750,000 to manage catastrophic injuries and a reserve for liability insurance of $1,000,000. The City will also develop a reserve of $3,000,000 for health insurance claims to mitigate the effects of unexpectedly high claim years and minimize the drawdown on the general fund.

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.

F. New Accounting Standard

During the year, the City adopted GASB Statement No. 84, *Fiduciary Activities.* This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. There were no changes to the City's report with this standard.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area of the City. It is unknown how long these conditions will last and what the complete financial effect will be to the City.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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

During September, the City department heads are required to submit requested operating budgets to the City managing director for the fiscal year commencing the following January 1. The budgets submitted include proposed expenditures along with a narrative justification for such expenditures. Budgets, as submitted, are subject to a detailed review by the director of administrative services and managing director. This review process, which continues through November, includes meetings with the City Council, comparisons with prior year's spending patterns, and forecasting of future needs.

As required by the Home Rule Charter, the proposed budget is made available for public inspection for at least 30 days prior to the date of adoption, with adoption required by December 31. Subsequent to the budget approval, the City Council adopts the appropriation measures required to put the budget into effect and fix the rate of taxation.

Within 31 days subsequent to the legal adoption of the budget, the administrative services director files a copy of the budget with the Department of Community and Economic Development of the Commonwealth of Pennsylvania. Should supplemental budget appropriations be required, the City Council may, within statutory limitations, authorize the transfer of funds between line items by means of a resolution approved at a regularly scheduled council meeting. Expenditures may not legally exceed budgeted amounts at the line item level.

Annual budgets providing comprehensive appropriations are legally adopted for all governmental funds except the community development fund and general grant fund, which are both special revenue funds, capital projects funds, and debt service funds. Budgets are adopted on a modified accrual basis; accordingly, revenues are reported when susceptible to accrual and expenditures are recorded when incurred.

Deficit Fund Balance or Net Position of Individual Funds

As of December 31, 2020, the combining balance sheet - nonmajor governmental funds, shows a total deficit fund balance in the shade tree fund of $10,838. The deficit results from excess expenditures for contracted services over real estate revenues collected. The deficit will be funded by shade tree real estate tax revenues collected in 2021.

Excess of Expenditures Over Appropriations

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

Net Position Deficit and Liquidity

As of December 31, 2020, the City, in its statement of net position, shows a total net deficit of ($123,241,441) for governmental activities, due largely to the accounting to comply with GASB No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The largest components of the unrestricted deficit, besides the net pension and OPEB liabilities, are the general obligation debt to meet funding requirements to the pension fund, maintenance, and equipment expenditures on City infrastructure. The City's debt service expenditures in its governmental funds were $10,864,789, 10.63% of its total expenditures, and the City used 17.54% of its current tax revenues to finance debt service requirements.

In October 2009, the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47 of 1987) of the Commonwealth of Pennsylvania. The Act 47 of 1987 coordinators appointed by the Commonwealth issued their five-year recovery plan, which was originally adopted by the City Council on June 11, 2010. On October 27, 2014, an amended recovery plan was filed with the Pennsylvania Department of Community and Economic Development extending the Act 47 of 1987 status through 2019. In July of 2019, the City adopted a 3-year exit plan from Act 47 of 1987 with the goal of exiting the program by the end of 2022. During 2020, the City continued efforts to control costs, improve collections, and maintain solvency. The cash and investments balance available for general operations of the City as of December 31, 2020, was $30,798,389. This was sufficient to maintain normal functions of the City until tax revenues were received. Currently, the Act 47 of 1987 coordinators will provide continued oversight to ensure compliance with the operating budget and the approved plan.

NOTE 3 - CASH AND INVESTMENTS

The City's investment authority for all funds, except Pension Trust Funds, is set by state statute to include: 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, and shares of any investment company which invests only in the above or certificates of deposit. Pursuant to Act 72 of the 1971 Session of the General Assembly, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian. Fiduciary fund investments are authorized by 20 Pa.C.S. Ch. 73 for any pension or retirement plan.

Pennsylvania Act 10 of 2016 became effective May 25, 2016 and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The deposit and investment policy of the City adheres to state statutes. There are no deposits or investment transactions during the year that were in violation of either state statutes or the policy of the City.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The carrying amount of cash, restricted cash, and investments at December 31, 2020, consists of the following:

	Primary Government	Blended Component Unit	Total
Petty cash	$ 3,100	$ 930	$ 4,030
Demand deposit accounts	135,754,167	21,220,979	156,975,146
Pooled cash and investments	403,558	-	403,558
Investments	351,413,062	4,018,608	355,431,670
			$ 512,814,404

Classification per statement of net position and fiduciary fund statements:

Unrestricted cash	$ 148,873,214
Investments	76,303,334
Restricted cash and investments	9,570,685
Trust cash	2,553,885
Trust investments	275,513,286
	$ 512,814,404

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of December 31, 2020, the carrying amount of the City's deposits was $163,735,753 and the bank balance was $164,795,724. Of the balance, $7,815,511 was covered by federal depository insurance and $156,980,213 was exposed to custodial credit risk but covered by the collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly. Included in the deposits and bank balance above are certificates of deposit (CDs) totaling $6,760,607. These CDs are fully covered by federal depository insurance and included in investments for financial reporting purposes. Of the CDs, $5,528,589 mature in less than one year and $1,232,018 mature in one to five years.

Investments

As of December 31, 2020, the City had the following pooled cash and investments:

	Fair Value	Carrying Value
PA Local Government Investment Trust (PLGIT):		
PLGIT/Reserve-Class	$ 403,558	$ 403,558

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

Certain external investments held by the City, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The City measures those investments, which include $403,558 (PLGIT) at amortized cost.

A portion of the City's deposits were in the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT acts like a money market mutual fund in that the objective is to maintain a stable net asset value of $1 per share, is rated by nationally recognized statistical rating organization, and is subject to an independent annual audit.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

> PLGIT/Reserve-Class is an option which requires a minimum investment of $50,000, a one day minimum investment period, and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period and dividends are paid monthly.

The City's cash equivalent investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the City's position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

As of December 31, 2020, the entire PLGIT book balance of $403,558 is considered to be a cash equivalent for cash flow presentation on the government-wide and fund financial statements.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

As of December 31, 2020, the City had the following nonpension investments:

Investment Type	Yield	Fair Market Value	Investment Maturities at December 31, 2020 < 1 Year	Investment Maturities at December 31, 2020 1 - 5 Years	Fair Value Level
Investments measured at fair value:					
Money market funds	N/A	$ 5,689,162	N/A	N/A	N/A
Accrued income/cash equivalents	N/A	123,372	N/A	N/A	N/A
U.S. Government issues:					
Federal Home Loan Banks	0.125% - 2.875%	28,660,526	$ 28,660,526	$ -	2
Federal Farm Credit Banks	0.57% - 2.00%	501,610	100,417	401,193	2
Federal Home Loan Mortgage Corp	0.50%	100,006	-	100,006	2
Federal National Mortgage Association	1.25%-2.00%	202,619	100,716	101,903	2
U.S. Treasury Bills	N/A	37,884,445	37,884,445	-	2
Total investments measured at fair value		73,161,740			
Reconciling items		(3,963)			
Total nonpension investments		$ 73,157,777			

Level 2 securities are valued using a matrix pricing technique or comparable securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk

The City does have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Credit Risk
The City does have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2020, the City's investments were rated as:

Investments	Standard & Poor's (Moody's & Fitch)
Federal Home Loan Banks	AA+ (AAA)
Federal Farm Credit Banks	AA+ (AAA)
Federal Home Loan Mortgage Corp	AA+ (AAA)
Federal National Mortgage Association	AA+ (AAA)
U.S. Treasury Funds	N/A (AAA)

The Blended Component Unit, Reading Area Water Authority, does not have an investment policy that would limit its investment choices to certain credit ratings. However, the Authority limits the type of investments permitted as defined in the Local Government Unit Debt Act, the Municipal Authorities Act, and the related trust indentures.

Concentration of Credit Risk
The City places no limit on the amount the City may invest in any one issuer.

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. There are no funds exposed to custodial credit risk.

Pension Trust Funds

The pension trust funds' investments are held separately from those of other City funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition. The City maintains investment policies that summarize the investment philosophy of the City and establishes investment guidelines and performance objectives for the Police, the Paid Firemen and the City Officers' and Employees' Pension Funds.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pension Trust Funds - continued

As of December 31, 2020, the City had the following investments in its pension trust funds:

Investment Type	Yield	Fair Market Value	Fair Value Level
Police Pension Fund			
Investments measured at fair value:			
Money Market Funds		$ 58,549	N/A
Accrued income/cash equivalents		3,419,943	N/A
Common stock		49,380,822	1
Corporate bonds and notes		14,972,053	2
Other asset backed securities		6,313,495	2
Equity mutual funds:			
Diversified Emerging Markets	1.79%	40,399	1
Large Blend	1.35% - 1.53%	20,349,567	1
Foreign Large Blend	2.11% - 3.67%	8,960,812	1
Real Estate	2.30%	29,805	1
Fixed income mutual funds:			
Intermediate Term Bond	2.21%	128,120	1
Multisector Bond	5.24%	9,142	1
Ultrashort Bond	0.83% - 4.20%	675,582	1
World Bond	2.26% - 2.45%	2,011,201	1
Equity traded products:			
Equity ETPs		296,769	1
Real estate ETPs		9,982	1
Fixed Income ETPs		188,252	1
US Government Issues:			
US Treasury bonds	7.90%		
Maturity <1 year		2,006,667	2
US Treasury notes	0.13% - 1.99%		
Maturity 1-5 years		881,950	2
Maturity 6-10 years		13,260,595	2
SEI Core Property Collective Investment Trust		616,541	2
Real estate investments		5,835,373	2
Other		39,286	N/A
Total investments measured at fair value - Police Pension		129,484,905	

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pension Trust Funds - continued

Investment Type	Yield	Fair Market Value	Fair Value Level
Fire Pension Fund			
Investments measured at fair value:			
Money Market Funds		$ 154,618	N/A
Accrued income/cash equivalents		1,941,051	N/A
Common stock		27,855,339	1
Corporate bonds and notes		8,838,802	2
Other asset backed securities		3,692,340	2
Equity mutual funds:			
Large Blend	1.53%	11,498,340	1
Foreign Large Blend	3.67%	5,110,406	1
Fixed income mutual funds:			
Ultrashort Bond	1.84%	223,462	1
World Bond	2.45%	1,338,259	1
US Government Issues:			
US Treasury bonds	1.37%		
Maturity <1 year		1,183,419	2
US Treasury notes	0.13% - 1.99%		
Maturity <1 year		644,268	2
Maturity 1-5 years		4,861,900	2
Maturity 6-10 years		2,115,260	2
Maturity > 10 years		842,780	2
Real estate investments		3,420,036	2
Other		1,833,919	N/A
Total investments measured at fair value - Fire Pension		75,554,199	

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pension Trust Funds - continued

Investment Type	Yield	Fair Market Value	Fair Value Level
Officers' and Employees' Pension Fund			
Investments measured at fair value:			
Money Market Funds		$ 903	N/A
Accrued income/cash equivalents		1,826,726	N/A
Common stock		27,265,644	1
Corporate bonds and notes		8,232,847	2
Other asset backed securities		3,519,801	2
Equity mutual funds:			
Large Blend	1.53%	10,971,052	1
Foreign Large Blend	3.67%	4,879,500	1
Fixed income mutual funds:			
Ultrashort Bond	1.84%	316,550	1
World Bond	2.45%	1,059,227	1
US Government Issues:			
US Treasury bonds	7.90%		
Maturity <1 year		1,131,966	2
US Treasury notes	0.13% - 1.99%		
Maturity <1 year		713,044	2
Maturity 1-5 years		4,577,804	2
Maturity 6-10 years		1,791,063	2
Maturity > 10 years		826,450	2
Real estate investments		3,288,107	2
Other		73,498	N/A
Total investments measured at fair value - Officers' and Employees' Pension		70,474,182	
TOTAL PENSION INVESTMENTS		$ 275,513,286	

Level 1 securities are valued using quoted market prices. Level 2 securities are valued using a matrix pricing technique or comparable securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pension Trust Funds - continued

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. The pension trust funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2020, the pension trust funds' investment in corporate bonds ranged from AAA to BB.

Investments held in mutual funds are not subject to credit risk.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. There were no individual investments in any pension plan that constituted more than 5% of any of the pension plan net assets available for benefits at December 31, 2020. In addition, the plans did not have any investment transactions with related parties during the year.

Interest Rate Risk

The pension trust funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Component Unit (Reading Parking Authority)

Under State Statute, the Authority is permitted to invest funds in:

> Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) 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.
>
> Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Cash and investments consist of the following at December 31, 2020:

Unrestricted:	
Petty cash	$ 15,036
Deposits	2,217,584
	$ 2,232,620
Restricted:	
Money market funds	$ 9,433,035
Commercial paper	3,000,093
Certificates of deposit	2,453,344
Investments	301,088
	$ 15,187,560

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2020, the carrying amount of the Authority's deposits was $4,670,928 and the bank balance was $4,655,437. As of December 31, 2020, $2,953,344 of the bank balance was covered by federal depository insurance and the remainder was exposed to custodial credit risk, but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly. Included in the deposits and bank balance above are certificates of deposit totaling $2,453,344 at December 31, 2020. These certificates of deposit are fully covered by depository insurance and included in investments for financial reporting purposes.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Investments

As of December 31, 2020, the Authority had the following investments:

	Maturities	Fair Value	Level
Pennsylvania Treasurer's INVEST Program:			
Daily Pool		$ 1,166	N/A
Money Market Funds:			
GS Financial Square Treasury Solutions Fund		9,433,035	N/A
Commercial Paper:			
Citigroup Global		1,000,655	N/A
Exxon Mobil		999,488	N/A
Met Life		999,950	N/A
U.S. Government Issues:			
Fixed income	< 1 year	299,922	2
		$ 12,734,216	

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Money market funds are not subject to fair value hierarchy and are reported at amortized cost.

Certain external investments held by the Authority, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The Authority measures those investments, which include the Pennsylvania Treasurer's INVEST Program for Local Governments, at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

A portion of the Authority's deposits are in the Pennsylvania Treasurer's INVEST Program for Local Governments (INVEST). INVEST acts like a money market fund and is a family of highly rated investment pools designed specifically for local government and nonprofit groups. INVEST is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. These funds are reported as cash equivalents for cash flow presentation.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Investments - continued

The INVEST fund invests in the following:

Federal obligations (United States Treasury bills, notes, bonds, strips, and "short-term" United States agency obligations) which have a maturity of up to and including 397 days from the date of settlement. These are considered level one investments.

Repurchase agreements with bank or non-bank financial institutions. All repurchase agreements held by the portfolios are secured by U.S. Government Obligations and/or Government National Mortgage Association Obligations, which have explicit full faith and credit from the United States Government. Securities pledged as collateral for Buy/Sell Repurchase Agreements are held by a third-party custodian bank until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover 102% of payments of interest and principal; however, in the event of default or bankruptcy by the other party to the agreement, retention of the collateral may be subject to legal proceedings.

Other debt instruments of banks, financial institutions, and non-financial institutions that are authorized for the shareholder by Commonwealth of Pennsylvania statute, so long as those investment criteria are as restrictive as the provisions of Pennsylvania statutory authority. Other debt instruments may include certificates of deposit and money market funds.

The INVEST account has no maximum or minimum balance requirements or limitations or restrictions on withdrawals. Securities are valued at amortized cost, which approximates market value.

The INVEST Daily Pool portfolio is comprised of the following investments at December 31, 2020:

Federal agency obligations	11.37%
Private placement bonds	0.00%
Federally insured cash	0.00%
Certificates of deposit	6.95%
Commercial paper	65.31%
Money market funds	16.37%
	100.00%

Interest Rate Risk

The Authority does not have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Credit Risk
The Authority does not have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2020, the Authority's investments subject to this risk were all rated as AAA by a nationally recognized rating organization.

Concentration of Credit Risk
The Authority places no limit on the amount the Authority may invest in any one issuer. For the year ended December 31, 2020, the Authority has more than 5% of its investments in commercial paper.

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments or the collateral security that are in the possession of an outside party. The Authority has no investments subject to custodial credit risk.

Component Unit (Reading Redevelopment Authority)

The carrying amount of the Authority's cash and cash equivalents as of December 31, 2020 was $52,148 and the bank balance was $54,871. The total bank balance was covered by FDIC insurance.

The Authority has funds invested with the Commonwealth of Pennsylvania's INVEST Program with a market value and a carrying value of $772,059. The INVEST Program is an investment pool designed for local government and nonprofit groups. The INVEST Program funds are managed by the Pennsylvania Department of Treasury. The INVEST Program's authorized investments are limited to Federal Obligations, Repurchase Agreements with bank or nonbank financial institutions, and other debt instruments of banks, financial institutions, and nonfinancial institutions that are authorized for the shareholder by Commonwealth of Pennsylvania statute. The funds are reported as cash equivalents.

The INVEST account has no maximum or minimum balance requirements or limitations or restrictions on withdrawals. Securities are valued at amortized cost which reflects approximate market values.

Credit Risk
The Authority does not have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2020, the Authority's investments were all rated as AAAm by a nationally recognized rating organization.

Interest Rate Risk
The Authority does not have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Governmental Fund Receivables, Uncollectible Accounts, and Unavailable Revenue

Accounts Receivable

	General Fund	Community Development Fund	Total Governmental Funds
Accrued registered bills	$ 858,107	$ -	$ 858,107
Alarm fees	272,201	-	272,201
Reading Public Library	516,458	-	516,458
Franchise fee	200,679	-	200,679
Emergency medical services fees	353,269	-	353,269
Other	238,484	118,665	357,149
	$ 2,439,198	$ 118,665	$ 2,557,863

There was no allowance for doubtful accounts related to governmental funds' accounts receivable at December 31, 2020.

Real Estate Taxes and Receivables

Real estate taxes are based on assessed valuations provided by Berks County (County) and are levied on January 1 and billed March 1. The 2020 assessed value of real property totaled $1,426,286,700. These taxes are billed and collected by the County of Berks. The City changed the property tax calendar for tax year 2020 as a result of the COVID-19 pandemic. For 2020, taxes paid through August 31st are given a 2% discount. Amounts paid after September 1st are paid at the flat amount. The 10% penalty has been waived by the City for the 2020 tax year. Any uncollected balances as of January 15 in the year following the billings are sent to the delinquent tax collector to be liened. Current tax collections for the year ended December 31, 2020, were 89.6% of the tax levy.

For 2020, the City real estate taxes were levied at 17.689 mills; 17.289 mills for general purposes, .200 mills for Shade Tree activity, and .200 mills for the Library.

NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE - CONTINUED

Governmental Fund Receivables, Uncollectible Accounts, and Unavailable Revenue - continued

Real Estate Taxes and Receivables - continued

The City's real estate taxes at December 31, 2020, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
General Fund:					
Property tax (including library)	$ 4,417,105	$ 373,124	$ 4,043,981	$ 685,869	$ 3,731,236
Earned income tax	1,432,408	-	1,432,408	1,432,408	-
Real estate transfer tax	993,087	-	993,087	993,087	-
Other	538,538	-	538,538	538,538	-
General Fund Total	7,381,138	373,124	7,008,014	3,649,902	3,731,236
Nonmajor Funds:					
Property tax (Shade Tree)	60,144	5,357	54,787	6,568	53,576
Total	$ 7,441,282	$ 378,481	$ 7,062,801	$ 3,656,470	$ 3,784,812

Business-Type Activities Receivables, Uncollectible Accounts, and Unavailable Revenue

Significant receivables include amounts due from customers primarily for utility services. An allowance for uncollectible accounts is estimated using accounts receivable outstanding for more than 60 to 90 days depending on the fund. Related amounts are shown in the following table:

	Major Enterprise		Nonmajor Enterprise	Total Primary Government	Component Unit Reading Parking Authority
	Water	Sewer			
Accounts receivable, gross	$ 8,139,157	$ 6,712,587	$ 2,853,350	$ 17,705,094	$ 710,788
Less: allowance for uncollectible accounts	(2,898,901)	(2,856,710)	(1,822,667)	(7,578,278)	(148,727)
Net accounts receivable	$ 5,240,256	$ 3,855,877	$ 1,030,683	$ 10,126,816	$ 562,061

Included in the Water Fund accounts receivable is $995,687 of unbilled water usage as of December 31, 2020.

