HERBEIN
CPAS + CONSULTANTS

CITY OF READING

FINANCIAL AND COMPLIANCE AUDIT REPORT

Year Ended December 31, 2019

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 20
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements	
Balance Sheet - Governmental Funds	23
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	26
Statement of Net Position - Proprietary Funds	27 - 28
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30 - 31
Statement of Net Position - Fiduciary Funds - Trust Funds	32
Statement of Changes in Net Position - Fiduciary Funds - Trust Funds	33
Notes to Basic Financial Statements	
Note 1 - Summary of Significant Accounting Policies	34
Note 2 - Stewardship, Compliance, and Accountability	49
Note 3 - Cash and Investments	51
Note 4 - Receivables, Uncollectible Accounts, and Unavailable Revenue	64
Note 5 - Tax Abatements	66
Note 6 - Restricted Assets - Limited as to Use	68
Note 7 - Long-Term Receivables	69
Note 8 - Interfund Receivables and Payables and Transfers	70
Note 9 - Capital Assets	72
Note 10 - Long-Term Liabilities	75
Note 11 - City of Reading Retirement Plans	86
Note 12 - Other Postemployment Benefits	101
Note 13 - Commitments and Contingencies	108
Note 14 - Risk Management and Self-Insurance	111
Note 15 - Restatement of Beginning Fund Balance/Net Position	113
Note 16 - Fund Balance	113
Note 17 - Subsequent Events	114
Note 18 - New Accounting Standards	115

Pages

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule for the General Fund 117
Schedule of Changes in Net Pension Liability and Related Ratios -
Police Pension Fund 118
Paid Firemen's Pension Fund 119
Officers' and Employees' Pension Fund 120
Schedule of City Contributions and Investment Returns 121
Schedule of Changes in Total OPEB Liability and Related Ratios 122
Notes to Required Supplementary Information 123

SUPPLEMENTARY INFORMATION

General Fund
Schedule of Revenues and Other Financing Sources - Budgetary Basis ..... 124 - 125
Schedule of Expenditures and Other Financing Uses - Budgetary Basis ..... 126 - 128

Nonmajor Governmental Funds
Combining Balance Sheet 129
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 130

Water Funds
Combining Statement of Net Position 131
Combining Statement of Revenues, Expenses, and Changes in Net Position 132

Fiduciary Funds - Trust Funds
Combining Statement of Net Position 133
Combining Statement of Changes in Net Position 134

Note to Supplementary Information ..... 135 - 136

Single Audit
Schedule of Expenditures of Federal Awards ..... 137 - 138
Notes to Schedule of Expenditures of Federal Awards 139

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* ..... 140 - 141

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE ..... 142 - 144

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ..... 145 - 150

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS ..... 151 - 160

CORRECTIVE ACTION PLAN ..... 161 - 165

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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, 2019, 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 88%, 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, 2019, 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 118 through 122 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 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, 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, 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 November 23, 2020, 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
November 23, 2020

CITY OF READING, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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, 2019. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

- During 2019, The City's general fund had a net increase in fund balance of $1,072,336, after accounting for transfers to other funds of $2,000,000.
    - A transfer of $1 million was made to the Housing Improvements fund, which is reported as part of the Capital Projects fund, a major fund.
    - A transfer of $1 million was made to the OPEB Trust fund which is reported as a fiduciary fund.

- During 2019, the City's total net position (deficit) increased by $36.1 million. The net position (deficit) of governmental activities decreased by $16.4 million and the net position of business-type activities increased by $19.6 million.

- The City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2019 by $59.9 million. Of this amount, net position (deficit) of $(141.3 million) was from governmental activities, $(135.2 million) of which is unrestricted, and $201.2 million was from business-type activities, $154.1 million of which is unrestricted.

- Long-term liabilities decreased overall by $17.1 million, or 3.1%. Governmental activities long-term liabilities decreased by $36.3 million primarily because of net principal payments over refinanced debt of $5.7 million, decrease in net pension liability of $27.5 million and decrease in OPEB liability of $3.1 million. Business-type activities long-term liabilities increased by $19.2 million primarily because of net new borrowings over principal payments of $22.5 million, decrease in net pension liability of $3.1 million and decrease in OPEB liability of $.2 million.