NOTE 5 - TAX ABATEMENTS

Real estate taxes attach an enforceable lien on property on January 1. Taxes are billed on or about March 1st, payable under the following terms: 2% discount, March through April 30; face amount, May through June 30, and 10% penalty between July 1 and January 15 of the subsequent year. After January 15 of the subsequent year, the levies are sent to the Berks County Tax Claim Bureau. The 2020 adopted rate of taxation was 17.689 mills.

City of Reading property tax revenues were reduced by approximately $419,000 because of legislation enacted by the Commonwealth of Pennsylvania under the following programs:

Keystone Opportunity Zone Program (KOZ) Program
The KOZ Program provides 100% abatement of real property taxation on the assessed valuation of deteriorated property in an area designated as a subzone within this Commonwealth. The real property tax abatements under this program are authorized under Act 92 of 1998, P.L. 705, as amended (the "Act"), which was passed by the General Assembly of Pennsylvania.

For a business to qualify each year for property tax abatement under the Act, a business shall own or lease real property in a Subzone from which the business actively conducts a trade, profession or business. The qualified business shall receive certification from the Pennsylvania Department of Revenue that the business is located and is in the active conduct of a trade, profession or business, within the Subzone. The business shall obtain annual renewal of the certification from the Department to continue to qualify as a qualified business. For a property owner to qualify each year for property tax abatement under the Act, the property owner must apply annually to the Department in order to receive approval for property tax abatement, as required by Section 907 of the Act. The deadline to file a KOZ application is December 31 of the year for which benefits are to be received. Applicants must be in full compliance with all state and local tax laws and building and housing code provisions, in order to claim property tax abatements offered in the Act. Compliant applications will receive an approval letter from the Department. The approval letter is verification of eligibility to receive KOZ benefits from state and local entities. Property tax abatement is applied by way of exemption of assessed value. The Pennsylvania Department of Revenue reserves the right to conduct an audit of an applicant for benefits to ensure full compliance with the Act. Any party improperly receiving KOZ tax benefits must return all tax benefits received and will be subject to the applicable interest, civil and criminal penalty provisions in the Act.

The City's forgone real estate tax revenue as a result of KOZ tax abatement agreements entered into by the Commonwealth of Pennsylvania was approximately $373,000 for the year ended December 31, 2020.

NOTE 5 - TAX ABATEMENTS - CONTINUED

Local Economic Revitalization Tax Assistance (LERTA) Program

The LERTA Program authorizes local taxing authorities within the County to exempt property taxes of new construction in deteriorated areas of economically distressed communities and improvements to certain deteriorated industrial, commercial and other business property. The LERTA tax exemptions are authorized under Act 76 of 1977 (72 P.S. section 4722 et seq.) which was passed by the General Assembly of Pennsylvania. A local taxing authority by ordinance or resolution may exempt from real property taxation the assessed valuation of improvements to deteriorated properties and the assessed valuation of new construction within designated deteriorated areas. The City recognizes, supports, and approves any LERTA within the boundaries of the City that has established a standard LERTA from property tax for certain deteriorated industrial, commercial or other business property. Application to each local taxing authority for a tax exemption under a LERTA ordinance is to be made at the same time a building permit is secured or other official notification is made. A copy of the exemption request shall be forwarded to the County Board of Assessment. The assessment office shall assess separately the new construction or improvement and calculate the amounts of the assessment eligible for tax exemption in accordance with the limits established by the local taxing authorities and notify the taxpayer and the local taxing authorities of the reassessment and amounts of the assessment eligible for exemption. For the first year immediately following the date upon which the improvement become assessable, 100% of the assessed valuation of the eligible improvement shall be exempted from real estate tax. In subsequent years, the amount exempted from real estate tax is reduced by 10% each year and after the tenth year, the exemption shall terminate.

The exempted portion of the assessable improvement is not included on the property owner's tax bill. The exemption from taxes is upon the eligible property and does not terminate upon the sale or exchange of the property.

The exemption from real estate taxes provided for herein shall be forfeited by the applicant and/or any subsequent owner of the real estate upon the occurrence of failure to pay any non-exempt real estate taxes by the last day of the time period to pay such taxes in the penalty period.

The City’s forgone real estate tax revenue as a result of LERTA tax abatement agreements entered into by the Commonwealth of Pennsylvania was approximately $46,000 for the year ended December 31, 2020.

NOTE 6 - RESTRICTED ASSETS - LIMITED AS TO USE

Pursuant to an Indenture of Trust agreed to by the primary government and discretely presented component units, or by law, the following restricted cash and investments are held at December 31, 2020:

	Governmental Activities	Business-Type Activities	Component Unit
	Grant Fund	Water Fund	Reading Parking Authority
Construction account	$ -	$ 2	$ 11,306,696
Debt service account	-	29	-
Debt service reserve account	-	8,513,344	-
Clearing account	-	9	-
Fire Escrow	766,884	-	-
Other	-	290,417	3,880,864
Total	$ 766,884	$ 8,803,801	$ 15,187,560

NOTE 7 - LONG-TERM RECEIVABLES

Future Lease Rental Receivable

During the year ended December 31, 2011, the City issued the 2010 term note in the amount of $3,245,566 to provide a source of funds for the renovation of First Energy Stadium. In 2013, the note was refinanced by the General Obligation Note Series B of 2012 in the principal amount of $3,111,000. The Stadium is owned by the City and leased to a third party. The lease was amended in December 2012 to provide, among other things, annual rentals of $300,000 to $350,000 to be paid to the City for a term of 15 years coinciding with the life of the term note from the third party (December 31, 2027). The lease also provides the option to extend for up to two additional five-year periods. The proceeds of these lease payments are then used primarily to satisfy the annual debt service on the term note. In the current year, the City received lease payments totaling $325,000 of which $203,000 was used to reduce the lease rentals receivable account and also to reduce the outstanding principal obligation on the General Obligation Note Series B of 2012. Future lease rental receivables total $1,734,000 at December 31, 2020, and are reported as a lease rental receivable and unavailable revenue - lease rental receivable in the general fund.

Loans and Notes Receivable

The City of Reading, Pennsylvania, has issued various loans and notes receivable to promote community development activity within the City. The loans and notes have varying repayment schedules based on timing and complexity of the related project. The City has also estimated an allowance for doubtful accounts of $2,660,771 included in notes receivable on the statement of net position. Total loans and notes outstanding at December 31, 2020, are $355,408 and $9,237,015, respectively, net of allowance.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The City had interfund receivables and payables balances for the following accounts at December 31, 2020:

	Interfund Receivables	Interfund Payables
Governmental Activities		
Major funds:		
General	$ 954,610	$ 423,302
Community Development	360,159	12,330
Grant Fund	16,555	1,147,326
Capital Projects	551,281	84,295
Nonmajor governmental funds	4,600	72
Business-Type Activities		
Major funds:		
Water	2,663	574,287
Sewer	176,464	-
Nonmajor proprietary fund	116,390	3,344
	2,182,722	2,244,956
Internal Service	120,000	57,621
Fiduciary Funds	70	215
	$ 2,302,792	$ 2,302,792

Interfund receivables and payables are a result of timing differences between when a cost is incurred and when it is paid or the result of interfund charges not yet reimbursed. Accounts are satisfied as resources become available, which may not be within one year.

The City had transfers in and out for the following amounts at December 31, 2020:

	Current Year		Write-off Interfund Charges		Total	
	Transfers In	Transfers Out	Transfers In	Transfers Out	Transfers In	Transfers Out
Governmental Activities						
General	$ 3,000,000	$ -	$ 3,928,866	$ 3,335,102	$ 6,928,866	$ 3,335,102
General - lease transfer	10,668,530	-	-	-	10,668,530	-
Community Development	25,789	-	1,265,661	-	1,291,450	-
Business-Type Activities						
Water	-	25,789	2,000,000	-	2,000,000	25,789
Water - lease transfer	-	10,668,530	-	-	-	10,668,530
Sewer	-	3,000,000	-	3,859,425	-	6,859,425
	$ 13,694,319	$ 13,694,319	$ 7,194,527	$ 7,194,527	$ 20,888,846	$ 20,888,846

Current year transfers and payments within the reporting entity are for the purpose of transferring lease payments and subsidizing operating functions. The City also cleared outstanding interfund charges that were uncollectable.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 2,348,681	$ -	$ -	$ 2,348,681
Construction in progress	2,783,770	5,439,350	(1,983,702)	6,239,418
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	5,132,451	5,439,350	(1,983,702)	8,588,099
Capital assets being depreciated:				
Infrastructure	6,577,160	-	121,274	6,698,434
Buildings	38,044,632	-	-	38,044,632
Improvements	33,842,892	51,740	1,505,005	35,399,637
Machinery and equipment	49,181,955	1,704,805	(10,459,874)	40,426,886
Totals at historical cost	127,646,639	1,756,545	(8,833,595)	120,569,589
Less accumulated depreciation for:				
Infrastructure	4,639,934	210,336	-	4,850,270
Buildings	24,177,201	877,406	-	25,054,607
Improvements	14,397,638	1,234,978	-	15,632,616
Machinery and equipment	40,277,344	1,642,097	(10,773,874)	31,145,567
Total accumulated depreciation	83,492,117	3,964,817	(10,773,874)	76,683,060
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	44,154,522	(2,208,272)	1,940,279	43,886,529
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 49,286,973	$ 3,231,078	$ (43,423)	$ 52,474,628

NOTE 9 - CAPITAL ASSETS - CONTINUED

	Beginning Balance (Restated)	Increase	Decrease/ Reclassifications	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 2,103,659	$ -	$ -	$ 2,103,659
Construction in progress	165,311,235	17,197,935	(980,562)	181,528,608
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	167,414,894	17,197,935	(980,562)	183,632,267
Capital assets being depreciated:				
Buildings	46,058,995	-	(71,465)	45,987,530
Improvements	170,590,083	19,343	1,328,774	171,938,200
Machinery and equipment	35,200,857	1,324,808	(5,154,165)	31,371,500
Totals at historical cost	251,849,935	1,344,151	(3,896,856)	249,297,230
Less accumulated depreciation for:				
Buildings	36,411,528	917,088	(52,580)	37,276,036
Improvements	74,859,343	5,991,654	198,387	81,049,384
Machinery and equipment	25,287,934	1,586,455	(4,945,080)	21,929,309
Total accumulated depreciation	136,558,805	8,495,197	(4,799,273)	140,254,729
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	115,291,130	(7,151,046)	902,417	109,042,501
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 282,706,024	$ 10,046,889	$ (78,145)	$ 292,674,768

NOTE 9 - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities		Business-type Activities	
General government	$ 1,273,316	Water system	$ 5,074,062
Public safety:		Sewer system	3,348,697
Police	624,189	Recycling	72,438
Fire	786,912		
Public works - highway and streets	131,110		$ 8,495,197
Community development	521,364		
Culture and recreation	627,926		
	$ 3,964,817		

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
COMPONENT UNIT - READING PARKING AUTHORITY				
Capital assets not being depreciated:				
Land	$ 2,462,356	$ 430,800	$ -	$ 2,893,156
Construction in progress	324,083	1,626,874	(134,349)	1,816,608
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	2,786,439	2,057,674	(134,349)	4,709,764
Capital assets being depreciated:				
Buildings	59,345,035	-	22,349	59,367,384
Improvements	64,962	-	-	64,962
Machinery and equipment	3,102,888	309,789	85,690	3,498,367
Totals at historical cost	62,512,885	309,789	108,039	62,930,713
Less accumulated depreciation for:				
Buildings	31,127,648	1,351,884	-	32,479,532
Improvements	54,862	1,200	-	56,062
Machinery and equipment	1,868,762	212,629	(26,310)	2,055,081
Total accumulated depreciation	33,051,272	1,565,713	(26,310)	34,590,675
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	29,461,613	(1,255,924)	134,349	28,340,038
COMPONENT UNIT, CAPITAL ASSETS, NET	$ 32,248,052	$ 801,750	$ -	$ 33,049,802

NOTE 10 - LONG-TERM LIABILITIES

The City's bonds and notes payable outstanding are secured by the pledge of the full faith, credit, and taxing power of the City of reading.

Governmental Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable					
General Obligation Note Series B of 2012, with 4.8% fixed interest rate through February 2018, converting to a variable rate equal to the Bank's prime rate through 2027, which shall not fall below 4.0% nor exceed 12.0%. Proceeds were used to refinance the term loan of 2010 and pay note issuance costs. The net cash savings from the refunding was $175,580.	$ 1,937,000	$ -	$ 203,000	$ 1,734,000	$ 213,000
General Obligation Bonds Series C of 2012, with 1.50% - 5.13% interest payable through 2022. Proceeds were used to currently refund the Federally Taxable General Obligation Bonds, Series E of 2008 and pay bond issuance costs. The net cash savings from the refunding was $654,622.	1,126,800	-	356,400	770,400	396,000
General Obligation Bonds Series of 2014, with 1.427% - 5.300% interest payable through 2033. Proceeds were used to currently refund the remaining General Obligation Bonds Series C, D, and E of 2008 and pay bond issuance costs. The net cash savings from the refunding was $4,012,417.	28,409,669	-	25,523,400	2,886,269	-
General Obligation Bonds Series A of 2015 with .40% - 4.00% interest payable through 2033. Proceeds were used to currently refund the Redevelopment Authority of the City of Reading's Guaranteed Lease Revenue Bonds, Series of 2003, advance refund a portion of the City's General Obligation Bonds Series of 2008, and pay bond issuance costs. The combined net cash savings from the refunding, including savings from the issuance of General Obligation Bonds Series B of 2015, was $2,985,436.	14,080,000	-	825,000	13,255,000	845,000

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Governmental Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable - continued:					
General Obligation Bonds Series B of 2015 with .95% - 4.67% interest payable through 2031. Proceeds were used to advance refund the City's General Obligation Bonds, Series of 2006 and pay bond issuance costs. The combined net cash savings from the refunding, including savings from the issuance of General Obligation Bonds Series A of 2015 was $2,985,436.	33,500,000	-	2,675,000	30,825,000	1,940,000
Federally Taxable Guaranteed Lease Revenue Notes, Series of 2015, with 3.50% interest payable through 2026. Proceeds were used to refinance the Federally Taxable Guaranteed Lease Revenue Note, Series of 2006. The net cash savings from the refinancing was $606,142.	3,477,000	-	446,000	3,031,000	462,000
General Obligation Bonds Series A of 2017, with 2.00% - 5.00% interest payable through 2029. Proceeds were used to advance refund a portion of the General Obligation Bonds Series of 2009 and pay bond issuance costs. The present value of net cash savings from the refunding was $1,670,817 and total cash savings of $1,986,211.	24,605,000	-	1,470,000	23,135,000	1,645,000
General Obligation Bonds Series of 2019, with 2.206% - 2.982% interest payable through 2031. Proceeds were used to advance refund a portion of the General Obligation Bonds Series C of 2012 and pay bond issuance costs. The present value of net cash savings from the refunding, which includes a portion allocated to business-type activities, was $403,904.	7,333,200	-	3,600	7,329,600	108,000
General Obligation Bonds Series of 2020, with 0.897% - 2.949% interest payable through 2033. Proceeds were used to advance refund a portion of the General Obligation Bonds Series of 2014 and 2015 and pay bond issuance costs. The present value of net cash savings from the refunding, which includes a portion allocated to business-type activities, was $725,043.	-	30,439,051	-	30,439,051	12,630
Total Governmental Activities	$ 114,468,669	$ 30,439,051	$ 31,502,400	$ 113,405,320	$ 5,621,630

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Business-Type Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable					
General Obligation Bonds Series C of 2012, variable interest payable through 2022. Proceeds were used to currently refund Federally Taxable General Obligation Bonds Series E of 2008 and pay bond issuance costs. The net cash savings from the refunding was $163,656.	$ 438,200	$ -	$ 138,600	$ 299,600	$ 154,000
Guaranteed Water Revenue Bonds Series of 2003 (Capital Appreciation Bonds), with 3.60% - 4.62% interest payable through 2020.	2,690,000	-	2,690,000	-	-
General Obligation Bonds Series of 2014, with 1.427% - 5.300% interest payable through 2033. Proceeds were used to currently refund the remaining General Obligation Bonds Series C, D, and E of 2008 and pay bond issuance costs. The net cash savings from the refunding was $578,228.	5,405,349	-	4,861,600	543,749	-
Guaranteed Water Revenue Bonds, Series of 2011, initial issue $50,000,000, with interest rates ranging from 2.35% to 5.25% payable through 2036.	49,090,000	-	49,090,000	-	-
Water Revenue Bonds Series of 2015, initial issue $25,130,000 with interest rates ranging from 3.00% to 5.00%, payable through 2027. This refinanced the Water Revenue Bonds Series of 2007.	24,355,000	-	305,000	24,050,000	3,000,000
Note payable to Pennsylvania Infrastructure Investment Authority, maximum drawdown of $10,013,950, interest-only payments through April 2014. Principal and interest due monthly thereafter; interest at 1.007% for first five years and 2.013% thereafter.	5,361,844	-	317,488	5,044,356	323,938
Note payable to Pennsylvania Infrastructure Investment Authority, maximum drawdown of $6,550,000 interest only for first 36 months. Principal and interest due monthly thereafter; interest at 1.274% for first five years and 2.547% thereafter. This Reading Area Water Authority obligation is guaranteed by the City of Reading.	3,686,778	-	284,254	3,402,524	291,579

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Business-Type Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable - continued					
General Obligation Bonds Series of 2017, with 3.0% - 5.0% interest payable through 2033. Proceeds were used to advance refund a portion of the General Obligation Bonds Series of 2008 and pay bond issuance costs. The present value of net cash savings from the refunding was $2,794,824 with total cash savings of $3,690,601.	22,695,000	-	1,170,000	21,525,000	1,220,000
Note payable to Pennsylvania Infrastructure Investment Authority, maximum drawdown of $108,161,309, interest-only payments through October 2020. Principal and interest due monthly thereafter; interest at 1.00%. As of December 31, 2019, there is $10,010,086 left to be drawn.	98,151,223	5,231,388	1,251,173	102,131,438	4,922,552
Note payable to Pennsylvania Infrastructure Investment Authority, maximum drawdown of$40,747,008, interest-only payments through October 2020. Principal and interest due monthly thereafter; interest at 1.00%. As of December 31, 2019, there is $6,200,878 left to be drawn.	34,546,130	4,479,913	470,879	38,555,164	1,854,452
General Obligation Bonds Series of 2019, with 2.206% - 2.982% interest payable through 2031. Proceeds were used to advance refund a portion of the General Obligation Bonds Series C of 2012 and pay bond issuance costs. The present value of net cash savings from the refunding, which includes a portion allocated to governmental activities, was $403,904.	2,851,800	-	1,400	2,850,400	42,000
Water Revenue Bonds, Series of 2020, initial issue $50,195,000, various interest rates ranging from 1.5% to 3.00%, maturing in amounts ranging from $575,000 to $6,245,000 through 2027. Proceeds to pay principal and interest of Water Revenue Bonds, Series of 2011 through December 1, 2021 via Escrow agent.	-	49,240,000	-	49,240,000	575,000

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Business-Type Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable - continued					
General Obligation Bonds Series of 2020, with 0.897% - 2.949% interest payable through 2033. Proceeds were used to advance refund a portion of the General Obligation Bonds Series of 2014 and 2015 and pay bond issuance costs. The present value of net cash savings from the refunding, which includes a portion allocated to business-type activities, was $725,043.	-	5,705,949	-	5,705,949	2,370
Less: unamortized interest on Capital Appreciation Bonds	(119,974)	-	(119,974)	-	-
Total Business-Type Activities	$ 249,151,350	$ 64,657,250	$ 60,460,420	$ 253,348,180	$ 12,385,891

Direct Borrowings

The City's obligations from direct borrowings contain a provision that in the event of default for non-payment of principal and interest, all unpaid principal and accrued interest becomes immediately due and payable. The lender may take rights to collateral pledged under the agreement to make payments. Additionally, the following specific provisions apply to certain borrowings:

General Obligation Note, Series B of 2012

The City's outstanding General Obligation Note, Series B of 2012 from direct borrowings related to governmental activities is secured by an assignment of the lease agreement between the City of Reading and Reading Baseball, LP, which relates to First Energy Stadium located at 1900 Centre Avenue, Reading Pennsylvania. In the event of default, the note is subject to a default rate of interest at a variable rate of 5% per annum in excess of the then-current rate.

Guaranteed Lease Revenue Note, Series of 2015

The City's outstanding Guaranteed Lease Revenue Note, Series of 2015 from direct borrowings related to governmental activities is secured by an assignment of the lease agreement between the City of Reading and the Reading Redevelopment Authority. In the event of default, all amounts as evidenced by the note may be declared due and payable.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Direct Borrowings - continued

Pennsylvania Infrastructure Investment Authority Note Payables

The City's outstanding notes from direct borrowings related to business-type activities of $3,402,524 are secured by a lien on the Reading Area Water Authority's water revenues and the guaranty of the City secured by an assignment of the lease between the Reading Area Water Authority and the City regarding the operation of the Reading Area Water Authority's Water System.

The City's outstanding notes from direct borrowings related to business-type activities of $5,044,356, $102,131,438, and $38,555,164 are secured by a lien on the City's sewer revenues. The outstanding note of $5,044,356 also contains a provision allowing for a late charge of 4% of any unpaid amount.

Covenants

The Water Revenue Bonds, Series of 2011 and Series of 2015, are subject to financial covenants, including a rate covenant. In addition, the Reading Area Water Authority covenants that at all times it will maintain the Water System in good and operating condition, continuously operate the same, maintain adequate service, and maintain adequate insurance coverage. At December 31, 2020, the Reading Area Water Authority was in compliance with these financial and operational covenants.

Unused Line of Credit

The Reading Area Water Authority has a line of credit agreement with a bank of $4,500,000. There were no borrowings against the line of credit at December 31, 2020.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Component Unit - Reading Parking Authority	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Revenue Bonds Payable					
Parking Revenue Bonds, Series of 2019					
Series A of 2019 Bonds:					
The bonds bear interest at a fixed rate of 3.51% through November 14, 2029. Commencing on November 15, 2029, the bonds bear interest at a floating rate per annum which is calculated at LIBOR plus 185 basis points, multiplied by 83%; provided, however that the interest rate shall not exceed 5.0%. Interest is due monthly on the 15th of each month. Monthly principal payments are due on the 15th of each month, commencing January 15, 2025 through maturity in 2036.	$ 12,180,000	$ -	$ -	$ 12,180,000	$ -
Series B of 2019 Bonds:					
The bonds bear interest at a fixed rate of 3.51% through November 14, 2029. Commencing on November 15, 2029, the bonds bear interest at a floating rate per annum which is calculated at LIBOR plus 185 basis points, multiplied by 83%; provided, however that the interest rate shall not exceed 5.0% Interest is due monthly on the 15th of each month. Monthly principal payments are due on the 15th of each month, commencing January 15, 2025 through maturity in 2026.	10,580,000	-	-	10,580,000	-
Series C of 2019 Bonds:					
The bonds bear interest at a fixed rate of 3.30%. Interest is due monthly on the 15th of each month. Monthly principal payments are due on the 15th of each month, commencing on January 15, 2020 through maturity in 2025.	8,035,000	-	848,765	7,186,235	1,503,565
	$ 30,795,000	$ -	$ 848,765	$ 29,946,235	$ 1,503,565

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

The annual requirements to pay principal and interest on long-term debt outstanding at December 31, 2020, are as follows:

	Governmental Activities					
	Direct Borrowings		General Obligation Bonds		Total	
	Principal	Interest ^	Principal	Interest	Principal	Interest ^
2021	$ 675,000	$ 186,792	$ 4,946,630	$ 3,622,800	$ 5,621,630	$ 3,809,592
2022	703,000	159,761	7,063,793	3,571,918	7,766,793	3,731,679
2023	731,000	131,592	7,274,794	3,352,191	8,005,794	3,483,783
2024	760,000	102,557	7,500,762	3,126,125	8,260,762	3,228,682
2025	791,000	71,740	7,805,980	2,816,805	8,596,980	2,888,545
2026 - 2030	1,105,000	46,792	45,343,000	9,361,958	46,448,000	9,408,750
2031 - 2034	-	-	28,705,361	1,765,875	28,705,361	1,765,875
	$ 4,765,000	$ 699,234	$ 108,640,320	$ 27,617,672	$ 113,405,320	$ 28,316,906

^ Assumes a consistent interest rate of 4.8% over the life of GON 2012B.

	Business-Type Activities					
	Direct Borrowings		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 7,392,521	$ 1,622,696	$ 4,993,370	$ 3,372,060	$ 12,385,891	$ 4,994,756
2022	7,474,700	1,540,520	5,496,207	3,143,751	12,970,907	4,684,271
2023	7,557,888	1,457,332	5,720,206	2,896,389	13,278,094	4,353,721
2024	7,642,102	1,373,118	5,909,238	2,673,521	13,551,340	4,046,639
2025	7,727,356	1,287,864	6,114,020	1,251,592	13,841,376	2,539,456
2026 - 2030	39,953,093	5,123,002	34,597,000	8,964,804	74,550,093	14,087,806
2031 - 2035	39,823,637	2,939,804	38,329,639	3,432,289	78,153,276	6,372,093
2036 - 2040	38,061,848	925,888	3,055,018	90,184	41,116,866	1,016,072
Less: amount not drawn down	(6,499,663)	-	-	-	(6,499,663)	-
	$ 149,133,482	$ 16,270,224	$ 104,214,698	$ 25,824,590	$ 253,348,180	$ 42,094,814

The above maturity schedule includes interest for bank notes estimated at stated rates and a full draw down for funds still available at December 31, 2020. Accrued interest is not recorded for business-type activities as the amount is not materially different from expense on the cash basis.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Year Ending December 31	Parking Revenue Bonds Series A of 2019	Series B of 2019	Series C of 2019	Total Principal	Interest Maturities*
2021	$ -	$ -	$ 1,503,565	$ 1,503,565	$ 1,013,280
2022	-	-	1,554,750	1,554,750	962,889
2023	-	-	1,606,638	1,606,638	910,797
2024	-	-	1,660,287	1,660,287	856,966
2025	783,000	681,000	860,995	2,324,995	788,211
2026 - 2030	4,995,000	4,337,000	-	9,332,000	3,169,320
2031 - 2035	5,760,000	5,001,000	-	10,761,000	1,721,944
2036	642,000	561,000	-	1,203,000	30,096
	$ 12,180,000	$ 10,580,000	$ 7,186,235	$ 29,946,235	$ 9,453,503

* Interest payable for variable rate periods is calculated using the maximum rate of 5%.

The following is a summary of governmental long-term liability activity for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation debt:					
Bonds payable	$ 109,054,669	$ 30,439,051	$ 30,853,400	$ 108,640,320	$ 4,946,630
Discounts	(591,645)	-	(322,242)	(269,403)	-
Premiums	1,438,935	-	141,737	1,297,198	-
Net general obligation debt	109,901,959	30,439,051	30,672,895	109,668,115	4,946,630
Direct borrowings	5,414,000	-	649,000	4,765,000	675,000
Other liabilities:					
Compensated absences	1,159,368	118,758	-	1,278,126	-
Net pension liability	94,287,044	-	20,719,840	73,567,204	-
OPEB liability	63,359,729	5,950,781	4,020,255	65,290,255	-
	$ 274,122,100	$ 36,508,590	$ 56,061,990	$ 254,568,700	$ 5,621,630

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

The following is a summary of business-type long-term liability activity for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
General obligation bonds payable	$ 31,390,349	$ 5,705,949	$ 6,171,600	$ 30,924,698	$ 1,418,370
Water revenue bonds	76,135,000	49,240,000	52,085,000	73,290,000	3,575,000
Discounts	(191,308)	-	(18,541)	(172,767)	-
Premiums	3,156,234	-	323,096	2,833,138	-
For unamortized accreted interest	(119,974)	-	(119,974)	-	-
Other	-	(103,960)	-	(103,960)	-
Net bonds payable	110,370,301	54,841,989	58,441,181	106,771,109	4,993,370
Direct borrowings	141,745,975	9,711,301	2,323,794	149,133,482	7,392,521
Net pension liability	5,429,766	-	2,299,858	3,129,908	-
OPEB liability	1,209,580	69,209	205,013	1,073,776	-
	$ 258,755,622	$ 64,622,499	$ 63,269,846	$ 260,108,275	$ 12,385,891

The following is a summary of long-term liability activity for the Component Unit (Reading Parking Authority) for the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020	Due Within One Year
Revenue bonds payable	$ 30,795,000	$ -	$ 848,765	$ 29,946,235	$ 1,503,565
Control card deposits	69,472	24	-	69,496	-
	$ 30,864,472	$ 24	$ 848,765	$ 30,015,731	$ 1,503,565

Payment Deferral - Component Unit

On April 21, 2020, in response to the COVID-19 pandemic, the bank for the Reading Parking Authority approved a deferral of payments for the three-month period of May, June, and July 2020, and adjusted for the payment dates of August 15, 2020 and September 15, 2020 for the Authority's outstanding Parking Revenue Bonds, Series A, B, and C of 2019. Under the agreement, no principal and interest payments were due during the deferral period and monthly payments of accrued interest only were due on August 15, 2020 and September 15, 2020. Beginning October 15, 2020, payments of principal were revised to adjust for the deferral. On or before May 15, 2025, the Authority shall make a mandatory prepayment in the amount of any portion of the deferred amount which has not been paid to date.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Defeasance of Debt

During the year ended December 31, 2020, the City issued General Obligation Bonds, Series of 2020 to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of General Obligation Bonds, Series of 2014 and General Obligation Bonds, Series B of 2015. As a result, the refunded bonds were considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. As of December 31, 2020, outstanding general obligation bonds of the City in the amount of $38,638,911 were considered to be defeased with a related $45,086,660 held in escrow funds.

NOTE 11 - CITY OF READING RETIREMENT PLANS

Plan Description

The City administers three single employer defined benefit pension plans covering all full-time police officers, full-time paid firemen, and nonuniform employees; the City of Reading Police Pension Plan (PPP), the City of Reading Paid Firemen's Pension Plan (PFPP), and the City of Reading Officers' and Employees' Pension Plan (O&E), respectively. The Plans are included in the financial statements of the City as a pension trust fund and do not issue a separate financial statement. Plan provisions are established and amended by City ordinance with the authority for municipal contribution required by the Commonwealth of Pennsylvania Act 205 of 1984 (the Act). The PPP is administered by a six-member board consisting of the Mayor, administrative services director, city auditor, police chief, and two active police officers; the PFPP is administered by a six-member board consisting of the Mayor, administrative services director, city auditor, fire chief, and two active fire employees; the O&E is administered by a six-member board consisting of the Mayor, administrative services director, city auditor, and three active employees.

Membership of each plan consisted of the following at January 1, 2019, the date of the latest actuarial valuation:

	PPP	PFPP	O&E
Inactive plan members or beneficiaries currently receiving benefits	315	150	294
Inactive plan members entitled to, but not yet receiving benefits	2	12	25
Active plan members	154	109	265
Total plan members	471	271	584

At December 31, 2020, there were no individual investments that constituted more than 5% of plan net position available for benefits that were required to be reported. The Plans did not have any investment transactions with related parties during the year.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Benefits Provided - City of Reading Police Pension Plan (PPP)

Retirement Benefit - The PPP is a contributory plan available to all full-time City police officers. Pension benefits become 100% vested after the completion of 12 years of service. For police officers hired prior to January 1, 2012, eligibility for the normal retirement benefit is attained after completing 20 years of service, including any service purchased. These members may purchase up to five years of additional service credit for non-intervening military service as well as five years of police service. The monthly pension benefit is equal to 60% of "average monthly pay" plus 2.0% of "average monthly pay" for each year of service in excess of 20 years to a maximum of five years. An additional benefit of 2.5% ($1/40^{th}$) of the pension benefit determined for each year of service in excess of 20 years to a maximum of $500 per month is also payable. "Average monthly pay" is the greater of monthly average compensation over the highest five years of service or monthly rate of pay at retirement, if greater. Compensation is defined as the sum of basic monthly salary plus longevity and holiday pay, excluding overtime and any other extra forms of compensation.

For police officers hired on or after January 1, 2012, eligibility for the normal retirement benefit is attained after completing 20 years of service and reaching the age of 50. The monthly pension benefit is equal to 50% of "average monthly pay." An additional benefit of 2.5% ($1/40^{th}$) of the pension benefit determined for each year of service in excess of 20 years to a maximum of $500 per month is also payable. These members may not purchase any intervening or non-intervening military time.

Disability Benefit - For police officers hired prior to January 1, 2012, if a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty or non-service-related after 10 years of service or greater, they are entitled to a monthly disability benefit equal to normal retirement calculated as of the date of disablement. If the event is non-service-related before the participant has 10 years of service, then they are entitled to 50% of normal retirement benefits.

For police officers hired after January 1, 2012, if a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, they are entitled to a monthly disability benefit equal to normal retirement calculated as of the date of disablement.

Death Benefit - For police officers hired prior to January 1, 2012, if a participant suffers a non-service-related death before 10 years of service, 50% of the normal retirement benefit is payable to the spouse for life. Upon the spouse's death, or if there is no spouse, the participant's children, if any, will share the benefit until age 18. If the participant's death occurs after 10 years of service, they are killed-in-service or after retirement, the normal retirement benefit is payable to the spouse for life. Upon the spouse's death, or if there is no spouse, the participant's children, if any, will share the benefit until age 18.

For police officers hired after January 1, 2012, if the participant is killed-in-service or after retirement eligibility, 50% of the normal retirement benefit is payable to the spouse for life. Upon the spouse's death, or if there is no spouse, the participant's children, if any, will share the benefit until age 18.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Benefits Provided - City of Reading Paid Firemen's Pension Plan (PFPP)

Retirement Benefit - The PFPP is a contributory plan available to all full-time City firefighters. Pension benefits become 100% vested after the completion of 12 years of service. Eligibility for the normal retirement benefit is attained for employees completing 20 years of service and attaining the age of 50. The monthly pension benefit is equal to 50% of "average monthly compensation" plus an incremental pension equal to 2.5% ($1/40^{th}$) of the pension benefit determined for each year of service in excess of 20 years, and prior to attainment of age 65. The maximum incremental pension is $500 per month. "Average monthly compensation" is the higher of average compensation over the highest five consecutive years of employment or the rate of compensation during the 12-month period prior to retirement. Members hired after December 31, 2010, will exclude overtime paid by the employer from the compensation calculation. Retirement benefits are payable monthly during the member's lifetime.

Disability Benefit - A participant is entitled to a disability benefit for a service-related injury or accident or non-service-related injury or accident after five years of service that leaves the member totally and permanently disabled. For a service-related incident, the participant is entitled to normal retirement benefit calculated as of the date of disablement. For a nonservice-related incident after five years of service, the participant is entitled to a benefit of 2.5 percent of average monthly compensation for each year of service (maximum 50%).

Death Benefit - If a participant dies after retirement eligibility, after retirement, or is killed in the line of duty, a monthly benefit equal to normal retirement is payable to the spouse for life. Upon the spouse's death, the participant's children will share the benefit until the age of 18.

Benefits Provided - Officers' and Employees' Pension Plan (O&E)

Retirement Benefit - The O&E is a contributory plan available to any person appointed or elected to regular service for the City of Reading who is not a police officer or a firefighter.

Officers and employees hired prior to January 1, 1988, become 100% vested after the completion of 12 years of service. Eligibility for the normal retirement benefit is attained for employees completing 20 years of service and attaining the age of 60. The monthly pension benefit is equal to 50% of "average monthly compensation" plus a service increment equal to 2.5% ($1/40^{th}$) of the monthly retirement benefit for each completed year of service in excess of 20 years, provided the employee elected to contribute an additional 0.5% of compensation to be covered by this provision. "Average monthly compensation" is the higher of average total compensation over the highest five years of employment or the rate of compensation during the month of retirement. The retirement benefits will be reduced by 40% of the social security benefit. The reduction will commence the month following eligibility for social security benefits. The offset can be eliminated if the member elects to contribute an extra 1.5% of compensation, retroactive to their date of participation. Pension benefits are paid monthly for the member's lifetime. Compensation is defined as total wages paid by the employer.

Officers and employees hired before November 7, 1987, may retire with a normal retirement benefit after 20 years of service and age 55.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Benefits Provided - Officers' and Employees' Pension Plan (O&E) - continued

Officers and employees hired on or after January 1, 1988, become 100% vested after the completion of 10 years of service. Eligibility for the normal retirement benefit is attained for employees completing 10 years of service and attaining the age of 65. The monthly pension benefit is equal to 2% of "average monthly compensation" multiplied by years of service (up to a maximum of 25) plus a service increment equal to 1.25% of the monthly retirement benefit multiplied by years of service in excess of 25. "Final average monthly compensation" is the higher of average compensation over the highest five consecutive years of employment of the last 10 that produce the greatest average. Pension benefits are paid monthly for the member's lifetime. Compensation is defined as base pay plus longevity, excluding overtime pay, educational incentive payments, bonuses, payments in lieu of dependent's health insurance, and other special forms of pay.

Officers and employees hired on or after January 1, 1988, can also elect early retirement after age 50 and 10 years of service. The accrued benefit at the date of actual retirement is reduced by 1/3 of 1% for each month early.

Disability Benefit - For officers and employees hired prior to January 1, 1988, if a participant in the plan becomes totally and permanently disabled after 15 years of service, they are entitled to a disability benefit equal to normal retirement with no social security benefit offset. Officers and employees hired on or after January 1, 1988, are entitled to the accrued benefit at the date of disablement with a minimum benefit of 20% average monthly compensation.

Death Benefit - For officers and employees hired prior to January 1, 1988, participants who are vested in the plan are eligible for death benefits. A monthly benefit equal to 50% of the benefit the participant was receiving or entitled to receive at the time of death is payable to the spouse for life or until remarriage, provided the employee was contributing the additional 0.5% of compensation for spousal benefit coverage. Payment of benefits to the spouse of a participant who had not reached normal retirement eligibility is subject to vesting provisions regarding deferral of payments and continued contributions, where applicable.

Officers and employees hired on or after January 1, 1988, are entitled to a death benefit equal to 50% of the pension the participant was receiving or entitled to receive on the day of the participant's death. The benefit is payable to the participants spouse, provided the participant was married to the spouse for at least one year prior to the date of death. This benefit is subject to reduction for early commencement as under vesting.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Contributions

PA Act 205 of 1984 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. The January 1, 2017 valuation was used in the calculation of the City's 2020 MMO.

Employees are not required to contribute under the Act; such contributions are subject to collective bargaining.

City of Reading Police Pension Plan (PPP): Plan members who were hired prior to January 1, 2012, are required to contribute 6.5% of salary, plus $1 per month. Members who elect to participate in the DROP after November 15, 2012, also contribute 5.0% of compensation. Plan members who were hired on or after January 1, 2012 are required to contribute 5.0% of salary. Member contributions are not credited with interest.

City of Reading Paid Firemen's Pension Plan (PFPP): Plan members are required to contribute 5.0% of compensation, plus $5 per month. Members who elect to participate in the DROP after April 1, 2011, also contribute 5.0% of compensation. Member contributions are not credited with interest.

Officers' and Employees' Pension Plan (O&E): Plan members who were hired prior to January 1, 1988, are required to contribute 3.5% of compensation subject to social security taxation, plus 5.0% of the excess. Members who elect dual coverage (no offset to pension for social security benefits) contribute 5.0% of all compensation. Married participants contribute an additional 0.5% of compensation. Participants who elected to be covered by the service increment provision contribute an additional 0.5% of compensation. Member contributions are not credited with interest. Plan members who were hired after January 1, 1988, are required to contribute 3.0% of compensation. Member contributions are credited with a 5.0% interest compounded annually.