- The City refinanced most of the outstanding principal on the General Obligations Bonds, Series of 2012C. A total of $8,845,000 was advance refunded, allocated among governmental activities, $6,368,400, or 72%; water fund, $884,500, or 10% and sewer fund, $1,592,100, or 18%. The present value of net cash savings from the advance refunding, among the general fund, water fund, and sewer fund, was $403,904.

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 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.

Government-Wide Financial Statements - continued

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 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 [major funds] plus Shade Tree, Liquid Fuels, and Capital Projects [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, as required by state law. Budgetary comparisons for the general fund are presented as required supplementary information.

- *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 post-employment benefits and budgetary comparison schedules for major governmental funds. 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

The table below summarizes the City's net position at December 31, 2019 and 2018.

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

	Governmental Activities			Business-Type Activities			Total		
	2019	2018 (restated)	% Change	2019	2018 (restated)	% Change	2019	2018 (restated)	% Change
Current & Other Assets	$ 85,386	$ 78,715	8.5%	$ 185,161	$ 182,284	1.6%	$ 270,547	$260,999	3.7%
Capital Assets	49,287	46,223	6.6%	286,133	255,774	11.9%	335,420	301,997	11.1%
Total Assets	134,673	124,938	7.8%	471,294	438,058	7.6%	605,967	562,996	7.6%
Deferred Outflows of Resources	34,776	46,531	-25.3%	6,483	7,921	-18.2%	41,259	54,452	-24.2%
Current & Other Liabilities	9,861	7,867	25.3%	14,636	23,069	-36.6%	24,497	30,936	-20.8%
Long-Term Liabilities	274,122	310,478	-11.7%	258,755	239,531	8.0%	532,877	550,009	-3.1%
Total Liabilities	283,983	318,345	-10.8%	273,391	262,600	4.1%	557,374	580,945	-4.1%
Deferred Inflows of Resources	26,764	10,861	146.4%	3,170	1,792	76.9%	29,934	12,653	136.6%
Net Position:									
Net Investment in Capital Assets	(25,261)	(33,412)	-24.4%	37,615	29,689	26.7%	12,354	(3,723)	-431.8%
Restricted	19,197	15,347	25.1%	9,473	7,513	26.1%	28,670	22,860	25.4%
Unrestricted	(135,234)	(139,672)	-3.2%	154,128	144,385	6.7%	18,894	4,713	300.9%
Total Net Position	$ (141,298)	$ (157,737)	-10.4%	$ 201,216	$ 181,587	10.8%	$ 59,918	$ 23,850	151.2%

The City's net investment in capital assets, net of the related debt outstanding used to acquire those assets, is $12.4 million, or 20.6% 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, $28.7 million or 47.8% represents resources subject to external restrictions. The unrestricted balance increased by $14.2 million from last year; the primary reasons for the overall increases are discussed in the sections for governmental activities and business-type activities.