Refund of Contributions: In the event of the termination of employment prior to being eligible for pension, member contributions without interest are refunded. If termination is due to death and no pension benefits are provided, there is refunded member contributions without interest. The exception is for O&E plan members hired after January 1, 1988, whose member contributions are credited with 5.0% interest compounded annually.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Contributions - continued

The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth allocation, must be funded by the City (and could include employee contributions). Payments made to the Plans were sufficient to meet the MMOs in 2020. The following table reflects contribution information for 2020:

	PPP	PFPP	O&E	Total
MMO	$ 11,337,885	$ 3,526,477	$ 3,500,466	$ 18,364,828
Contributions:				
City	$ 9,927,611	$ 2,376,254	$ 2,230,219	$ 14,534,084
Allocation of state aid	1,410,274	1,150,223	1,270,247	3,830,744
Total	11,337,885	3,526,477	3,500,466	18,364,828
Employee	967,487 *	489,210	443,026	1,899,723
Total contributions	$ 12,305,372	$ 4,015,687	$ 3,943,492	$ 20,264,551
Covered payroll	$ 10,602,424	$ 7,921,095	$ 13,284,117	$ 31,807,636
Employee contributions as a percent of covered payroll	9.13%	6.18%	3.34%	5.97%

* PPP employee contribution includes $253,876 in service time purchases.

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

Deferred Retirement Option Program

City of Reading Police Pension Plan (PPP)

Members who are eligible to retire and were hired before January 1, 2012, may elect to enter into the DROP (Deferred Retirement Option Program) for no more than five years. Officers in the DROP have their retirement benefit calculated as of the date of entry into the DROP and accrue no further benefit under the plan. The retirement benefit is paid from the plan and deposited into an account established for the officer, which will be paid in full upon retirement. The City remains the fiduciary for these funds until full retirement of the officers. At December 31, 2020, the balance of DROP accounts for the PPP held by the City was $1,443,719.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Deferred Retirement Option Program - continued

City of Reading Paid Firemen's Pension Plan (PFPP)

Members who were hired before January 1, 2011, and who had met the eligibility requirements for normal retirement may elect to participate in the DROP (Deferred Retirement Option Program) for no more than five years. The member's monthly pension benefit shall be calculated as of the date of entry into the DROP and shall be accumulated with annual interest and distributed in a lump sum at retirement. Members who elect to participate in DROP after January 1, 2011, will be required to continue their member contributions to the plan. The City remains the fiduciary for these funds until full retirement of the member. There shall be a limit of 10 bargaining unit members added to the DROP each year. At December 31, 2020, the balance of DROP accounts for the PFPP held by the City was $1,810,894.

Net Pension Liability

The components of the net pension liability of the Plans at December 31, 2020, were as follows:

	PPP	PFPP	O&E	Total
Total pension liability	$ 184,975,936	$ 89,328,609	$ 79,396,973	$ 353,701,518
Plan fiduciary net position	(130,218,770)	(75,573,567)	(71,212,069)	(277,004,406)
Net pension liability	$ 54,757,166	$ 13,755,042	$ 8,184,904	$ 76,697,112
Plan fiduciary net position as a percentage of total pension liability	70.40%	84.60%	89.69%	78.32%

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Net Pension Liability - continued

Changes in the Net Pension Liability

The changes in the net pension liability of the City for the year ended December 31, 2020, were as follows:

	Increases/Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	$ 344,187,962	$ 244,471,152	$ 99,716,810
Changes for the year:			
Service cost	5,058,814	-	5,058,814
Interest	25,657,556	-	25,657,556
Contributions - employer	-	18,364,828	(18,364,828)
Contributions - employee	-	1,899,723	(1,899,723)
Net investment income	-	33,641,071	(33,641,071)
Benefit payments, including refunds	(21,202,814)	(21,202,814)	-
Administrative expenses	-	(169,554)	169,554
Net changes	9,513,556	32,533,254	(23,019,698)
Balances at December 31, 2020	$ 353,701,518	$ 277,004,406	$ 76,697,112
Plan fiduciary net position as a percentage of the total pension liability			78.32%

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Net Pension Liability - continued

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2020, and rolled forward to December 31, 2020, using the following actuarial assumptions, applied to all periods in the measurement:

	PPP	PFPP	O&E
Actuarial assumptions:			
Investment rate of return	7.25%	7.25%	7.25%
Projected salary increases	4.75%	4.75%	4.75%
Inflation rate	2.75%	2.75%	2.75%
Mortality	RP-2014 Mortality Table with 50% of the Blue Collar Adjustment; rates are set forward 5 years for disabled members. Incorporated into the table are rates projected using the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report to reflect mortality improvement.	RP-2014 Mortality Table with 50% of the Blue Collar Adjustment; rates are set forward 5 years for disabled members. Incorporated into the table are rates projected using the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report to reflect mortality improvement.	RP-2014 Mortality Table with 50% of the Blue Collar Adjustment; rates are set forward 7 years for disabled members. Incorporated into the table are rates projected using the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report to reflect mortality improvement.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Net Pension Liability - continued

Investment Policy - The pension trust funds' investments are held separately from those of other City funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition. The City maintains investment policies that summarize the investment philosophy of the City and establishes investment guidelines and performance objectives for the Police, Paid Firemen, and Officers' and Employees' Pension Funds. The core objectives of the police pension fund investment statement are as follows: (1) to maximize returns without exposure to undue risk, (2) to attain "real" growth over a market cycle consistent with the level of risk assumed by the Fund, and (3) to have the relative investment return over a market cycle of three to five years exceed the rate of return that would have been achieved by a statically allocated and passively managed portfolio at the same risk. The core objectives of the paid firemen pension fund statement are as follows: (1) to maintain a fully funded status with regard to accumulated benefits obligation, (2) to maximize return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, (3) to maintain flexibility in determining the future level of contributions, and (4) to have the ability to pay all benefits and expense obligations when due. The core objectives of the officers' and employees' pension fund statement are as follows: (1) to maximize returns without exposure to undue risk, (2) to attain "real" growth over a market cycle consistent with the level of risk assumed by the fund, and (3) for the relative investment return over a market cycle of three to five years to exceed the rate of return that would have been achieved by a statically allocated and passively managed portfolio at the same risk in accordance with the long-term asset allocation policy set forth in the statement.

Long Term Expected Rate of Return - The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Net Pension Liability - continued

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020:

	Target Allocation			Long-Term Expected Real Rate of Return		
Asset Class	PPP	PFPP	O&E	PPP	PFPP	O&E
Equity:						
Large Cap	32.0%	32.0%	32.0%	7.7%	7.7%	7.7%
Mid Cap	7.0%	7.0%	7.0%	7.8%	7.8%	7.8%
Small Cap	4.0%	4.0%	4.0%	7.9%	7.9%	7.9%
International	17.0%	17.0%	17.0%	9.3%	9.3%	9.3%
Fixed income:						
Core	17.0%	17.0%	17.0%	3.9%	3.9%	3.9%
Short-term	15.0%	15.0%	15.0%	3.0%	3.0%	3.0%
Global	3.0%	3.0%	3.0%	3.9%	3.9%	3.9%
Real estate	5.0%	5.0%	5.0%	9.1%	9.1%	9.1%
	100.0%	100.0%	100.0%			

Rate of Return - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on the PPP, PFPP, and O&E investments, net of investment expenses, was 14.16%, 13.72%, and 13.67%, respectively.

Discount Rate - The discount rate used to measure the total pension liability for the PPP, PFPP, and O&E 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 the City's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Net Pension Liability - continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Plans calculated using the discount rates described previously, as well as what the Plan's net pension liabilities would be if they were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rates:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Reading Police Pension Plan	$ 76,471,692	$ 54,757,166	$ 36,830,011
City of Reading Paid Firemen's Pension Plan	$ 23,813,193	$ 13,755,042	$ 5,368,752
Officers' and Employees' Pension Plan	$ 17,655,706	$ 8,184,904	$ 295,569

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the City recognized pension expense of $8,763,290 ($8,391,588 - governmental activities; $371,702 - business-type activities). At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PPP	PFPP	O&E	Total
Deferred Outflows of Resources:				
Internal change in proportion allocated	$ -	$ -	$ 162,289	$ 162,289
Differences between expected and actual experience	90,198	-	-	90,198
Changes of assumptions	499,334	821,207	1,348,094	2,668,635
Net difference between projected and actual earnings on pension plan investments	5,622,240	3,080,580	3,050,102	11,752,922
Total deferred outflows of resources	$ 6,211,772	$ 3,901,787	$ 4,560,485	$ 14,674,044
Deferred Inflows of Resources:				
Internal change in proportion allocated	$ -	$ -	$ 162,289	$ 162,289
Difference between expected and actual experience	-	1,146,106	2,249,046	3,395,152
Net difference between projected and actual earnings on pension plan investments	13,445,311	8,195,209	6,511,218	28,151,738
Total deferred inflows of resources	$ 13,445,311	$ 9,341,315	$ 8,922,553	$ 31,709,179

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Net Pension Liability - continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the years ending December 31 as follows:

2021	$ (2,800,049)
2022	(1,333,670)
2023	(6,952,935)
2024	(2,833,870)
2025	(2,833,871)
Thereafter	(280,740)
Total	$ (17,035,135)

Pension Trust Fund Financial Information

Plan Net Position

	Police Pension Fund	Paid Firemen's Pension Fund	Officers' and Employees' Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	$ 764,614	$ 32,534	$ 756,737	$ 1,553,885
Investments (at fair value):				
Equities	49,380,822	27,855,339	27,265,644	104,501,805
Fixed income	21,285,548	12,531,142	11,752,647	45,569,337
Exchange traded products/mutual funds	32,699,630	18,170,467	17,226,329	68,096,426
U.S. Government issues	16,149,212	9,647,627	9,040,328	34,837,167
Short-term funds	-	-	51,361	51,361
Other	9,969,693	7,349,624	5,137,873	22,457,190
Interfund receivable	-	-	70	70
TOTAL ASSETS	130,249,519	75,586,733	71,230,989	277,067,241
LIABILITIES				
Accounts payable	30,701	12,999	18,920	62,620
Interfund payable	48	167	-	215
TOTAL LIABILITIES	30,749	13,166	18,920	62,835
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 130,218,770	$ 75,573,567	$ 71,212,069	$ 277,004,406

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Pension Trust Fund Financial Information - continued

Changes in Plan Net Position

	Police Pension Fund	Paid Firemen's Pension Fund	Officers' and Employees' Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer (including state aid)	$ 11,337,885	$ 3,526,477	$ 3,500,466	$ 18,364,828
Employee	967,487	489,210	443,026	1,899,723
Investment income:				
Interest and dividends	2,321,255	1,418,049	1,278,956	5,018,260
Net appreciation in fair value of investments	14,139,497	7,790,436	7,552,783	29,482,716
Other	-	181	5,103	5,284
TOTAL ADDITIONS	28,766,124	13,224,353	12,780,334	54,770,811
DEDUCTIONS				
Benefits, including tax withheld	11,045,980	4,935,167	5,068,456	21,049,603
Administrative expenses	469,485	285,123	280,135	1,034,743
Refunds paid	66,023	-	87,188	153,211
TOTAL DEDUCTIONS	11,581,488	5,220,290	5,435,779	22,237,557
CHANGE IN NET POSITION	17,184,636	8,004,063	7,344,555	32,533,254
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	113,034,134	67,569,504	63,867,514	244,471,152
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	$ 130,218,770	$ 75,573,567	$ 71,212,069	$ 277,004,406

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Pension Trust Fund Financial Information - continued

Net Appreciation (Depreciation) in Fair Value of Investments

The composition of net appreciation (depreciation) in fair value of investments reported on the statement of changes in plan net position is as follows:

	PPP	PFPP	O&E	Total
Realized gain	$ 11,833,440	$ 226,366	$ 1,804,996	$ 13,864,802
Unrealized gain	2,306,057	7,564,070	5,747,787	15,617,914
	$ 14,139,497	$ 7,790,436	$ 7,552,783	$ 29,482,716

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments.

Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year were included as part of the change in the fair value of investments reported in the prior year(s) and the current year.

Other Retirement Plans

During 2011, the Reading Area Water Authority adopted a retirement plan covering salary deferral for those employees who meet the eligibility requirements set forth in the plan. The amount of the contribution for salary deferral is at the discretion of the employee, subject to the provisions of Section 457(b) of the Internal Revenue Code. Under the terms of the plan, the Authority may make discretionary matching contributions. The contributions are reflected as an operating expense. For the year ended December 31, 2020, $130,021 was contributed to the plan.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Employee Defined Benefit Other Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description

The City of Reading administers a single-employer defined benefit healthcare plan (the OPEB Plan). The City OPEB Plan provides medical, prescription drug, and life insurance for eligible retirees and their spouses through the City's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the City and the unions representing the City's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits, as of the measurement date of the liability presented. Subsequent to the measurement date, and during the current year, the City contributed $1,000,000 to a trust which will be used to fund future other postemployment benefit liabilities.

Benefits Provided

The City classifies employees in the following categories: AFSCME First Level, AFSCME Rank and File, Non-Fire Management, Police Officers, and Firefighters and Fire Management. Contribution requirements are negotiated between the City and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

AFSCME First Level

Eligibility for Benefits: First level AFSCME members hired prior to January 1, 1988, are eligible to receive medical and prescription drug coverage upon reaching age 55 with at least 20 years of service or upon disability with at least 15 years of service. First Level members hired after January 1, 1988, and prior to June 11, 2010, are eligible to receive medical and prescription drug coverage upon reaching age 65 with at least 10 years of service or upon disability. First Level AFSCME members hired on or after June 11, 2010, are not eligible to receive coverage.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

AFSCME First Level - continued

Benefits Payable Upon Retirement or Disability: First Level AFSCME members retiring between January 1, 2007, and June 11, 2010, contribute a fixed dollar amount based on the year of retirement. The contribution for those retiring in 2007 is $26 and increases by $5 for members retiring in the years 2008-2010. First Level AFSCME members retiring on or after June 11, 2010, must contribute the difference between the premium and a fixed amount based on the year of retirement for medical and prescription drug coverage. The monthly fixed amount for retirement years 2011 to 2020 follow the below table:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single	$450	$473	$497	$521	$548	$575	$604	$634	$666	$734
Dual	$914	$960	$1,008	$1,058	$1,111	$1,167	$1,225	$1,287	$1,351	$1,486

Duration: Retirees are able to continue coverage until age 65 and qualification for Medicare. Spouses are eligible to receive coverage until the earlier of member death, age 65 and qualification for Medicare, or retiree coverage ends. If the member dies while active, the spouse is not eligible to continue coverage.

AFSCME Rank and File and Non-Fire Management

Eligibility for Benefits: Members hired prior to January 1, 1988, are eligible to receive medical and prescription drug coverage upon reaching age 55 with at least 20 years of service or upon disability with at least 15 years of service. Members hired after January 1, 1988, and prior to January 1, 2012, are eligible to receive medical and prescription drug coverage upon reaching age 65 with at least 10 years of service or upon disability. Members hired on or after January 1, 2012, are not eligible to receive coverage.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

AFSCME Rank and File and Non-Fire Management - continued

Benefits Payable upon Retirement or Disability: Members retiring between January 1, 2008, and January 1, 2012, must contribute 2% of their salary at retirement towards medical and prescription drug coverage. Members retiring on or after January 1, 2012, must contribute the difference between the premium and a fixed amount based on the year of retirement for medical and prescription drug coverage. The monthly fixed amount for retirement years 2011 to 2020 follow the below table:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single	$450	$473	$497	$521	$548	$575	$604	$634	$666	$734
Dual	$914	$960	$1,008	$1,058	$1,111	$1,167	$1,225	$1,287	$1,351	$1,486

Duration: Retirees are able to continue coverage until age 65 and qualification for Medicare. Spouses are eligible to receive coverage until the earlier of member death, age 65 and qualification for Medicare, or retiree coverage ends. If the member dies while active, the spouse is not eligible to continue coverage.

Police Officers

Eligibility for Benefits: Officers hired prior to January 1, 2012, are eligible to receive medical and prescription drug coverage upon reaching 20 years of service or upon disability. Officers hired on or after January 1, 2012, are not eligible to receive coverage.

Benefits Payable upon Retirement or Disability: Officers that retired prior to January 1, 2007, do not contribute anything towards coverage. Officers that retired after January 1, 2007, and prior to January 1, 2013, must contribute a fixed amount of $36 per month for single coverage and $62 per month for family coverage. Officers retiring between January 1, 2013, and January 1, 2018, must contribute a percentage of the premium based on the plan elected (5% for Premier Plan, 10% for Preferred Plan, 15% for Police PPO Plan). Officers retiring on or after January 1, 2018, must contribute the difference between the premium and a fixed amount each year for medical and prescription drug. For 2018, 2019, and 2020, the fixed amount was $634, $666, and $734 for single coverage and $1,287, $1,351, and $1,486 for employee/spouse coverage, respectively.

Duration: Retirees are able to continue coverage until age 65 and qualification for Medicare. Spouses are eligible to receive coverage until the earlier of member death, age 65 and qualification for Medicare, or retiree coverage ends. For officers hired prior to January 1, 2012, if the officer dies while active, the surviving spouse is eligible to continue coverage until age 65 and qualification for Medicare.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

Firefighters and Fire Management

Eligibility for Benefits: Firefighters hired prior to January 1, 2011, are eligible to receive medical and prescription drug coverage upon reaching age 50 with at least 20 years of service, upon in-service disability, or upon ordinary disability with at least 5 years of service. Firefighters hired on or after January 1, 2011, are not eligible to receive coverage.

Benefits Payable upon Retirement or Disability: Firefighters that retired prior to January 1, 2011, do not contribute anything towards coverage. Firefighters retiring on or after January 1, 2011, must contribute the difference between the premium and a fixed amount based on the year of retirement for medical and prescription drug coverage. The monthly fixed amount for retirement years 2011 to 2020 follow the below table.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single	$450	$473	$497	$521	$548	$575	$604	$634	$666	$734
Dual	$914	$960	$1,008	$1,058	$1,111	$1,167	$1,225	$1,287	$1,351	$1,486

Duration: Retirees are able to continue coverage until age 65 and qualification for Medicare. Spouses are eligible to receive coverage until the earlier of member death, age 65 and qualification for Medicare, or retiree coverage ends. For Firefighters hired prior to January 1, 2011, if the firefighter dies while active, the surviving spouse is eligible to continue coverage until age 65 and qualification for Medicare.

Life Insurance: Firefighters hired prior to January 1, 2011, that meet the eligibility requirements above are eligible to receive life insurance in the amount of $50,000 until age 70. Firefighters hired on or after January 1, 2011, are not eligible to receive life insurance.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Employees Covered by Benefit Terms

At January 1, 2020, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

	AFSCME First Level	Management	AFSCME Rank and File	Fire	Police	Total
Active participants	9	24	86	63	74	256
Vested former participants	-	-	-	-	-	-
Retired participants	2	-	27	74	116	219
Total	11	24	113	137	190	475

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2020, was determined by rolling forward the City's total OPEB liability as of January 1, 2019 to December 31, 2020, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal
- Salary increases - annual salary increases are assumed to be 5.0%
- Discount rate - 1.93%
- Mortality rates - RP-2014 Table with 50% of the Blue Collar Adjustment, rates are set forward 7 years for disabled members. Incorporated into the table are rates projected using the Long-Range demographic assumptions for the 2015 Social Security Administration's Trustee Report to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of employees are assumed to elect coverage.

The actuarial assumptions were selected using input from the City based on actual experience. The measurement date was changed from January 1 of the fiscal year to December 31 of the fiscal year beginning with December 31, 2020.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Net OPEB Liability

Total OPEB liability	$ 67,364,041
Plan fiduciary net position	(1,000,000)
Net OPEB liability	$ 66,364,041
Plan fiduciary net position as a percentage of total OPEB liability	1.48%

Changes in Total OPEB Liability

	AFSCME First Level	Management	AFSCME Rank and File	Fire	Police	Total OPEB Liability
Balance at January 1, 2020	$ 176,770	$ 205,994	$ 2,960,408	$ 15,766,053	$ 45,460,084	$ 64,569,309
Changes for the year:						
Service cost	2,842	13,206	34,790	894,210	1,504,003	2,449,051
Interest	9,855	14,315	174,905	1,083,460	3,074,585	4,357,120
Differences between expected and actual experience	3,838	(47,337)	230,237	(2,291)	(3,476,984)	(3,292,537)
Changes of assumptions or other inputs	3,579	6,565	384,916	2,206,854	5,188,472	7,790,386
Benefit payments	(77,514)	(25,271)	(950,474)	(1,913,328)	(5,542,711)	(8,509,298)
Net changes	(57,400)	(38,522)	(125,626)	2,268,905	747,365	2,794,722
Balance at December 31, 2020	$ 119,370	$ 167,472	$ 2,834,782	$ 18,034,958	$ 46,207,449	$ 67,364,031

Plan net position of $1,000,000 had no activity in the current year.