The following statement of activities represents changes in net position for the year ended December 31, 2019. 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		
	2019	2018 (restated)	% Change	2019	2018 (restated)	% Change	2019	2018 (restated)	% Change
Revenues:									
Program Revenues:									
Charges for services	$ 13,483	$ 13,032	3.5%	$ 77,660	$ 76,264	1.8%	$ 91,143	$ 89,296	2.1%
Operating Grants and Contributions	11,010	11,953	-7.9%	552	2	27500.0%	11,562	11,955	-3.3%
Capital Grants and Contributions	3,431	-	100.0%	-	-	0.0%	3,431	-	100.0%
General Revenues:									
Property Tax	25,040	25,153	-0.4%	-	-	0.0%	25,040	25,153	-0.4%
Act 511 Taxes	36,257	35,316	2.7%	-	-	0.0%	36,257	35,316	2.7%
Indirect Cost Allocation	1,747	1,747	0.0%	-	-	0.0%	1,747	1,747	0.0%
Other	1,367	1,151	18.8%	2,842	9,869	-71.2%	4,209	11,020	-61.8%
Total Revenues	92,335	88,352	4.5%	81,054	86,135	-5.9%	173,389	174,487	-0.6%
Expenses									
General Government	7,106	6,493	9.4%	1,747	1,747	0.0%	8,853	8,240	7.4%
Public Safety	57,877	60,027	-3.6%	-	-	0.0%	57,877	60,027	-3.6%
Public Works - Highway and Streets	1,560	1,696	-8.0%	-	-	0.0%	1,560	1,696	-8.0%
Public Works - Other	6,001	6,328	-5.2%	-	-	0.0%	6,001	6,328	-5.2%
Community Development	8,421	8,911	-5.5%	-	-	0.0%	8,421	8,911	-5.5%
Culture and Recreation	1,932	1,753	10.2%	-	-	0.0%	1,932	1,753	10.2%
Other (employee benefits)	201	506	-60.3%	-	-	0.0%	201	506	-60.3%
Debt Service - Interest	5,573	5,664	-1.6%	-	-	0.0%	5,573	5,664	-1.6%
Water	-	-	0.0%	23,155	23,014	0.6%	23,155	23,014	0.6%
Sewer	-	-	0.0%	19,172	22,084	-13.2%	19,172	22,084	-13.2%
Solid Waste	-	-	0.0%	4,576	5,013	-8.7%	4,576	5,013	-8.7%
Total Expenses	88,671	91,378	-3.0%	48,650	51,858	-6.2%	137,321	143,236	-4.1%
Excess (deficiency) of revenues over expenses before capital contributions and transfers	3,664	(3,026)	-221.1%	32,404	34,277	-5.5%	36,068	31,251	15.4%
Transfers	12,775	12,461	2.5%	(12,775)	(12,461)	2.5%	-	-	0.0%
Increase in net position	16,439	9,435	74.2%	19,629	21,816	-10.0%	36,068	31,251	15.4%
Net Position (Deficit) - Beginning of Year - Restated	(157,737)	(127,099)	24.1%	181,587	160,524	13.1%	23,850	33,425	-28.6%
Restatement for GASB 75	-	(40,073)		-	(753)		-	(40,826)	
Net Position (Deficit) - Beginning of Year - Restated	(157,737)	(167,172)		181,587	159,771		23,850	(7,401)	
Net Position (Deficit) - End of Year - Restated	$ (141,298)	$ (157,737)	-10.4%	$ 201,216	$ 181,587	10.8%	$ 59,918	$ 23,850	151.2%

During 2019, the City's governmental activities net position (deficit) decreased by $16.4 million, from $(157.7 million) to $(141.3 million). Total governmental-activities revenues increased by $3.9 million, from $88.4 million to $92.3 million. Property tax and PA Act 511 tax revenue increased $.8 million because of an expanding economy with low unemployment through 2019. Operating grants and contributions were $1.0 million less than last year because of timing of grant funds drawn down. Capital grants and contributions were $3.4 million more than last year largely because of a combination of new grants for a fire truck and handicap sidewalk ramps, $1.7 million, plus Pendora Park upgrades of $.6 million and Wellness Center pass through grant to Alvernia University of $.5 million. Property and PA Act 511 taxes provided 66.4% of the revenues used to fund governmental functions. Charges for services comprised 14.6% of total revenues.

Expenses for governmental activities decreased $2.7 million, or 3.0%. The expenses cover a range of services, the largest being public safety. Public safety (police, fire, and EMS) expense decreased by $2.2 million, or 3.6%, mostly because of the net effect of an increase in salaries and overtime, $1.5 million, offset by a decrease to pension expense of $3.6 million. Community development expense was 9.5% of the expenses paid and incurred to provide governmental functions. General government expense was 8.0% and debt service - interest was 6.3%.

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 2019, real estate and Act 511 taxes totaled $61.3 million. Table 4 depicts the net program expenses for the years ended December 31, 2019 and 2018.