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.64% to 1.93%.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in Total OPEB Liability - continued

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (0.93%) or one-percentage point higher (2.93%) than the current discount rate:

	1% Decrease 0.93%	Current Discount Rate 1.93%	1% Increase 2.93%
AFSCME First Level	$ 119,203	$ 117,598	$ 115,770
Management	166,360	164,986	162,299
AFSCME Rank and File	3,007,420	2,792,700	2,608,333
Fire	19,064,040	17,767,234	16,591,444
Police	49,273,242	45,521,513	42,179,601
Total OPEB Liability	$ 71,630,265	$ 66,364,031	$ 61,657,447

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
AFSCME First Level	$ 112,398	$ 117,598	$ 123,147
Management	153,321	164,986	177,426
AFSCME Rank and File	2,562,741	2,792,700	3,055,885
Fire	16,251,634	17,767,234	19,477,377
Police	41,669,181	45,521,513	49,856,755
Total OPEB Liability	$ 60,749,275	$ 66,364,031	$ 72,690,590

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

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

For the year ended December 31, 2020, the City recognized OPEB expense of $4,265,006 ($4,011,153 - governmental activities; $253,853 - business-type activities). At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	AFSCME First Level	Management	AFSCME Rank and File	Fire	Police	Total
Deferred Outflows of Resources:						
Differences between projected and actual experience	$ 3,070	$ -	$ 184,190	$ -	$ -	$ 187,260
Changes of assumptions	4,174	7,252	360,189	2,072,866	5,125,667	7,570,148
Total deferred outflows of resources	$ 7,244	$ 7,252	$ 544,379	$ 2,072,866	$ 5,125,667	$ 7,757,408
Deferred Inflows of Resources:						
Differences between projected and actual experience	$ -	$ 37,870	$ -	$ 1,833	$ 2,781,587	$ 2,821,290
Changes of assumptions	1,192	2,288	56,441	349,916	1,127,812	1,537,649
Total deferred inflows of resources	$ 1,192	$ 40,158	$ 56,441	$ 351,749	$ 3,909,399	$ 4,358,939

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending December 31:

2021	$ 961,104
2022	961,104
2023	961,105
2024	515,156
Total	$ 3,398,469

NOTE 13 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, the City is subject to various contingent liabilities arising from litigation. The City does not anticipate future losses resulting from these transactions to be material to the City's financial statements.

Grant Programs

The City participates in state or federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Any adjustments resulting from subsequent examination are recognized in the year in which the results of such examinations are known. The City does not expect any significant adjustments as a result of these examinations.

Concentration of Labor

The City has in effect four labor agreements, which cover approximately 90% of the total labor force. The collective bargaining agreement with AFSCME - The American Federation of State, County, and Municipal Employees Local 3799 was renewed in 2015 and was effective through December 31, 2019. A one-year extension was reached through December 31, 2020. Subsequent to year end a two-year agreement was reached through December 31, 2022. AFSCME Local 2763 was renewed in 2017. A one-year extension was reached through December 31, 2020. Negotiations are pending and the existing agreement remains in effect until a new agreement is reached. The Reading Lodge #9 Fraternal Order of Police's labor agreement was amended in arbitration in 2012 and again in 2018 and is effective through December 31, 2019. A one-year extension was in place through December 31, 2020. Subsequent to year end, a two-year agreement was reached through December 31, 2022. The labor agreement with the International Association of Firefighters, Local 1803 was amended in arbitration in 2017 and is effective through December 31, 2019. A one-year extension was reached through December 31, 2020. Subsequent to year end, a two-year agreement was reached through December 31, 2022.

NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED

Construction Commitments

The City has entered into contracts for capital improvements. At December 31, 2020, the balance of open contracts was as follows:

Project	Commitment Remaining
Wastewater Treatment Plant	$ 5,180,026
Information Improvement	180,812
6th & Canal Pump Station	8,939,047
19th Ward Pump Station	392,784
Collection System	351,972
Equipment Purchases	354,875
Paving Projects	262,264
Schlegel Pool	1,157,776
Total	$ 16,819,556

Subsequent to year end, the City awarded approximately $7,700,000 in contracts for the construction of a new fire station. Open commitments will be funded by cash on hand as well as available drawdowns on PennVest loans and additional financing.

United States Department of Justice Consent Decree

In November 2005, the City entered into a consent order with the United States Department of Justice, United States Environmental Protection Agency, and the Pennsylvania Department of Environmental Protection regarding alleged violations by the City of the Clean Water Act, 33 U.S.C.A. § 1319 and the Pennsylvania Clean Streams Law, 35 P.S. § 691-1001. The decree requires the City to identify and rehabilitate priority areas of its sanitary sewer system. These areas include operational improvements at the plant, investigate the condition of infrastructure and upgrade recommendations, perform plant and sewer system upgrades, and perform supplemental environmental projects. The improvements to the plant are to be completed by the end of 2023. The City has completed parts of the project and has secured funding for the remainder of the project. Under the consent decree, the City is also limited to a $3,000,000 transfer annually from the sewer fund to the general fund until all projects are complete.

NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED

The Reading Area Water Authority (RAWA) has entered into the following agreements:

Capital Improvements
The Reading Area Water Authority has entered into several contracts for capital improvements. At December 31, 2020, the balance of open contracts was approximately $1,559,555.

Letters of Credit
The Reading Area Water Authority has a letter of credit of $800,000 available for general RAWA matters. The Water Authority also has letters of credit required by the Commonwealth of Pennsylvania in connection with capital improvement projects in the amount of $77,609. The maximum amount that can be drawn on the letters of credit is $4,500,000. The Water Authority is the beneficiary of a letter of credit of $697,406 in connection with capital improvement projects. At December 31, 2020, all letters of credit were unused.

Concentration of Labor
The Water Authority has entered into a collective bargaining agreement with the employees who operate and maintain the Water Authority's facilities. Of RAWA's total workforce, 87% is covered by the agreement. As of December 31, 2020, the Forman Collective Bargaining Agreement is effective through 2023 and the Rank and File Collective Bargaining Agreement is effective through 2022.

Conduit Debt
The City is involved in conduit debt transactions for which the City issued the debt but retains no obligation for the repayment. The responsibility for repayment belongs to the private borrowers. These loans noted below were issued under the U.S. Department of Housing and Urban Development Section 108 loan program. Under this program, the City guarantees the debt through pledging future funding from Community Development Block Grants. The City had the following conduit debt activities during 2020:

Balance at January 1, 2020	Borrowings	Repayments	Balance at December 31, 2020
$ 6,134,119	$ -	$ 275,335	$ 5,858,784

Included in the above activity is $1,500,000 related to a Section 108 loan that was drawn down by the City, but not currently issued. This amount is reported as an unearned revenue in the Community Development Fund until the loan is issued or is declared in default and needs to be repaid.

NOTE 14 - RISK MANAGEMENT AND SELF-INSURANCE

The City is exposed to various risks of losses related to torts; theft, damage, destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City manages these risks through self-insurance and coverage from commercial insurance companies for excess liabilities. The table below outlines the limits and deductibles for these lines of coverage at December 31, 2020:

	Limit	Deductible
Property	$ 244,392,845	$ 100,000
Liability	1,000,000	150,000
Crime	1,000,000	10,000
Auto Liability	1,000,000	150,000
Auto Property Damage	Cash value or cost to repair	5,000
Excess Liability	4,000,000	10,000
Law Enforcement	2,000,000	150,000
Employment Practices	1,000,000	150,000
Public Officials	1,000,000	150,000
Excess Workers Comp	1,000,000	650,000
Excess Workers Comp Police/Fire	1,000,000	1,000,000
Pollution Liability	5,000,000	25,000 - 50,000

The City of Reading is recognized and meets the qualifications of the Pennsylvania Department of Labor and Industry as a Self-Insured Workers' Compensation Employer. As part of the qualifications to maintain self-insured status, the City of Reading purchases excess workers' compensation coverage for police and firefighter claims that exceed $1,000,000, and all other claims that exceed $650,000. This insurance policy is underwritten by Safety National Casualty Corporation. The City is also required to maintain a trust for outstanding liabilities for workers' compensation. That trust is in the amount of $2,189,463.

Activity of the self-insurance program including liability exposure is accounted for in the Self-Insurance Internal Service Fund (the Fund). The Fund is responsible for collecting interfund premiums, paying claim settlements, and purchasing other specified insurance policies. Claims settled and loss expense are accrued in the Fund for estimated reported claims. This fund has a net position balance of $120,000 for a sick leave pool.

NOTE 14 - RISK MANAGEMENT AND SELF-INSURANCE - CONTINUED

The City had an actuarial study performed to estimate the workers' compensation liability. Based on past experience, management of the City believes incurred, but not reported claims, to be immaterial and, therefore, has not established an accrual for such claims at December 31, 2020. An analysis of claims activity is presented below:

	Beginning of Year Liabilities	Estimated Current Year Claims	Actual Claim Payments	Balance at Fiscal Year End
2020	$ 1,548,296	$ 3,829,603	$ 3,860,930	$ 1,516,969
2019	$ 1,752,420	$ 3,210,199	$ 3,414,323	$ 1,548,296
2018	$ 2,506,074	$ 2,974,176	$ 3,727,830	$ 1,752,420

Employee Benefit

The City pays premiums for certain employee benefits such as health and life insurance, in accordance with stipulations of collective bargaining agreements. Such expenditures are not accounted for through the self-insurance fund, but rather are allocated to the particular fund that records the related payroll expenditures.

NOTE 15 - RESTATEMENT OF BEGINNING NET POSITION

At January 1, 2020, restatements to beginning net position were recorded to account for errors noted calculating depreciation in prior years. The restatements were as follows:

	Water Fund	Sewer Fund
Balance at December 31, 2019	$ 19,721,760	$ 176,804,656
To correct accumulated depreciation	(741,794)	(2,685,675)
Balance at January 1, 2020	$ 18,979,966	$ 174,118,981

NOTE 16 - FUND BALANCE

Primary Government

Details of the City's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended December 31, 2020, were as follows:

General Fund: The general fund has a committed fund balance of $49,365 for Library repairs, an assigned fund balance of $4,255,138 consisting of $2,255,138 appropriated for the 2021 budget and $2,000,000 for various capital projects, and an unassigned fund balance of $30,665,239.

Community Development Fund: The community development fund has restricted funds of $1,867,847 consisting primarily of unspent federal and state grant funds restricted by federal or state law.

Grant Fund: The grant fund has restricted funds of $594,733 consisting primarily of unspent funds granted by various parties which are to be used according to the grantor's wishes.

Capital Projects Fund: The capital projects fund has restricted funds of $9,917,152 consisting primarily of unspent tax revenue and committed funds of $6,900,000 consisting of $1,500,000 for street paving, $4,400,000 for facility construction, and $1,000,000 for housing improvements.

Nonmajor Funds:

Shade Tree Fund: The special revenue fund has a deficit in unassigned funds of $10,838 resulting from excess expenditures for contracted services over real estate revenues collected.

Liquid Fuels Fund: The liquid fuels fund has a restricted fund balance of $6,354,600, consisting primarily of unspent state grant funds restricted by state law.

The City has established and will maintain reservations of fund balance in accordance with GASB 54. This policy applies to the City's general fund and all governmental funds. Fund balance is composed of nonspendable, restricted, committed, assigned, and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing programs, or enhance the financial position of the City in accordance with policies established by the members of council.

NOTE 17 - NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the City's fiscal year ending December 31, 2022.

- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the City's fiscal year ending December 31, 2021.

- Statement No. 91, *Conduit Debt Obligations* - This statement clarifies the existing definition of a conduit debt obligations; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial report of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This statement is effective for the City's fiscal year ending December 31, 2022.

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - As used in this Statement, a public-private and public-public partnership arrangement (PPP) is an arrangement in which a government contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87 if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. The Statement also provides accounting and financial reporting requirements for all other PPPs. The Statement also defines and provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This statement is effective for the City's fiscal year ending December 31, 2023.

NOTE 17 - NEW ACCOUNTING STANDARDS - CONTINUED

- Statement No. 96, *Subscription-Based IT Arrangements* - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for the City's fiscal year ending December 31, 2023.

- Statement *No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, This statement's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a board would perform; (2) mitigate the costs of reporting certain defined contribution pension or other postemployment benefit plans as a fiduciary component unit; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided**.** This statement is effective for the City's fiscal year ending December 31, 2022.

Although the City has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements, it does believe the new standards will have a negative impact on the City's net position.

NOTE 18 - SUBSEQUENT EVENTS

The City and the Reading Parking Authority entered into an amended cooperation agreement with an effective date of March 1, 2021. This agreement has an initial term of three years starting on the effective date. The agreement shall renew for an additional three-year term on March 1, 2024 and for continuing three-year terms thereafter unless either party provides notice of its intent to terminate the agreement no later than 90 days prior to each renewal date. The Authority shall retain all funds it collects pursuant to the powers granted hereby included but not limited to its enforcement of on-street parking regulation on behalf of the City, payable in monthly installments.

Council authorized the creation of the City of Reading Officers and Employees Defined Contribution Plan (DCP). The plan is effective January 1, 2022 and will exclude Police and Fire employees, and any other employee with an original hire date before January 1, 2022. The City's O&E defined benefit pension plan will be closed to employees after December 31, 2021. Employees will have mandatory 5% contributions upon hire. Employee contributions are always 100% vested. The City will contribute 5% beginning after 3 years of employment. City contributions are 100% vested after 3 years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF READING

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended December 31, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real estate taxes	$ 24,828,000	$ 24,828,000	$ 24,327,932	$ (500,068)
Earned income taxes	22,361,000	22,361,000	20,649,613	(1,711,387)
Other taxes	7,842,310	7,842,310	10,143,108	2,300,798
Licenses, permits, and fines	5,744,220	5,753,220	4,291,995	(1,461,225)
Intergovernmental	6,678,010	6,678,010	5,897,774	(780,236)
Charges for services	7,434,121	7,492,121	6,081,537	(1,410,584)
Interest and rent	1,475,000	1,475,000	1,249,475	(225,525)
Other	2,630,185	2,630,185	3,423,744	793,559
TOTAL REVENUES	78,992,846	79,059,846	76,065,178	(2,994,668)
EXPENDITURES				
Current:				
General government	7,091,628	6,991,394	6,785,601	205,793
Public safety:				
Police	37,749,794	37,699,794	36,294,648	1,405,146
Fire	14,401,528	14,956,528	14,467,540	488,988
Emergency medical services	5,293,537	5,346,537	5,062,982	283,555
Public works - highways and streets	1,318,086	1,318,086	989,449	328,637
Public works - other	7,348,180	7,400,848	5,785,821	1,615,027
Community development	4,585,405	4,594,405	3,987,983	606,422
Culture and recreation	902,690	902,690	858,626	44,064
Other (employee benefits, debt issuance costs)	3,145,775	3,254,009	3,300,550	(46,541)
Debt service - principal	6,284,600	6,284,600	6,284,600	-
Debt service - interest	4,589,670	4,589,670	4,580,189	9,481
TOTAL EXPENDITURES	92,710,893	93,338,561	88,397,989	4,940,572
DEFICIENCY OF REVENUES OVER EXPENDITURES	(13,718,047)	(14,278,715)	(12,332,811)	1,945,904
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	-	-	30,439,051	30,439,051
Transfers in - lease payments	10,418,047	10,418,047	10,668,530	250,483
Transfers in	3,000,000	3,060,668	6,928,866	3,868,198
Payment to escrow agent for refunding bonds	-	-	(29,930,222)	(29,930,222)
Transfers out	-	-	(3,335,102)	(3,335,102)
TOTAL OTHER FINANCING SOURCES (USES)	13,418,047	13,478,715	14,771,123	1,292,408
NET CHANGE IN FUND BALANCES	$ (300,000)	$ (800,000)	2,438,312	$ 3,238,312
FUND BALANCE - BEGINNING OF YEAR			32,531,430	
FUND BALANCE - END OF YEAR			$ 34,969,742	

See notes to required supplementary information.

CITY OF READING

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION FUND

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ 2,341,543	$ 2,235,363	$ 3,007,401	$ 2,957,882	$ 2,878,084	$ 2,741,032	$ 2,714,223
Interest	13,750,945	12,897,122	12,303,991	12,020,675	11,587,287	11,415,541	11,159,506
Differences between expected and actual experience	-	19,733	-	1,151,403	-	372,746	-
Changes of assumptions	-	-	-	7,157,130	-	-	-
Benefit payments, including refunds of employee contributions	(11,112,003)	(11,595,232)	(10,959,749)	(11,275,270)	(11,805,479)	(12,194,828)	(9,571,570)
Net change in total pension liability	4,980,485	3,556,986	4,351,643	12,011,820	2,659,892	2,334,491	4,302,159
Total pension liability, beginning	179,995,451	176,438,465	172,086,822	160,075,002	157,415,110	155,080,619	150,778,460
Total pension liability, ending	$ 184,975,936	$ 179,995,451	$ 176,438,465	$ 172,086,822	$ 160,075,002	$ 157,415,110	$ 155,080,619
Plan Fiduciary Net Position							
Contributions - employer	$ 11,337,885	$ 11,575,020	$ 11,453,968	$ 9,996,690	$ 9,729,933	$ 8,398,475	$ 6,052,629
Contributions - employee	967,487	919,638	718,724	892,168	875,026	740,779	665,036
Net investment income	16,057,436	16,558,784	(6,632,149)	13,536,087	6,268,079	(1,183,711)	4,329,423
Benefit payments, including refunds of employee contributions	(11,112,003)	(11,595,232)	(10,959,749)	(11,275,270)	(11,805,479)	(12,194,828)	(9,571,570)
Administrative expenses	(66,169)	(59,182)	(468,345)	(425,728)	(400,163)	(484,484)	(295,053)
Net change in plan fiduciary net position	17,184,636	17,399,028	(5,887,551)	12,723,947	4,667,396	(4,723,769)	1,180,465
Plan fiduciary net position, beginning	113,034,134	95,635,106	101,522,657	88,798,710	84,131,314	88,855,083	87,674,618
Plan fiduciary net position, ending	$ 130,218,770	$ 113,034,134	$ 95,635,106	$ 101,522,657	$ 88,798,710	$ 84,131,314	$ 88,855,083
Net Pension Liability	$ 54,757,166	$ 66,961,317	$ 80,803,359	$ 70,564,165	$ 71,276,292	$ 73,283,796	$ 66,225,536
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.40%	62.80%	54.20%	59.00%	55.47%	53.45%	57.30%
Covered Payroll	$ 10,602,424	$ 10,110,784	$ 12,237,673	$ 11,537,808	$ 11,472,383	$ 10,745,475	$ 10,995,148
Net Pension Liability as a Percentage of Covered Payroll	516.46%	662.28%	660.28%	611.59%	621.29%	682.00%	602.32%

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

See notes to required supplementary information.

CITY OF READING

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -
PAID FIREMEN'S PENSION FUND

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ 1,474,679	$ 1,401,120	$ 1,583,339	$ 1,537,256	$ 1,545,376	$ 1,494,096	$ 1,606,792
Interest	6,365,191	6,553,907	5,966,533	5,784,370	5,534,661	5,346,065	5,377,405
Differences between expected and actual experience	-	(2,021,076)	-	(628,536)	-	(3,239,956)	-
Changes of assumptions	-	-	-	3,807,415	-	-	-
Benefit payments, including refunds of employee contributions	(4,935,167)	(4,999,032)	(5,453,682)	(4,277,152)	(4,244,639)	(4,504,335)	(3,610,654)
Net change in total pension liability	2,904,703	934,919	2,096,190	6,223,353	2,835,398	(904,130)	3,373,543
Total pension liability, beginning	86,423,906	85,488,987	83,392,797	77,169,444	74,334,046	75,238,176	71,864,633
Total pension liability, ending	$ 89,328,609	$ 86,423,906	$ 85,488,987	$ 83,392,797	$ 77,169,444	$ 74,334,046	$ 75,238,176
Plan Fiduciary Net Position							
Contributions - employer	$ 3,526,477	$ 3,567,944	$ 3,536,370	$ 3,025,070	$ 2,811,430	$ 2,957,060	$ 2,282,336
Contributions - employee	489,210	463,727	460,023	480,346	466,719	463,696	456,196
Net investment income	8,966,368	11,031,604	(3,224,441)	7,856,603	3,427,585	(116,829)	2,495,024
Other additions	-	-	-	-	-	-	6,732
Benefit payments, including refunds of employee contributions	(4,935,167)	(4,999,032)	(5,453,682)	(4,277,152)	(4,244,639)	(4,504,335)	(3,610,654)
Administrative expenses	(42,825)	(66,973)	(110,122)	(112,983)	(114,338)	(129,985)	(85,450)
Net change in plan fiduciary net position	8,004,063	9,997,270	(4,791,852)	6,971,884	2,346,757	(1,330,393)	1,544,184
Plan fiduciary net position, beginning	67,569,504	57,572,234	62,364,086	55,392,202	53,045,445	54,375,838	52,831,654
Plan fiduciary net position, ending	$ 75,573,567	$ 67,569,504	$ 57,572,234	$ 62,364,086	$ 55,392,202	$ 53,045,445	$ 54,375,838
Net Pension Liability	$ 13,755,042	$ 18,854,402	$ 27,916,753	$ 21,028,711	$ 21,777,242	$ 21,288,601	$ 20,862,338
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.60%	78.18%	67.34%	74.78%	71.78%	71.36%	72.27%
Covered Payroll	$ 7,921,095	$ 8,931,512	$ 8,641,768	$ 8,265,535	$ 7,959,803	$ 8,126,767	$ 7,197,001
Net Pension Liability as a Percentage of Covered Payroll	173.65%	211.10%	323.04%	254.41%	273.59%	261.96%	289.88%

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

See notes to required supplementary information.

CITY OF READING

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - OFFICERS' AND EMPLOYEES' PENSION FUND

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ 1,242,592	$ 1,186,245	$ 1,287,800	$ 1,249,541	$ 1,165,580	$ 1,135,512	$ 1,218,457
Interest	5,541,420	5,431,165	5,486,219	5,375,550	5,219,129	5,126,628	5,110,331
Differences between expected and actual experience	-	(2,245,913)	-	(2,301,879)	-	(1,054,281)	-
Changes of assumptions	-	-	-	5,496,078	-	-	-
Benefit payments, including refunds of employee contributions	(5,155,644)	(5,150,351)	(5,131,721)	(5,141,823)	(5,068,045)	(5,049,970)	(4,901,267)
Net change in total pension liability	1,628,368	(778,854)	1,642,298	4,677,467	1,316,664	157,889	1,427,521
Total pension liability, beginning	77,768,605	78,547,459	76,905,161	72,227,694	70,911,030	70,753,141	69,325,620
Total pension liability, ending	$ 79,396,973	$ 77,768,605	$ 78,547,459	$ 76,905,161	$ 72,227,694	$ 70,911,030	$ 70,753,141
Plan Fiduciary Net Position							
Contributions - employer	$ 3,500,466	$ 3,476,030	$ 3,532,555	$ 3,135,808	$ 3,005,282	$ 3,179,616	$ 2,780,193
Contributions - employee	443,026	408,664	411,457	391,888	412,951	416,374	422,154
Net investment income	8,617,267	8,189,937	(3,191,004)	8,051,525	4,112,997	598,813	2,806,966
Other additions	-	-	-	-	-	-	3,686
Benefit payments, including refunds of employee contributions	(5,155,644)	(5,150,351)	(5,131,721)	(5,141,823)	(5,068,045)	(5,049,970)	(4,901,267)
Administrative expenses	(60,560)	(55,711)	(455,561)	(428,049)	(392,538)	(448,751)	(402,879)
Net change in plan fiduciary net position	7,344,555	6,868,569	(4,834,274)	6,009,349	2,070,647	(1,303,918)	708,853
Plan fiduciary net position, beginning	63,867,514	56,998,945	61,833,219	55,823,870	53,753,223	55,057,141	54,348,288
Plan fiduciary net position, ending	$ 71,212,069	$ 63,867,514	$ 56,998,945	$ 61,833,219	$ 55,823,870	$ 53,753,223	$ 55,057,141
Net Pension Liability	$ 8,184,904	$ 13,901,091	$ 21,548,514	$ 15,071,942	$ 16,403,824	$ 17,157,807	$ 15,696,000
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.69%	82.13%	72.57%	80.40%	77.29%	75.80%	77.82%
Covered Payroll	$ 13,284,117	$ 12,522,275	$ 13,931,821	$ 13,832,568	$ 14,240,701	$ 14,403,603	$ 14,233,277
Net Pension Liability as a Percentage of Covered Payroll	61.61%	111.01%	154.67%	108.96%	115.19%	119.12%	109.02%

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

See notes to required supplementary information.

CITY OF READING

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
POLICE PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 11,337,885	$ 11,508,252	$ 11,453,968	$ 9,820,271	$ 9,678,338	$ 8,398,280	$ 6,051,235	$ 6,057,188	$ 3,663,429	$ 3,932,110
Contributions in relation to the actuarially determined contribution	11,337,885	11,575,020	11,453,968	9,996,690	9,729,933	8,398,475	6,052,629	6,057,188	3,663,442	3,952,673
Contribution deficiency (excess)	$ -	$ (66,768)	$ -	$ (176,419)	$ (51,595)	$ (195)	$ (1,394)	$ -	$ (13)	$ (20,563)
Covered payroll	$ 10,602,424	$ 10,110,784	$ 12,237,673	$ 11,537,808	$ 11,472,383	$ 10,745,475	$ 10,995,148	$ 10,948,012	$ 10,104,676	$ 10,247,034
Contributions as a percentage of covered payroll	106.94%	114.48%	93.60%	86.64%	84.81%	78.16%	55.05%	55.33%	36.25%	38.57%
Investment Returns										
Annual money-weighted rate of return, net investment expense	14.16%	16.32%	(4.99%)	16.27%	8.61%	(1.52%)	5.39%			
PAID FIREMEN'S PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 3,526,477	$ 3,567,944	$ 3,533,964	$ 2,891,616	$ 2,811,430	$ 2,956,620	$ 2,282,337	$ 2,286,857	$ 1,903,883	$ 1,976,423
Contributions in relation to the actuarially determined contribution	3,526,477	3,567,944	3,536,370	3,025,070	2,811,430	2,957,060	2,282,336	2,286,857	1,903,873	1,984,463
Contribution deficiency (excess)	$ -	$ -	$ (2,406)	$ (133,454)	$ -	$ (440)	$ 1	$ -	$ 10	$ (8,040)
Covered payroll	$ 7,921,095	$ 8,931,512	$ 8,641,768	$ 8,265,535	$ 7,959,803	$ 8,126,767	$ 7,197,001	$ 7,216,688	$ 8,031,312	$ 8,506,650
Contributions as a percentage of covered payroll	44.52%	39.95%	40.92%	36.60%	35.32%	36.39%	31.71%	31.69%	23.71%	23.33%
Investment Returns										
Annual money-weighted rate of return, net investment expense	13.72%	17.49%	(5.57%)	15.46%	7.12%	(0.28%)	5.49%			
OFFICERS' AND EMPLOYEES' PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 3,500,466	$ 3,446,705	$ 3,532,555	$ 3,033,047	$ 3,005,282	$ 3,173,811	$ 2,769,963	$ 2,836,234	$ 1,488,269	$ 1,376,733
Contributions in relation to the actuarially determined contribution	3,500,466	3,476,030	3,532,555	3,135,808	3,005,282	3,179,616	2,780,193	2,860,603	1,510,837	1,404,139
Contribution deficiency (excess)	$ -	$ (29,325)	$ -	$ (102,761)	$ -	$ (5,805)	$ (10,230)	$ (24,369)	$ (22,568)	$ (27,406)
Covered payroll	$ 13,284,117	$ 12,522,275	$ 13,931,821	$ 13,832,568	$ 14,240,701	$ 14,403,603	$ 14,233,277	$ 14,888,776	$ 15,498,759	$ 14,850,270
Contributions as a percentage of covered payroll	26.35%	27.76%	25.36%	22.67%	21.10%	22.08%	19.53%	19.21%	9.75%	9.46%
Investment Returns										
Annual money-weighted rate of return, net investment expense	13.67%	13.38%	(5.34%)	15.19%	8.11%	1.08%	5.93%			

Other Information:

Note: Covered payroll for even number years is based on the actuarial valuation completed in the odd number years.

See notes to required supplementary information.

CITY OF READING

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

	2020	2019	2018
Total OPEB Liability:			
Service cost	$ 2,449,051	$ 1,227,102	$ 1,061,045
Interest	4,357,120	2,109,469	2,424,195
Differences between expected and actual experience	(3,292,537)	-	-
Changes of assumptions	7,790,386	(2,306,473)	2,675,677
Benefit payments	(8,509,298)	(4,340,011)	(5,592,000)
Net change in total OPEB liability	2,794,722	(3,309,913)	568,917
Total OPEB liability, beginning	64,569,309	67,879,222	67,310,305
Total OPEB liability, ending	$ 67,364,031	$ 64,569,309	$ 67,879,222
Plan Fiduciary Net Position:			
Contributions - employer	$ 1,000,000	$ -	$ -
Plan fiduciary net position, beginning	-	-	-
Plan fiduciary net position, ending	$ 1,000,000	$ -	$ -
Net OPEB Liability	$ 66,364,031	$ 64,569,309	$ 67,879,222
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.48%	0.00%	0.00%
Covered Employee Payroll	$ 15,439,848	$ 18,072,245	$ 18,072,245
Net OPEB Liability as a Percentage of Covered Employee Payroll	429.82%	357.28%	375.60%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the January 1, 2020 measurement date are as follows:

- The discount rate changed from 3.64% to 1.93%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

CITY OF READING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2020

NOTE 1 - BUDGETARY COMPARISON SCHEDULE

The budgetary comparison schedule for the general fund is prepared using the modified accrual basis of accounting which is the same basis used to report actual expenditures.

The Community Development and Grant funds are major special revenue funds, but have no legally adopted budget; therefore, no schedules are included in this report.

NOTE 2 - PENSION SCHEDULES

The information presented in the required supplementary schedules related to the pension funds was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates for the PPP, PFPP, and O&E required under Act 205 are as follows:

	PPP	PFPP	O&E
Actuarial valuation date	01/01/17	01/01/17	01/01/17
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	11 years	8 years	11 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:			
Investment rate of return	7.25%	7.25%	7.25%
Projected salary increases	4.75%	5.25%	4.75%
Inflation rate	2.75%	2.75%	2.75%
Mortality table	RP-2014 table	RP-2014 table	RP-2014 table

Changes in Actuarial Assumptions

In the January 1, 2017 actuarial valuation, the inflation assumption was lowered from 3.00% to 2.75%; the salary increase assumptions are reduced by .25%; and the mortality table was updated from the RP-2000 Combined Healthy mortality table with Blue Collar adjustment and rates projected using 75% of scale AA to RP-2014 mortality table with 50% Blue Collar adjustment and projected mortality improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration Trustee Report.

SUPPLEMENTARY INFORMATION

CITY OF READING

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS - GENERAL FUND

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES				
TAXES:				
Real estate taxes	$ 24,828,000	$ 24,828,000	$ 24,327,932	$ (500,068)
Earned income taxes	22,361,000	22,361,000	20,649,613	(1,711,387)
Other taxes:				
Per capita tax	275,000	275,000	292,698	17,698
Per capita tax - prior years	60,000	60,000	269,503	209,503
Real estate transfer tax	4,200,000	4,200,000	6,586,162	2,386,162
Occupation tax	1,016,410	1,016,410	1,095,906	79,496
Occupation tax - prior years	200,000	200,000	30,627	(169,373)
Business privilege tax	1,877,750	1,877,750	1,785,381	(92,369)
Business privilege tax - prior years	213,150	213,150	82,831	(130,319)
Total Other Taxes	7,842,310	7,842,310	10,143,108	2,300,798
TOTAL TAXES	55,031,310	55,031,310	55,120,653	89,343
LICENSES, PERMITS, AND FINES:				
Food permits	150,810	150,810	91,722	(59,088)
Building and electrical	1,130,000	1,130,000	783,933	(346,067)
Trades licenses	110,000	110,000	147,131	37,131
Business privilege	280,000	280,000	265,474	(14,526)
Street and pavement	255,500	255,500	213,275	(42,225)
Zoning and land development	74,000	74,000	53,840	(20,160)
Housing	1,705,000	1,711,000	1,235,533	(475,467)
Tax administration licenses	13,600	13,600	12,030	(1,570)
Franchise fees	875,000	875,000	818,497	(56,503)
No parking signs	300	300	480	180
Traffic fines	347,480	347,480	192,475	(155,005)
Penalties and interest	78,380	78,380	31,421	(46,959)
District court	380,000	380,000	294,634	(85,366)
Other	344,150	347,150	151,550	(195,600)
TOTAL LICENSES, PERMITS, AND FINES	5,744,220	5,753,220	4,291,995	(1,461,225)
INTERGOVERNMENTAL:				
Payments in lieu of taxes	160,000	160,000	145,225	(14,775)
Malt and liquor tax	34,000	34,000	26,750	(7,250)
Public utility tax	55,000	55,000	53,597	(1,403)
Snow and ice control	60,000	60,000	84,221	24,221
Reading Public Library	927,086	927,086	844,283	(82,803)
School guard	200,000	200,000	55,527	(144,473)
Pension - state aid	4,050,314	4,050,314	3,830,744	(219,570)
Police training	415,110	415,110	322,997	(92,113)
Grant reimbursement - code enforcement	405,500	405,500	150,939	(254,561)
Grant reimbursement - fire	-	-	59,994	59,994
Grant reimbursement - police	275,000	275,000	323,497	48,497
Grant reimbursement - fire	96,000	96,000	-	(96,000)
TOTAL INTERGOVERNMENTAL	6,678,010	6,678,010	5,897,774	(780,236)

CITY OF READING

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS - GENERAL FUND - CONTINUED

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES - CONTINUED				
CHARGES FOR SERVICES:				
School district tax collection	6,110	6,110	1,732	(4,378)
Admissions fee/tax	516,000	516,000	93,299	(422,701)
Police services	1,039,311	1,039,311	925,784	(113,527)
Fire services	299,900	299,900	286,450	(13,450)
Ambulance services	3,297,000	3,355,000	2,483,818	(871,182)
Housing Authority	250,000	250,000	295,446	45,446
Public works	170,000	170,000	188,400	18,400
Meter surcharge	1,700,000	1,700,000	1,700,000	-
Other	155,800	155,800	106,608	(49,192)
TOTAL CHARGES FOR SERVICES	7,434,121	7,492,121	6,081,537	(1,410,584)
INTEREST AND RENT:				
Interest	250,000	250,000	122,358	(127,642)
Stadium rental	300,000	300,000	325,000	25,000
Building rental	75,000	75,000	62,302	(12,698)
Parking Authority	850,000	850,000	400,000	(450,000)
Loan repayments	-	-	339,815	339,815
TOTAL INTEREST AND RENT	1,475,000	1,475,000	1,249,475	(225,525)
OTHER:				
Sale of city property	22,000	22,000	65,929	43,929
Indirect cost reimbursement:				
Community development	203,634	203,634	203,634	-
Recycling	203,889	203,889	203,889	-
Sewer	1,226,236	1,226,236	1,226,236	-
Water	-	-	128,372	128,372
Solid waste	182,723	182,723	182,723	-
Direct cost reimbursement:				
Code services	-	-	535	535
Pension	63,050	63,050	45,000	(18,050)
Sewer	125,000	125,000	-	(125,000)
Grants and gifts	85,000	85,000	308,764	223,764
Other shared revenues	25,000	25,000	24,875	(125)
Miscellaneous	493,653	493,653	1,033,787	540,134
TOTAL OTHER	2,630,185	2,630,185	3,423,744	793,559
TOTAL REVENUES	78,992,846	79,059,846	76,065,178	(2,994,668)
OTHER FINANCING SOURCES				
Issuance of refunding bonds	-	-	30,439,051	30,439,051
Transfers in:				
Community Development Fund	-	-	69,441	69,441
Self-Insurance Fund	-	60,668	-	(60,668)
Water Fund - lease payments	10,418,047	10,418,047	10,668,530	250,483
Sewer Fund	3,000,000	3,000,000	6,859,425	3,859,425
TOTAL OTHER FINANCING SOURCES	13,418,047	13,478,715	48,036,447	34,557,732
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 92,410,893	$ 92,538,561	$ 124,101,625	$ 31,563,064

CITY OF READING

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS - GENERAL FUND

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES				
GENERAL GOVERNMENT:				
Office of the Mayor:				
Personnel	$ 332,835	$ 392,835	$ 365,424	$ 27,411
Other operating expenditures	18,500	26,500	20,308	6,192
City Council:				
Personnel	289,703	289,703	346,460	(56,757)
Other operating expenditures	119,700	119,700	48,243	71,457
City Auditor:				
Personnel	176,012	176,012	152,427	23,585
Other operating expenditures	3,000	3,000	-	3,000
Office of the Managing Director:				
Personnel	357,377	357,377	392,938	(35,561)
Other operating expenditures	75,120	75,120	33,284	41,836
Department of Finance:				
Office of the Director:				
Personnel	432,721	432,721	396,607	36,114
Other operating expenditures	14,230	9,230	5,546	3,684
Purchasing:				
Personnel	200,838	200,838	186,294	14,544
Other operating expenditures	116,500	119,500	122,285	(2,785)
Accounting:				
Personnel	450,534	450,534	450,545	(11)
Other operating expenditures	102,500	107,360	103,310	4,050
Information Technology:				
Personnel	803,667	803,667	768,127	35,540
Other operating expenditures	976,615	882,806	784,452	98,354
Department of Human Resources:				
Personnel	374,508	314,508	572,237	(257,729)
Other operating expenditures	283,500	343,015	348,286	(5,271)
Citizens Service Center:				
Personnel	783,430	783,430	817,102	(33,672)
Other operating expenditures	139,350	139,350	131,424	7,926
Department of Law:				
Personnel	462,488	462,488	476,529	(14,041)
Other operating expenditures	578,500	501,700	263,773	237,927
TOTAL GENERAL GOVERNMENT	7,091,628	6,991,394	6,785,601	205,793

CITY OF READING

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS - GENERAL FUND - CONTINUED

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES - CONTINUED				
PUBLIC SAFETY:				
Police:				
Police - Criminal Investigation:				
Personnel	6,896,260	6,896,260	6,720,965	175,295
Other operating expenditures	136,060	139,060	107,912	31,148
Police - Special Services:				
Personnel	3,589,854	3,589,854	3,789,425	(199,571)
Other operating expenditures	1,070,202	1,067,202	706,166	361,036
Police - Patrol:				
Personnel	24,636,020	24,586,020	23,689,355	896,665
Other operating expenditures	424,790	424,790	368,675	56,115
Police - Administration:				
Personnel	780,423	780,423	843,489	(63,066)
Other operating expenditures	216,185	216,185	68,661	147,524
Fire:				
Fire Administration:				
Personnel	1,199,728	1,199,728	1,152,790	46,938
Other operating expenditures	255,147	250,147	178,303	71,844
Fire Special Services:				
Personnel	602,497	602,497	549,854	52,643
Other operating expenditures	76,680	626,680	265,162	361,518
Fire Suppression:				
Personnel	11,607,600	11,607,600	11,846,326	(238,726)
Other operating expenditures	659,876	669,876	475,105	194,771
Fire Emergency Medical Services:				
Personnel	4,715,703	4,715,703	4,530,506	185,197
Other operating expenditures	577,834	630,834	532,476	98,358
TOTAL PUBLIC SAFETY	57,444,859	58,002,859	55,825,170	2,177,689
PUBLIC WORKS:				
Department of Public Works:				
Fleet Management:				
Personnel	813,356	813,356	807,302	6,054
Other operating expenditures	622,400	683,068	513,393	169,675
Traffic Engineering:				
Other operating expenditures	1,488,000	1,523,000	1,316,624	206,376
Public Works Administration:				
Personnel	532,310	532,310	444,313	87,997
Other operating expenditures	585,450	542,450	59,112	483,338
Engineering:				
Personnel	14,140	14,140	-	14,140
Streets:				
Personnel	992,386	992,386	958,714	33,672
Other operating expenditures	325,700	325,700	30,735	294,965
Parks:				
Personnel	739,884	739,884	638,481	101,403
Other operating expenditures	159,057	159,057	67,200	91,857
Recreation:				
Personnel	22,622	22,622	-	22,622
Public Property:				
Personnel	786,411	786,411	812,702	(26,291)
Other operating expenditures	1,584,550	1,584,550	1,126,694	457,856
TOTAL PUBLIC WORKS	8,666,266	8,718,934	6,775,270	1,943,664