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

	Total Cost of Services		%	Net (Expense)/Revenue Generated		2019
	2019	2018	Change	2019	2018	Surplus/(Deficit)
Expenses:						
General Government	$ 7,106	$ 6,493	9.4%	$ (1,196)	$ (427)	(Deficit)
Public Safety	57,877	60,027	(3.6)%	(48,011)	(50,373)	(Deficit)
Public Works - Highway and Streets	1,560	1,696	(8.0)%	1,214	934	Surplus
Public Works - Other	6,001	6,328	(5.2)%	(5,697)	(5,720)	(Deficit)
Community Development	8,421	8,911	(5.5)%	1,111	(2,476)	Surplus
Culture and Recreation	1,932	1,753	10.2%	(647)	(380)	(Deficit)
Other (employee benefits)	201	506	(60.3)%	(201)	(506)	(Deficit)
Debt Service - interest	5,573	5,664	(1.6)%	(5,573)	(5,664)	(Deficit)
Total Expenses	$ 88,671	$ 91,378	(3.0)%	$(59,000)	$ (64,612)	

Net Cost of Services - continued

The City relied on real estate tax, Act 511 taxes, and other general revenues to fund 70.7% of its governmental activities in 2019.

Revenues of the City's business-type activities (see Table 3) decreased by 5.8% ($81.1 million in 2019 compared to $86.1 million in 2018). Included within total revenues are other revenues, composed of investment earnings and miscellaneous income, of $2.8 million in 2019 and $9.9 million in 2018. Expenses decreased by 6.2% ($48.7 million in 2019 compared with $51.9 million in 2018).

During 2019, the City's business-type activities net position increased by $19.6 million, from $181.6 million to $201.2 million. Total business-type activities revenues decreased by $5.0 million, from $86.1 million to $81.1 million. While charges for services increased $1.4 million from last year, other (contribution) decreased substantially as a result in the City's blended component unit, Reading Area Water Authority, realizing a decrease in contribution revenue.

Expenses for business-type activities decreased $3.2 million, or 6.2%. The expenses cover providing services to the City's water, sewer and solid waste customers. Sewer expense decreased by $2.9 million, or 13.2%, mostly because the 2018 sewer expenses included a one-time refund of prior year cost reconciliation of $3.6 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		2019
	2019	2018	Change	2019	2018	Surplus/(Deficit)
Business Type Activities:						
Water	$ 23,155	$ 23,014	.6%	$ 9,423	$ 7,893	Surplus
Sewer	19,172	22,084	(13.2)%	18,577	15,837	Surplus
Solid Waste	4,576	5,013	(8.7)%	1,562	933	Surplus
Total Expenses	$ 46,903	$ 50,111	(6.4)%	$ 29,562	$ 24,663	

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, 2019 and 2018 were as follows. Table 6 also presents changes from 2019 to 2018.

Table 6
Revenues by Source
Governmental Funds

	2019	2018	Change	Percent Change
Real Estate Taxes	$ 25,257,005	$ 25,345,443	$ (88,438)	(.3)%
Earned Income Tax	27,900,223	26,806,849	1,093,374	4.1%
Other Taxes	8,180,441	8,168,234	12,207	.1%
Licenses, Permits, Fines	5,443,837	5,755,569	(311,732)	(5.4)%
Intergovernmental	14,720,604	11,514,156	3,206,448	27.8%
Charges for Services	8,618,343	8,263,888	354,455	4.3%
Interest and Rent	1,351,886	1,316,233	35,653	2.7%
Other	2,759,159	2,694,563	64,596	2.4%
Total Revenue	$ 94,231,498	$ 89,864,935	$ 4,366,563	4.9%

Governmental fund revenues totaled $94.2 million for the year ended December 31, 2019. This is an increase of $4.4 million from 2018, primarily due to net increase of earned income tax revenue of $1.1 million and an increase in intergovernmental revenue of $3.2 million, approximately $2.4 million of the $3.2 million was because of an increase in Community Development Block Grant (CDBG) revenue for various capital grants.

Governmental Fund Expenditures

Governmental fund expenditures by function for the years ended December 31, 2019 and 2018 were as follows. Table 7 also presents changes from 2019 to 2018.