CITY OF READING

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS - GENERAL FUND - CONTINUED

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES - CONTINUED				
COMMUNITY DEVELOPMENT:				
Administration:				
Personnel	289,579	289,579	285,744	3,835
Other operating expenditures	4,000	4,000	863	3,137
Zoning:				
Personnel	568,302	568,302	475,866	92,436
Other operating expenditures	90,730	90,730	68,117	22,613
Trades:				
Personnel	836,230	836,230	743,877	92,353
Other operating expenditures	438,500	438,500	199,972	238,528
Codes:				
Personnel	2,177,244	2,177,244	2,116,685	60,559
Other operating expenditures	180,820	189,820	96,859	92,961
TOTAL COMMUNITY DEVELOPMENT	4,585,405	4,594,405	3,987,983	606,422
CULTURE AND RECREATION:				
Library:				
Personnel	902,690	902,690	858,626	44,064
TOTAL CULTURE AND RECREATION	902,690	902,690	858,626	44,064
NONDEPARTMENTAL:				
Payroll and benefits	274,885	253,045	298,324	(45,279)
Risk management	2,332,360	2,322,393	2,322,393	-
Refund of prior year revenues	-	-		-
Other	538,530	678,571	679,833	(1,262)
TOTAL NONDEPARTMENTAL	3,145,775	3,254,009	3,300,550	(46,541)
DEBT SERVICE:				
Principal	6,284,600	6,284,600	6,284,600	-
Interest	4,589,670	4,589,670	4,580,189	9,481
TOTAL DEBT SERVICE	10,874,270	10,874,270	10,864,789	9,481
TOTAL EXPENDITURES	92,710,893	93,338,561	88,397,989	4,940,572
OTHER FINANCING USES				
Payment to escrow agent for refunding bonds	-	-	29,930,222	(29,930,222)
Transfers out	-	-	3,335,102	(3,335,102)
TOTAL OTHER FINANCING USES	-	-	33,265,324	(33,265,324)
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 92,710,893	$ 93,338,561	$ 121,663,313	$ (28,324,752)

CITY OF READING

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2020

	Shade Tree	Liquid Fuels	Totals
ASSETS			
Cash	$ 19,452	$ 6,634,401	$ 6,653,853
Taxes receivable, net	60,144	-	60,144
Interfund receivables	4,600	-	4,600
TOTAL ASSETS	$ 84,196	$ 6,634,401	$ 6,718,597
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 41,458	$ 279,729	$ 321,187
Interfund payables	-	72	72
TOTAL LIABILITIES	41,458	279,801	321,259
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	53,576	-	53,576
FUND BALANCES			
Restricted for:			
Liquid Fuels	-	6,354,600	6,354,600
Unassigned	(10,838)	-	(10,838)
TOTAL FUND BALANCES	(10,838)	6,354,600	6,343,762
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 84,196	$ 6,634,401	$ 6,718,597

CITY OF READING

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2020

	Shade Tree	Liquid Fuels	Totals
REVENUES			
Real estate taxes	$ 277,523	$ -	$ 277,523
Intergovernmental	-	2,129,217	2,129,217
Interest and rent	-	9,121	9,121
TOTAL REVENUES	277,523	2,138,338	2,415,861
EXPENDITURES			
Current:			
Public works - highways and streets	-	2,037,822	2,037,822
Culture and recreation	401,798	-	401,798
TOTAL EXPENDITURES	401,798	2,037,822	2,439,620
NET CHANGE IN FUND BALANCES	(124,275)	100,516	(23,759)
FUND BALANCES - BEGINNING OF YEAR	113,437	6,254,084	6,367,521
FUND BALANCES - END OF YEAR	$ (10,838)	$ 6,354,600	$ 6,343,762

CITY OF READING

COMBINING SCHEDULE OF NET POSITION - WATER FUNDS

December 31, 2020

	City Water Fund	Reading Area Water Authority	Eliminations	Total Water Fund
ASSETS				
Current assets:				
Cash	$ 235,200	$ 16,436,716	$ -	$ 16,671,916
Investments	119,652	-	-	119,652
Accounts receivable, net	3,654	5,198,161	38,441	5,240,256
Interfund receivables	122,629	-	(119,966)	2,663
Inventory	-	114,583	-	114,583
Total current assets	481,135	21,749,460	(81,525)	22,149,070
Restricted assets - cash and investments	-	8,803,801	-	8,803,801
Noncurrent assets:				
Capital assets not being depreciated	2,059,359	304,561	-	2,363,920
Capital assets, net of accumulated depreciation	8,050,742	63,032,393	-	71,083,135
Total capital assets, net	10,110,101	63,336,954	-	73,447,055
Rights to leased land	-	883,620	-	883,620
Total noncurrent assets	10,110,101	64,220,574	-	74,330,675
TOTAL ASSETS	10,591,236	94,773,835	(81,525)	105,283,546
DEFERRED OUTFLOWS				
Deferred charge on bond refunding	437,783	785,490	-	1,223,273
Deferred outflows of resources for pension	320,060	-	-	320,060
Deferred outflows of resources for other postemployment benefits	7,514	-	-	7,514
TOTAL DEFERRED OUTFLOWS	765,357	785,490	-	1,550,847
LIABILITIES				
Current liabilities:				
Accounts payable	52,578	220,729	-	273,307
Interfund payables	574,287	81,525	(81,525)	574,287
Accrued interest	-	187,971	-	187,971
Accrued payroll and compensated absences	-	749,792	-	749,792
Escrow deposits	-	326,569	-	326,569
Current portion notes and bonds payable	70,870	3,866,579	-	3,937,449
Total current liabilities	697,735	5,433,165	(81,525)	6,049,375
Noncurrent liabilities:				
Notes and Bonds payable, net	3,355,529	73,689,519	-	77,045,048
Net pension liability	662,159	-	-	662,159
Other postemployment benefits	70,811	-	-	70,811
Total noncurrent liabilities	4,088,499	73,689,519	-	77,778,018
TOTAL LIABILITIES	4,786,234	79,122,684	(81,525)	83,827,393
DEFERRED INFLOWS				
Deferred inflows of resources for pension	636,630	-	-	636,630
Deferred inflows of resources for other postemployment benefits	46,127	-	-	46,127
TOTAL DEFERRED INFLOWS	682,757	-	-	682,757
NET POSITION				
Net investment in capital assets	7,121,486	(13,433,654)	-	(6,312,168)
Restricted for debt service	-	8,513,382	-	8,513,382
Restricted for capital assets	-	2	-	2
Unrestricted	(1,233,884)	21,356,911	-	20,123,027
TOTAL NET POSITION	$ 5,887,602	$ 16,436,641	$ -	$ 22,324,243

See note to supplementary information.

CITY OF READING

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WATER FUNDS

Year Ended December 31, 2020

	City Water Fund	Reading Area Water Authority	Eliminations	Total Water Fund
OPERATING REVENUES				
Charges for services	$ 12,581,936	$ 32,753,870	$ (12,581,936)	$ 32,753,870
Other	491,569	21,664	-	513,233
TOTAL OPERATING REVENUES	13,073,505	32,775,534	(12,581,936)	33,267,103
OPERATING EXPENSES				
Lease payments	-	12,543,495	(12,543,495)	-
Personnel	244,386	6,435,587	-	6,679,973
Depreciation and amortization	588,241	4,519,916	-	5,108,157
Risk management	65,800	-	-	65,800
Contracted Services	-	928,007	-	928,007
Chemicals and supplies	-	1,156,151	-	1,156,151
Utilities	-	668,639	-	668,639
Other	1,831,072	2,870,083	(38,441)	4,662,714
TOTAL OPERATING EXPENSES	2,729,499	29,121,878	(12,581,936)	19,269,441
OPERATING INCOME	10,344,006	3,653,656	-	13,997,662
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	129,567	-	129,567
Interest income	532	507,638	-	508,170
Interest expense	(181,703)	(2,194,472)	-	(2,376,175)
Gain on sale of solid waste accounts receivable	-	84,841	-	84,841
Other	-	(305,469)	-	(305,469)
NET NONOPERATING REVENUES (EXPENSES)	(181,171)	(1,777,895)	-	(1,959,066)
INCOME BEFORE TRANSFERS	10,162,835	1,875,761	-	12,038,596
Transfers in	2,000,000	-	-	2,000,000
Transfers out - lease payments	(10,668,530)	-	-	(10,668,530)
Transfers out	(25,789)	-	-	(25,789)
CHANGE IN NET POSITION	1,468,516	1,875,761	-	3,344,277
NET POSITION - BEGINNING OF YEAR - RESTATED	4,419,086	14,560,880	-	18,979,966
NET POSITION - END OF YEAR	$ 5,887,602	$ 16,436,641	$ -	$ 22,324,243

CITY OF READING

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2020

	Police Pension Fund	Paid Firemen's Pension Fund	Officers' and Employees' Pension Fund	Total Pension Trust Funds	Other Postemployment Benefits (OPEB) Trust Fund	Total Pension/OPEB Trust Funds
ASSETS						
Cash	$ 764,614	$ 32,534	$ 756,737	$ 1,553,885	$ 1,000,000	$ 2,553,885
Investments	129,484,905	75,554,199	70,474,182	275,513,286	-	275,513,286
Interfund receivable	-	-	70	70	-	70
TOTAL ASSETS	130,249,519	75,586,733	71,230,989	277,067,241	1,000,000	278,067,241
LIABILITIES						
Accounts payable	30,701	12,999	18,920	62,620	-	62,620
Interfund payable	48	167	-	215	-	215
TOTAL LIABILITIES	30,749	13,166	18,920	62,835	-	62,835
NET POSITION						
Held in trust for pension benefits	130,218,770	75,573,567	71,212,069	277,004,406	-	277,004,406
Held in trust for other postemployment benefits	-	-	-	-	1,000,000	1,000,000
TOTAL NET POSITION	$ 130,218,770	$ 75,573,567	$ 71,212,069	$ 277,004,406	$ 1,000,000	$ 278,004,406

CITY OF READING

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

Year Ended December 31, 2020

	Police Pension Fund	Paid Firemen's Pension Fund	Officers' and Employees' Pension Fund	Total Pension Trust Funds	Other Postemployment Benefits (OPEB) Trust Fund	Total Pension/OPEB Trust Funds
ADDITIONS						
Contributions:						
Employer (including state aid)	$ 11,337,885	$ 3,526,477	$ 3,500,466	$ 18,364,828	$ -	$ 18,364,828
Employee	967,487	489,210	443,026	1,899,723	-	1,899,723
Investment income:						
Interest and dividends	2,321,255	1,418,049	1,278,956	5,018,260	-	5,018,260
Net appreciation in fair value of investments	14,139,497	7,790,436	7,552,783	29,482,716	-	29,482,716
Other	-	181	5,103	5,284	-	5,284
TOTAL ADDITIONS	28,766,124	13,224,353	12,780,334	54,770,811	-	54,770,811
DEDUCTIONS						
Benefits, including tax withheld	11,045,980	4,935,167	5,068,456	21,049,603	-	21,049,603
Administrative expenses	469,485	285,123	280,135	1,034,743	-	1,034,743
Refunds paid	66,023	-	87,188	153,211	-	153,211
TOTAL DEDUCTIONS	11,581,488	5,220,290	5,435,779	22,237,557	-	22,237,557
CHANGE IN NET POSITION	17,184,636	8,004,063	7,344,555	32,533,254	-	32,533,254
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	113,034,134	67,569,504	63,867,514	244,471,152	1,000,000	245,471,152
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	$ 130,218,770	$ 75,573,567	$ 71,212,069	$ 277,004,406	$ 1,000,000	$ 278,004,406

CITY OF READING

NOTE TO SUPPLEMENTARY INFORMATION

December 31, 2020

NOTE 1 - OPERATING LEASE

The City has entered into a 99-year operating lease, effective June 1, 1994, with the Reading Area Water Authority (RAWA) for the operations of the water system through 2093. Under the original lease, the lease payments were the sum of agreed-upon administrative expenses, operating expenses, debt service expenses, and financing fees of the City. In addition, RAWA must provide water service free of charge to the City. Lease payments are made monthly based on an estimate of the anticipated lease payments for the year. At the end of the year, RAWA receives an annual reconciliation statement, which reflects a credit due to RAWA or a payment due to the City. Total lease expense for the year ended December 31, 2020, was $12,543,495.

In December 2010, a Second Addendum to the lease was agreed upon by the City and RAWA. The Addendum authorized the Authority to directly employ the City's Water Department employees at various dates beginning in January 2011, as defined therein. During 2012, RAWA began to directly pay and record operating expenses. Prior to 2012, the various operating expenses were paid by the City and reimbursed by the Authority through the lease payment.

The Addendum also required the payment by the Authority to the City of $1,020,000 for restriction on the City's Ontelaunee Township property. Under the Addendum, except in the exercise of its Take-Back Powers or with RAWA's prior written approval, the City cannot voluntarily convey or transfer any property interest in the approximate 120-acre parcel of land located in Ontelaunee Township.

In June 2012, a Third Addendum to the lease was agreed upon by the City and RAWA to facilitate additional payments to the City by the Authority to assist in the Act 47 of 1987 recovery program of the City. In addition to the lease payment to the City for operational and administrative expenses, the Authority is to pay a financing fee and meter surcharge payment.

In November 2014, a Fourth Addendum *to* the lease was agreed upon by the City and RAWA. The Addendum states that beginning January 1, 2015, the financing fee component of the lease payment shall be $9,275,000, which reflects the fair rental value of the Water System. Beginning January 1, 2020, the fee shall be increased by an amount equal to the positive change in the Consumer Price Index for the most recently completed 12 month period multiplied by the amount of the financing fee component of the lease payment for the immediately preceding January 1st or 2.5% per annum, whichever is greater. The meter surcharge payment shall continue annually in accordance with the original amended agreement ($1,745,000 per year).

CITY OF READING

NOTE TO SUPPLEMENTARY INFORMATION

December 31, 2020

NOTE 1 - OPERATING LEASE - CONTINUED

During June 2017, the City entered into a new lease agreement with RAWA to repeal and replace the original lease agreement and all addendums in an effort to organize all proceeding agreements and addendums into one complete document. The new lease agreement was effective January 1, 2017, and shall continue until November 30, 2046. The lease payment under the new agreement for 2017 is $9,275,000, increased by 2% on January 1 of each respective year for 2018 and 2019. For 2020, 2021, and 2022, the amount of the lease payment shall be increased by 1.5% on January 1 of each respective year. For subsequent years, the City and RAWA shall engage in good faith negotiations regarding any further annual increases in the lease payments. In the event that both parties are unable to agree on an amount of any further increase, beginning January 1, 2023, and for each year thereafter, the amount of the lease payment shall be increased by 1.5% effective January 1 of each respective year.

In addition, if RAWA enters into a contract to supply new commercial customers with water in excess of 10% of the current permitted capacity, RAWA shall pay to the City 25% of the net annual revenues generated by the contract.

The following is a schedule of the future minimum lease payments under the new lease agreement:

2021	$ 9,941,372
2022	10,090,493
2023	10,241,850
2024	10,395,478
2025	10,551,410
Thereafter	262,071,500
	$ 313,292,103

RAWA is reported as a blended component unit within the water fund. The lease revenue and expense are eliminated with this presentation. A transfer was reported for the financing fee paid to the general fund in 2020 totaling $10,668,530, which includes a base fee of $9,794,456 and additional payments from new commercial customers and past lease payments received totaling $874,074.

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2020

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/19	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/20	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING										
Community Development Block Grant/Entitlement Grant	D	14.218		B-16-MC-42-0013	$ 2,426,594	$ - *	$ -	$ -	$ -	$ -
Community Development Block Grant/Entitlement Grant	D	14.218		B-17-MC-42-0013	2,419,585	194,254 *	424,632	250,649	20,271	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-18-MC-42-0013	2,604,014	88,935	231,156	167,370	25,149	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-19-MC-42-0013	2,553,505	569,056	1,169,068	869,931	269,919	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-20-MC-42-0013	2,560,654	-	426,973	750,916	323,943	-
COVID-19 - Community Development Block Grant/Entitlement Grant	D	14.218		B-20-MW-42-0013	2,082,307	-	-	9,329	9,329	-
Subtotal - CFDA 14.218						852,245	2,251,829	2,048,195	648,611	741,907
Community Development Block Grant - Section 108 Loan Guarantee	D	14.248			-	(1,500,000)	-	3,434,119	(1,500,000)	-
Emergency Shelter Grant	D	14.231		E-18-MC-42-0013	217,817	17,949	27,538	9,923	334	-
Emergency Shelter Grant	D	14.231		E-19-MC-42-0013	220,956	35,721	131,188	129,862	34,395	-
Emergency Shelter Grant	D	14.231		E-20-MC-42-0013	224,371	-	-	-	-	-
COVID-19 Emergency Shelter Grant	D	14.231		E-20-MW-42-0013	2,200,060	-	56,904	396,429	339,525	-
Subtotal - CFDA 14.231						53,670	215,630	536,214	374,254	98,530
HOME Investment Partnership Program	D	14.239		M-14-MC-42-0204	797,601	- *	-	-	-	-
HOME Investment Partnership Program	D	14.239		M-15-MC-42-0204	756,936	40,980 *	45,195	4,215	-	-
HOME Investment Partnership Program	D	14.239		M-16-MC-42-0204	761,698	171,198	171,198	-	-	-
HOME Investment Partnership Program	D	14.239		M-17-MC-42-0204	745,445	33,685 *	33,685	63	63	-
HOME Investment Partnership Program	D	14.239		M-18-MC-42-0204	1,027,240	497 *	497	952	952	-
HOME Investment Partnership Program	D	14.239		M-19-MC-42-0204	937,491	52,677 *	52,677	4,520	4,520	-
HOME Investment Partnership Program	D	14.239		M-20-MC-42-0204	981,338	-	67,374	85,453	18,079	-
Subtotal - CFDA 14.239						299,037	370,626	95,203	23,614	4,215
Fair Housing	D	14.401	10/01/09-09/30/10	FF-203-K-12-3012	56,980	-	-	96	96	-
Fair Housing	D	14.401	10/01/12-09/30/13	FF-203-K-13-3012	65,058	(32,749)	-	-	(32,749)	-
Fair Housing	D	14.401	10/01/13-09/30/14	FF-203-K-14-3012	34,386	(133)	-	346	213	-
Fair Housing	D	14.401	10/01/14-09/30/15	FF-203-K-15-3012	33,800	(14,413)	-	-	(14,413)	-
Fair Housing	D	14.401	10/01/15-09/30/16	FF-203-K-16-3012	14,000	(13,828)	-	-	(13,828)	-
Subtotal - CFDA 14.401						(61,123)	-	442	(60,681)	-
TOTAL U.S. DEPARTMENT OF HOUSING						(356,171)	2,838,085	6,114,173	(514,202)	844,652

See notes to schedule of expenditures of federal awards.