Table 7
Expenditures by Function
Governmental Funds

	2019	2018	Change	Percent Change
General Government	$ 5,291,695	$ 4,718,682	$ 573,013	12.1%
Public Safety	58,553,615	56,783,296	1,770,319	3.1%
Public Works - Highways & Streets	4,351,180	3,079,003	1,272,177	41.3%
Public Works - Other	6,031,284	7,041,406	(1,010,122)	(14.3)%
Community Development	10,489,268	7,608,289	2,880,979	37.9%
Culture and Recreation	1,278,655	1,150,333	128,322	11.2%
Other (Employee Benefits)	2,777,952	2,831,588	(53,636)	(1.9%)
Debt Service - Principal	6,704,200	6,762,400	(58,200)	(.9%)
Debt Service - Interest	4,803,401	5,080,344	(276,943)	(5.5%)
Total Expenditures	$ 100,281,250	$ 95,055,341	$ 5,225,909	5.5%

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

Governmental fund expenditures totaled $100.3 million for the year ended December 31, 2019, an increase of 5.5% from 2018.

Governmental Fund Balances and Net Position of Enterprise Funds

Table 8 reflects ending fund balances for governmental funds and the net position for enterprise funds at December 31, 2019 and 2018.

Table 8
Ending Fund Balances, Governmental Funds, Net Position, Enterprise Funds

	2019		2018	
	Governmental Funds	Enterprise Funds	Governmental Funds (restated)	Enterprise Funds (restated)
General	$ 32,531,430	$ -	$ 31,459,094	$ -
Community Development	1,001,514	-	817,269	-
Agency Fund	589,430	-	584,673	-
Shade Tree	113,437	-	210,729	-
Liquid Fuels	6,254,084	-	4,342,429	-
Capital Projects	15,954,943	-	12,988,996	-
Debt Service	-	-	-	-
Water	-	19,721,760	-	19,385,113
Sewer	-	176,804,656	-	159,035,226
Solid Waste	-	4,689,176	-	3,166,303
Total	$ 56,444,838	$ 201,215,592	$ 50,403,190	$ 181,586,642

The City's governmental funds reported a combined fund balance of $56.4 million at December 31, 2019. Of the total, $16.0 million is for capital projects and acquisitions, $6.3 million is restricted for liquid fuels, $1.7 million is restricted for certain purposes, $2.0 million is assigned for various projects and $.3 million is assigned for the 2020 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, 2019, net of accumulated depreciation, was $335.4 million. Capital assets consist primarily of land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Table 9 is a summary of capital assets at December 31, 2019 and 2018.

Table 9
Capital Assets at December 31, 2019 and 2018
(Amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 2,348	$ 346	$ 2,104	$ 2,104	$ 4,452	$ 2,450
Construction in Progress	2,784	494	165,310	150,034	168,094	150,528
Buildings	13,868	14,745	12,130	13,048	25,998	27,793
Improvements	19,445	20,716	96,702	81,295	116,147	102,011
Machinery and Equipment	8,905	7,780	9,887	9,293	18,792	17,073
Infrastructure	1,937	2,142	-	-	1,937	2,142
Total	$ 49,287	$ 46,223	$ 286,133	$ 255,774	$ 335,420	$ 301,997

Major capital asset acquisitions during the year include the following:

Governmental activities:

- Approximately 50 acres in the City (known locally as the 'Dana' property)
- Various projects that remain to be completed and are included in construction in progress, including River Road extension, Pendora Park rehabilitation and city-wide handicapped ramps on sidewalks.
- Two new fire truck
- Two new dump trucks
- A new bomb squad robot
- Security camera system for City Hall

Business-type activities:

- Ongoing construction of the new wastewater treatment plant
- A capital improvement completed and put into service by the City's blended component unit, Reading Area Water Authority

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, 2019, the City's governmental activities had $274.1 million of noncurrent liabilities outstanding, including bonds, notes, capital leases, compensated absences and liabilities for pension and other postemployment benefits. The City's business activities had $258.8 million of noncurrent liabilities outstanding. Table 10 provides a summary of outstanding debt.