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2020

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/19	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/20	Passed Through to Subrecipients
U.S. DEPARTMENT OF JUSTICE										
COVID-19 - Coronavirus Emergency Supplemental Funding Program	D	16.034	01/20/20-01/31/22	2020-VD-BX-0608	199,104	-	16,351	66,654	50,303	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/16-09/30/20	2017-DJ-BX-0226	88,700	-	12,050	72,368	60,318	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/17-09/30/21	2018-DJ-BX-0849	86,389	-	32,100	16,050	(16,050)	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/18-09/30/22	2019-DJ-BX-0578	76,892	-	-	-	-	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/19-09/30/23	2020-DJ-BX-0233	65,564	-	-	-	-	-
Subtotal - CFDA 16.738						-	44,150	88,418	44,268	-
Bulletproof Vest Partnership Program	D	16.607		BJA01004208		29,605	29,605	-	-	-
Body Worn Camera Policy and Implementation	D	16.835		2018-BC-BX-0002		-	-	187,500	187,500	-
DEA (DEA Admin reimbursement)	D	16.999	Unknown			809	11,643	10,834	-	-
CBP JOPREIM (US Treasury Dept Joint Ops Reimb)	D	16.999	Unknown			-	7,120	7,120	-	-
US Department of Justice - Drug Forfeiture	D	16.999	Unknown			(27,545)	2,347	2,347	(27,545)	-
US Department of Justice - Joint Law Enforcement Operations	D	16.999	Unknown			-	1,379	1,379	-	-
Subtotal - CFDA 16.999						(26,736)	22,489	21,680	(27,545)	-
TOTAL U.S. DEPARTMENT OF JUSTICE						2,869	112,595	364,252	254,526	-
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION										
Equal Employment Opportunity Commission	D	30.001		EECCN110067	21,700	(5,662)	6,160	-	(11,822)	-
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Commonwealth of Pennsylvania										
Department of Conservation and Natural Resources										
Emerald Ash Borer Management	I	10.680	03/31/16-03/31/19	4000020323	15,000	4,320	8,920	4,600	-	-
U.S. DEPARTMENT OF TRANSPORTATION										
Passed through the Commonwealth of Pennsylvania										
Department of Transportation										
Highway Planning and Construction Cluster										
Transportation Enhancement Funds	I	20.205	04/14/15-	057342	8,129,571	12,906	140,250	476,242	348,898	-
U.S. DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE										
Passed through the Commonwealth of Pennsylvania										
Department of Conservation & Natural Resources										
Community Conservation Partnerships Program, Federal Land and Water Conservation Fund	I	15.916	10/1/15-09/30/20	LWCF 42-01585	250,000	93,194	-	156,806	250,000	-

See notes to schedule of expenditures of federal awards.

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2020

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/19	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/20	Passed Through to Subrecipients
FEDERAL EMERGENCY MANAGEMENT AGENCY										
COVID-19 - Assistance to Firefighters Grant	D	97.044	08/18/20-08/17/21	EMW-2020-FG-02124	38,268	-	34,789	34,789	-	-
Assistance to Firefighters Grant	D	97.044	07/27/20-07/26/21	EMW-2019-FG-08141	74,545	-	-	74,545	74,545	-
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY						-	34,789	109,334	74,545	-
ENVIRONMENTAL PROTECTION AGENCY										
Passed through Pennsylvania Infrastructure Investment Authority										
Capitalization Grants for Clean Water State Revolving Funds	D	66.458	12/01/16-12/01/35	71419	108,161,309	8,404,318	7,520,948	5,231,388	6,114,758	-
Capitalization Grants for Clean Water State Revolving Funds	D	66.458	12/01/16-09/01/40	71420	40,747,008	3,205,084	5,750,896	4,479,914	1,934,102	-
TOTAL CLEAN WATER STATE REVOLVING FUND CLUSTER AND ENVIRONMENTAL PROTECTION AGENCY						11,609,402	13,271,844	9,711,302	8,048,860	-
U.S. DEPARTMENT OF THE TREASURY										
Passed through the Commonwealth of Pennsylvania, Department of Community and Economic Development Passed through the County of Berks, Pennsylvania										
COVID-19 - Coronavirus Relief Fund	I	21.019	03/01/20-09/20/20	CGA-235719-20-20	150,000	-	150,000	150,000	-	-
COVID-19 - Coronavirus Relief Fund	I	21.019	03/01/20-09/20/20	CGA-235690-20	93,770	-	93,770	93,770	-	-
						-	243,770	243,770	-	-
Passed through the Commonwealth of Pennsylvania, Pennsylvania Emergency Management Agency, Office of the State Fire Commissioner										
COVID-19 - Coronavirus Relief Fund	I	21.019	03/06/20-01/31/21	C950001832	25,205	-	25,205	25,205	-	-
TOTAL CFDA 21.019 AND TOTAL U.S. DEPARTMENT OF THE TREASURY						-	268,975	268,975	-	-
TOTAL FEDERAL AWARDS						$ 11,360,858	$ 16,681,618	$ 17,205,684	$ 8,450,805	$ 844,652

Source Codes - I = Indirect; D = Direct

* Corrections made to accrued (unearned) balances as of 12/31/2019.

CITY OF READING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the City of Reading under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City of Reading, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Reading.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The City did not elect to use the de minimis rate for indirect costs.

NOTE 4 - LOAN/LOAN GUARANTEE PROGRAMS

As a Community Development Block Grant (CDBG) entitlement community, the City participates in the Department of Housing and Urban Development's Section 108 loan program. The City submits an application, often in conjunction with a third party who will ultimately receive the loan, to obtain a low interest loan. The proceeds from this loan must be used to meet one of the national objectives for the CDBG program and be allowable costs under the CDBG Program. The loans are secured through collateral of the third party as well as the pledging of future CDBG entitlement funds. As of December 31, 2020, the City had the following Section 108 loan activity:

Outstanding Loans At 12/31/2019	Proceeds	Payments	Outstanding Loans at 12/31/2020
$ 3,434,120	$ -	$ (75,335)	$ 3,358,785

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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*

Members of the Council
City of Reading
Reading, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Reading, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Reading's basic financial statements, and have issued our report thereon dated October 25, 2021. We did not audit the financial statements of the Reading Area Water Authority, a component unit of the City of Reading. Those statements were audited by other auditors whose report has been furnished to us. The financial statements of the Reading Area Water Authority were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Reading, Pennsylvania's internal control over financial reporting (internal control) as a basis for designing 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 Reading, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Reading, Pennsylvania'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 combination of deficiencies, in internal control such that there is 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.

Our consideration of the 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Reading's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Reading's Response to Findings

The City of Reading's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Reading'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.

Herbein + Company, Inc.

Reading, Pennsylvania
October 25, 2021

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

Members of the Council
City of Reading
Reading, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the City of Reading, Pennsylvania'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 Reading, Pennsylvania's major federal programs for the year ended December 31, 2020. City of Reading, Pennsylvania'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Reading, Pennsylvania'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 Reading, Pennsylvania'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 Reading, Pennsylvania's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Reading, Pennsylvania 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, 2020.

Report on Internal Control Over Compliance

Management of the City of Reading, Pennsylvania 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 Reading, Pennsylvania'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 Reading, Pennsylvania'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.

Herbein + Company, Inc.

Reading, Pennsylvania
October 25, 2021

CITY OF READING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	yes		no
Significant deficiency(s) identified not considered to be material weaknesses?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(s) identified not considered to be material weaknesses?		yes	X	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		yes	X	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant/Entitlement Grant
20.205	Highway Planning and Construction
	Clean Water State Revolving Fund Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		yes	X	no

CITY OF READING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2020

Section II - Financial Statement Findings

2020-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Criteria

AU-C Section 265 indicates that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control" should be considered a material weakness in internal controls.

Condition

Material audit adjustments were proposed during the audit and recorded to properly reflect accounts within various funds. Specifically, there were four areas where material adjustments were required: (1) accurate accounts receivable accruals including grant activity, (2) proper reporting of self-insurance fund activity, (3) accurate accounts payable accruals, and (4) timely entries to report the municipality payments correctly to the sewer capital reserve fund.

Cause

Turnover and vacancy in positions within the accounting department throughout the year allowed material misstatements to go undetected.

Effect

Significant adjustments were posted at year end to bring numerous accounts into compliance with reporting under U.S. generally accepted accounting standards with the assistance of the City Controller.

Recommendation

We recommend that the City continue developing standard operating procedures for the reporting of year-end accrual-related transactions. The City should also evaluate the training needs of staff within the department. It is also important to develop the proper oversight and accountability for completing the tasks assigned. This includes the assignment of responsibility, as well as a review of documentation to ensure completion.

Management Response

See corrective action plan included in this report package.

CITY OF READING, PENNSYLVANIA

815 WASHINGTON STREET
READING, PA 19601-3690

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2020

2019-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF AUDIT - MATERIAL WEAKNESS

Criteria

AU Section 325 indicates that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition

Material audit adjustments were proposed during the audit and recorded to properly reflect accounts within various funds. Specifically, there were four areas where material adjustments were required: (1) accurate accounts receivable accruals, (2) timely and accurate reconciliation of capital expenditures and related debt drawdowns, (3) accurate accounts payable accruals, and (4) timely entries to report the municipality payments correctly to the sewer capital reserve fund.

Cause

Turnover in key positions with the finance department, as well as a general lack of accountability and oversight of certain positions throughout the year allowed material misstatements to go undetected.

Effect

Significant adjustments were posted at year end to bring numerous accounts into compliance with reporting under U.S. generally accepted accounting standards.

Recommendation

We recommend that the City develop standard operating procedures for the reporting of year-end accrual-related transactions. It is also important to develop the proper oversight and accountability for completing the tasks assigned.

Management Response

City management agrees with this finding. The Accounting Manager will oversee the work of the Project Accountant which includes, but is not limited to, sewer fund bank activity and ensure that the Project Accountant correctly and timely processes capital expenditures and related debt drawdowns along with the quarterly Sewer Capital Reserve Fund journal entries. The City aims to develop internal policies and procedures with respect to recording accurate accounts receivable and accounts payable accruals for year end. The Accounting Manager ultimately oversees the City's accounting department. The Controller will oversee the work of the Accounting Manager with respect to this audit finding.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2020-001.

CITY OF READING

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2020

2019-002 PENSION REPORTING - MATERIAL WEAKNESS

Criteria

The City reports annual wages related to their active pension plans on Form AG-385 and submits the form to the Commonwealth of Pennsylvania. The form is used to assist in the calculation of the annual pension subsidy the City will be receiving from the Commonwealth.

Condition

The information reported on the AG-385 report contained multiple errors. During audit testing, the following items were noted: (1) From a sample of 75 participants tested, we noted 10 individuals for whom gross pay reported did not agree to gross pay per the individual's 2019 Form W-2; (2) From a sample of 75 participants, tested, we noted 20 individuals for which certain time codes within the payroll software were not properly coded as pensionable, or non-pensionable leading to the incorrect amount withheld from the employee; (3) From a sample of 75 participants, we noted 2 individuals who were improperly excluded from the AG-385. When the form was revised, one of the individuals was included in the non-uniform plan but should have been included in the police plan. Additionally, during census testing related to the pension plans, we noted two additional police officers and one non-uniform employee who were erroneously excluded from the AG-385 report.

Cause

Many of these errors were attributed to data coded and maintained in the payroll system that lead to incorrect withholding calculations as well as errors when importing data from the payroll software to the AG-385 form.

Effect

Management elected not to revise the AG-385 form for the incorrect gross pay reported. However, after the excluded police officers were disclosed by the audit, a revised form was filed to include these two individuals. However, one of the police officers was incorrectly identified with the nonuniform plan. As a result of the incorrect data reported, state aid received for pensions will be less than what would have been received if the report contained all eligible individuals in the appropriate plans. An incorrect amount of pension contributions was being withheld from 20 individuals. The amount per person was immaterial, but the controls in place did not detect the error.

Recommendation

We recommend a member of management continues to obtain the proper training to be able to assist in completing and reviewing Form AG-385 with the proper supporting documentation. This reporting is very complex in a larger municipality that includes multiple collective bargaining units as well as outsourced payroll processing. We also recommend that a written standard operating procedure is developed to assist in understanding the internal reports needed to properly complete the form as this will help in any future transition of employees. This is a critical function and the continued training of the staff is crucial with continuous changes in pension regulations.

2019-002 PENSION REPORTING - MATERIAL WEAKNESS - CONTINUED

Management Response

City management agrees with this finding. In part, because of turnover in the Accounting Department, the 2019 Form AG-385 was not reviewed prior to submission of the report by anybody other than the preparer, a Human Resources Department employee. Effective immediately, the annual Form AG-385 is not to be filed until after review by the Accounting Manager, Controller, and Director of Finance. Furthermore, the City will obtain the most current form instructions and share those instructions with the Human Resources Department, the Accounting Manager, the Controller, and the Director of Finance.

Current Status of Corrective Action Plan

This finding has been resolved by management.

2019-003 CALCULATION/UNDERPAYMENT OF 2019 MINIMUM MUNICIPAL OBLIGATION - SIGNIFICANT DEFICIENCY

Criteria

Annually, the minimum municipal obligation (MMO) for the pension plans is determined by the chief administrative officer of the pension plan. The MMO is payable to the pension plan from the revenue of the municipality. The Section 302(c) of Act 205 of 1984 states, in part: "Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid at a rate equal to the interest assumption used for the actuarial valuation report or the discount rate applicable to treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation was due, whichever is greater, expressed as a monthly rate and compounded monthly."

Condition

The City revised the 2019 MMO various times throughout 2019, with the latest revision occurring in March of 2020. Additionally, the amount budgeted for employer pension contributions did not agree to the MMO prepared. As a result, the City did not fully pay the MMO that was due to the fire pension plan for the year 2019, as required by Act 205 of 1984. The City had an unpaid MMO balance of $55,094 to the fire pension plan at December 31, 2019.

Cause

Management failed to establish internal controls over the calculation and payment of the MMO to the pension plans. The monthly amount being transferred was calculated off a budget that did not agree to the final MMO that was certified.

2019-003 CALCULATION/UNDERPAYMENT OF 2019 MINIMUM MUNICIPAL OBLIGATION - SIGNIFICANT DEFICIENCY - CONTINUED

Effect

The failure to fully pay the MMO could result in the plan not having adequate resources to meet current and future benefit obligations to its members and puts the City in violation of Act 205 of 1984. Due to the City's failure to fully pay the 2019 MMO by the December 31, 2019 deadline, the City must add the 2019 MMO unpaid balance to the current year's MMO and include interest, as required by law.

Recommendation

We recommend that a standard operating procedure related to the calculation and payment of the MMO be put into place. The procedure should assign responsibility for calculating the monthly transfer to the pension funds, as well as accountability by having a member of management review the calculation and the transfers made each month to ensure the City is fully paying the MMO by December 31st of each year.

Management Response

City management agrees with this finding. Due to employee turnover and some Accounting personnel lack of experience on how and when to prepare annual MMO calculations, the 2020 Police Pension Plan and Paid Firemen's Pension Plan (PFPP) MMOs were computed incorrectly in August 2019 and subsequently revised, no less than twice, with the most recent revisions occurring in March 2020. Effectively immediately, the Controller drafts the annual MMO for each of the City's three pension plans. The Director of Finance reviews the drafts prepared by the Controller. Once in agreement, the Controller communicates the amounts of the MMOs to the Accounting Manager for inclusion in the subsequent year's City general fund budget.

The unpaid MMO balance on the City's PFPP plan, $55,094, was paid to the plan in full with interest, $7,053, in August 2020, in accordance with Act 205 of 1984.

Current Status of Corrective Action Plan

This finding has been resolved by management.

2019-004 INDIRECT COSTS - SIGNIFICANT DEFICIENCY

Criteria

The City contracts with an outside party to perform an indirect cost study to allocate administrative costs to the appropriate areas within the City. The studies are used in part to determine indirect costs charged to grants in the Community Development department for the subsequent year.

Condition

The most recent indirect cost report prepared was based on 2014 financial data. Any changes in personnel or expense levels within the past 3 years have not been taken into consideration.

CITY OF READING

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2020

2019-004 INDIRECT COSTS - SIGNIFICANT DEFICIENCY - CONTINUED

Cause

The City did not have controls in place to ensure the required study was performed in order to update the indirect cost amounts.

Effect

The City used an out-of-date indirect cost study to charge indirect costs to the federal grants that are administered through the Community Development office.

Recommendation

Management has informed us that they have contracted with an outside party to begin updating indirect cost studies. This was verified through approval in the City Council meeting minutes. As of the date of report issuance, these studies were still in progress. We recommend that the City put a procedure and control in place to ensure indirect cost studies are updated annually.

Management Response

City management agrees with this finding. The City has procured Maximus, Inc. to prepare the indirect cost reports. The contract includes development and delivery of central services cost allocation plans that identify the various costs incurred by the City to support and administer Federal programs. The plans will contain determination of the allowable costs of providing each supporting service, such as purchasing legal counsel, disbursement processing, etc. The plans will be based upon the City's actual financial and statistical data and will become the basis for program charges during calendar years 2018, 2019, and 2020. As of November 2020, the indirect cost reports for years ended December 31, 2016 and December 31, 2017 have been completed. The indirect cost report for year ended December 31, 2018 is in process with only a few informational items yet to be provided by the City to facilitate completion of this report.

Current Status of Corrective Action Plan

This finding has been resolved by management.

CITY OF READING

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2020

2019-005 GRANT REPORTING - MATERIAL WEAKNESS

Federal Program
Capitalization Grants for Clean Water State Revolving Funds 66.458 - Loans 71419 and 71420

Criteria
To receive funds from PennVest, the City must submit a payment request form.

Condition
During 2019, several deviations were noted with respect to the payment request forms submitted for the Pennvest Loans: (1) payment request forms for engineering expenses incurred and paid during 2019 were not timely submitted; (2) accurate reconciliations of expenses drawndown, agreeing to vendor support were not maintained. No review was noted for the completed financial reports filed with the granting agency that may have detected these errors.

Cause
The City did not have a control over reporting in place to ensure that reports are prepared accurately and submitted timely.

Effect
The City used cash on hand to pay engineering costs for the wastewater treatment plant project that is funded in large part through the PennVest loans. If the funds had been drawndown timely, the City could have generated additional interest income on operating cash that was used to pay capital costs. Additionally, without accurately and timely reconciling drawdowns to vendor invoices, the City risks submitting inaccurate payment request forms.

Questioned Costs
Less than $25,000.

Context
Management was not aware of the delays in drawdowns or lack of reconciliations until they were identified during our audit procedures.

Repeat Finding
Yes.

Recommendation
City management agrees with this finding. The Accounting Manager will improve oversight of the Project Accountant with respect to the PennVest construction fund and will implement measures to ensure timely withdrawals. Quarterly reporting will be prepared by the Project Accountant on the status of PennVest requests and will follow up on any related issues; as well as, quarterly project reconciliations. The Controller will oversee the Accounting Manager with respect to this audit finding.

Management Response
This finding has been resolved by management.

CITY OF READING, PENNSYLVANIA

815 WASHINGTON STREET
READING, PA 19601-3690

CORRECTIVE ACTION PLAN

December 31, 2020

The City of Reading respectfully submits the following corrective action plan for the year ended December 31, 2020.

Name and address of independent public accounting firm: Herbein + Company, Inc., 2763 Century Boulevard, Reading, PA 19610.

Audit period: December 31, 2020
Contact Name: Michael R. Oppenheimer, City Controller

The findings from the December 31, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II - Financial Statement Findings

2020-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Condition
Material audit adjustments were proposed during the audit and recorded to properly reflect accounts within various funds. Specifically, there were four areas where material adjustments were required: (1) accurate accounts receivable accruals including grant activity, (2) proper reporting of self-insurance fund activity, (3) accurate accounts payable accruals and (4) timely entries to report the municipality payments correctly to the sewer capital reserve fund.

Cause
Turnover and vacancy in positions within the Accounting department throughout the year allowed material misstatements to go undetected.

Recommendation
We recommend that the City continue developing standard operating procedures for the reporting of year-end accrual-related transactions. The City should also evaluate the training needs of staff within the department. It is also important to develop the proper oversight and accountability for completing the tasks assigned. This includes the assignment of responsibility, as well as a review of documentation to ensure completion.

Management Response

City management agrees with this finding. The Accounting Manager will oversee the work of the Sewer Accountant and ensure that the Sewer Accountant correctly and timely records the quarterly Sewer Capital Reserve Fund journal entries. The City aims to develop internal policies and procedures with respect to recording accurate accounts receivable and accounts payable accruals for year end. Note, the City is already reasonably able to reconcile its grants each year, which is instrumental in identifying and recording necessary grant-related receivable and payable accruals before commencement of the annual audit. The Accounting Manager will review the self-insurance fund balances at least annually so as to better record certain transactions and reconcile material balances recorded in the fund more efficiently. The Accounting Manager ultimately oversees the City's accounting department. The Controller will oversee the work of the Accounting Manager with respect to this audit finding.

Anticipated Completion Date - Ongoing

Sincerely,

Michael R. Oppenheimer
City Controller
City of Reading