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

	Government Activities	Business Activities
Bonds/Notes/Leases Payable, net	$ 115,316	$ 252,115
Net Pension Liability	94,287	5,430
Other Postemployment Benefits	63,360	1,210
Compensated Absences	1,159	-
	$ 274,122	$ 258,755

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, 2019 was approximately $435 million, and the total debt outstanding was $284 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2019 was approximately $609 million and the total debt outstanding was $381 million.

Bond Rating

The City's debt rating was BBB+ (negative outlook) by S&P as of December 31, 2019. 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 2020 General Fund budget, adopted in December 2019, including balances and transfers, is $94.5 million. The 2020 adopted General Fund budget represents a nominal $.3 million or 1.0% increase from the 2019 adopted budget of $94.2 million. The 2020 General Fund adopted budget includes the use of fund balance of $.3 million. For 2020, the property tax millage rate of 17.689 remains unchanged for the fifth consecutive year.

In December 2019, a respiratory disease caused by a novel strain of coronavirus was detected in China. The disease has since spread to other countries, including the United States of America, producing sickness and deaths in the places where it has spread. On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be pandemic. Currently, no proven cure or effective treatment exists for COVID-19 and no vaccine to limit contraction of the disease is available. 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. Additionally, it is reasonably possible that estimates made in the financial statement have been, or will be, materially and adversely impacted in the near-term as a result of these conditions. City Administration is constantly evaluating the impact of this unprecedented situation on the City's financial position and has put the following measures in place to mitigate the revenue shortfall in FY2020: a hiring slowdown for non-public safety vacancies, savings in operating expenditures, and deferrals of capital projects defined in the Capital Improvement Plan. While the magnitude and duration of this pandemic remain unclear, through strategic financial planning and proactive measures, the City is managing the impacts of this emergency. The City will continue to monitor and assess revenue and expenditure trends to ensure the level of available funds is commensurate with the level of risk associated with our revenue and expenditure variability. Please see Note 17 for more information on COVID-19.

Known impacts on revenue:

The City's real estate tax calendar has been substantially modified in 2020 as a direct result of COVID-19. For 2020, the real estate tax calendar has been modified as follows:

Real estate taxes paid in	Due dates, tax years 2019 and earlier	Due dates, tax year 2020
2% discount period	Through April 30th	Through August 31st
Flat period	Through June 30th	Through December 31st
10% penalty period	Between July 1st and December 31st	Waived by the City

In March 2020, the Governor ordered a shutdown on all non-essential businesses. The shutdown was in place for approximately three months and has adversely affected the City's earned income tax (EIT) receipts in 2020.

Interest rates have fallen drastically, over 90%, so far in 2020 as a direct result of the COVID-19 pandemic.

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 Jamar L. Kelly, Director of Finance at (610) 655-6227 or 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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Reading Parking Authority	Reading Redevelopment Authority
ASSETS					
Cash	$ 38,226,469	$ 96,438,592	$ 134,665,061	$ 1,452,906	$ 635,179
Investments	20,357,292	55,424,991	75,782,283	-	-
Accounts receivable, net	3,720,072	9,976,590	13,696,662	803,676	-
Taxes receivable, net	6,707,008	-	6,707,008	-	-
Internal balances	1,831,840	(1,831,840)	-	-	-
Intergovernmental receivables	2,080,888	14,448,801	16,529,689	-	-
Inventory	-	160,309	160,309	-	475,181
Other current assets	34,005	54,600	88,605	43,032	28,174
Restricted cash and investments	-	9,570,456	9,570,456	16,859,191	-
Capital assets not being depreciated	5,132,451	167,414,894	172,547,345	2,786,439	-
Capital assets, net of accumulated depreciation	44,154,522	118,718,598	162,873,120	29,461,613	-
Lease rental receivable due within one year	203,000	-	203,000	-	-
Other noncurrent assets:					
Loans receivable, net	582,965	-	582,965	-	-
Lease rental receivable	1,734,000	-	1,734,000	-	-
Notes receivable, net	9,908,677	-	9,908,677	-	-
Leased land rights	-	917,715	917,715	-	-
TOTAL ASSETS	134,673,189	471,293,706	605,966,895	51,406,857	1,138,534
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on bond refunding	7,267,728	3,587,113	10,854,841	524,771	-
Deferred outflows of resources for pension	21,731,551	2,664,328	24,395,879	-	-
Deferred outflows of resources for other postemployment benefits	5,777,057	231,996	6,009,053	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,776,336	6,483,437	41,259,773	524,771	-
LIABILITIES					
Accounts payable	5,424,967	1,889,613	7,314,580	566,319	-
Accounts payable - capital	-	11,550,317	11,550,317	-	-
Accrued interest	845,028	297,398	1,142,426	44,335	-
Accrued claims	1,548,296	-	1,548,296	-	-
Unearned revenue	1,957,815	-	1,957,815	87,967	-
Other current liabilities	84,303	898,160	982,463	125,178	1,069
Long-term debt due within one year	6,284,721	6,824,616	13,109,337	1,455,025	-
Noncurrent liabilities:					
Notes and bonds payable, net	109,031,238	245,291,660	354,322,898	29,339,975	-
Other liabilities	-	-	-	69,472	-
Compensated absences	1,159,368	-	1,159,368	-	-
Net pension liability	94,287,044	5,429,766	99,716,810	-	-
Other postemployment benefits liability	63,359,729	1,209,580	64,569,309	-	-
TOTAL LIABILITIES	283,982,509	273,391,110	557,373,619	31,688,271	1,069
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources for pension	24,869,646	3,143,208	28,012,854	-	-
Deferred inflows of resources for other postemployment benefits	1,894,828	27,233	1,922,061	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	26,764,474	3,170,441	29,934,915	-	-
NET POSITION					
Net investment in capital assets	(25,261,258)	37,614,979	12,353,721	10,668,081	-
Restricted	19,197,794	9,472,640	28,670,434	8,168,933	-
Unrestricted (deficit)	(135,233,994)	154,127,973	18,893,979	1,406,343	1,137,465
TOTAL NET POSITION (DEFICIT)	$ (141,297,458)	$ 201,215,592	$ 59,918,134	$ 20,243,357	$ 1,137,465

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

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	$ 7,105,679	$ (1,946,630)	$ 3,708,240	$ 254,817	$ -	$ (1,195,992)	$ -	$ (1,195,992)	$ -	$ -
Public safety:										
Police	37,575,180	-	1,350,371	3,149,669	-	(33,075,140)	-	(33,075,140)	-	-
Fire	15,406,336	-	382,624	69,177	1,069,841	(13,884,694)	-	(13,884,694)	-	-
Emergency medical services	4,895,671	-	3,469,203	375,694	-	(1,050,774)	-	(1,050,774)	-	-
Public works - highways and streets	1,560,355	-	194,433	2,274,451	305,315	1,213,844	-	1,213,844	-	-
Public works - other	6,000,625	-	174,250	129,679	-	(5,696,696)	-	(5,696,696)	-	-
Community development	8,420,952	199,250	3,823,540	4,351,657	1,555,562	1,110,557	-	1,110,557	-	-
Culture and recreation	1,932,070	-	379,893	405,329	500,000	(646,848)	-	(646,848)	-	-
Other (employee benefits)	201,149	-	-	-	-	(201,149)	-	(201,149)	-	-
Debt service - interest	5,573,486	-	-	-	-	(5,573,486)	-	(5,573,486)	-	-
Total governmental activities	88,671,503	(1,747,380)	13,482,554	11,010,473	3,430,718	(59,000,378)	-	(59,000,378)	-	-
Business-type activities:										
Water	23,154,803	169,230	32,622,247	125,000	-	-	9,423,214	9,423,214	-	-
Sewer	19,171,925	1,199,840	38,949,191	-	-	-	18,577,426	18,577,426	-	-
Solid waste	4,576,116	378,310	6,088,891	427,136	-	-	1,561,601	1,561,601	-	-
Total business-type activities	46,902,844	1,747,380	77,660,329	552,136	-	-	29,562,241	29,562,241	-	-
Total Primary Government	$ 135,574,347	$ -	$ 91,142,883	$ 11,562,609	$ 3,430,718	(59,000,378)	29,562,241	(29,438,137)	-	-
Component Units										
Reading Parking Authority	$ 7,069,784	$ -	$ 7,196,230	$ -	$ -	-	-	-	126,446	-
Reading Redevelopment Authority	1,090,895	-	159,631	833,137	-	-	-	-	-	(98,127)
Total Component Units	$ 8,160,679	$ -	$ 7,355,861	$ 833,137	$ -	-	-	-	126,446	(98,127)
General Revenues										
Taxes:										
Property taxes						25,040,345	-	25,040,345	-	-
Earned income taxes						27,900,223	-	27,900,223	-	-
Franchise and other taxes						8,356,796	-	8,356,796	-	-
Investment earnings						537,043	2,768,677	3,305,720	151,726	12,436
Miscellaneous income						830,889	72,742	903,631	259	3,800
Transfers - internal activities						12,774,710	(12,774,710)	-	-	-
Total General Revenues and Transfers						75,440,006	(9,933,291)	65,506,715	151,985	16,236
Change in Net Position						16,439,628	19,628,950	36,068,578	278,431	(81,891)
Net Position (Deficit) - Beginning of Year - Restated						(157,737,086)	181,586,642	23,849,556	19,964,926	1,219,356
Net Position (Deficit) - End of year						$ (141,297,458)	$ 201,215,592	$ 59,918,134	$ 20,243,357	$ 1,137,465

See accompanying notes to the financial statements.

CITY OF READING

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019

	General	Community Development	Grant Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash	$ 7,173,382	$ 3,018,284	$ 3,340,504	$ 22,122,072	$ 35,654,242
Investments	16,852,441	-	48,293	-	16,900,734
Accounts receivable	3,638,339	79,150	-	-	3,717,489
Taxes receivable, net	7,055,150	-	-	56,865	7,112,015
Interfund receivables	8,700,913	421,465	43,552	1,000,253	10,166,183
Intergovernmental receivable	2,758	1,282,691	782,533	12,906	2,080,888
Loans receivable	582,965	-	-	-	582,965
Lease rental receivable	1,937,000	-	-	-	1,937,000
TOTAL ASSETS	$ 45,942,948	$ 4,801,590	$ 4,214,882	$ 23,192,096	$ 78,151,516
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 2,174,285	$ 917,400	$ 1,289,185	$ 820,603	$ 5,201,473
Interfund payables	4,404,818	1,373,334	1,887,794	-	7,665,946
Unearned revenue	-	1,509,342	448,473	-	1,957,815
Other liabilities	84,303	-	-	-	84,303
TOTAL LIABILITIES	6,663,406	3,800,076	3,625,452	820,603	14,909,537
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Property taxes	4,001,040	-	-	49,029	4,050,069
Other	810,072	-	-	-	810,072
Lease rental receivable	1,937,000	-	-	-	1,937,000
TOTAL DEFERRED INFLOWS OF RESOURCES	6,748,112	-	-	49,029	6,797,141
FUND BALANCES					
Restricted for:					
Community development	-	1,001,514	-	-	1,001,514
Donor or regulatory restricted	-	-	589,430	-	589,430
Shade tree	-	-	-	113,437	113,437
Liquid fuels	-	-	-	6,254,084	6,254,084
Capital projects	-	-	-	9,054,943	9,054,943
Committed	-	-	-	6,900,000	6,900,000
Assigned for:					
2020 budget appropriations	300,000	-	-	-	300,000
Demolition	1,000,000	-	-	-	1,000,000
Property acquisition	1,000,000	-	-	-	1,000,000
Unassigned	30,231,430	-	-	-	30,231,430
TOTAL FUND BALANCES	32,531,430	1,001,514	589,430	22,322,464	56,444,838
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 45,942,948	$ 4,801,590	$ 4,214,882	$ 23,192,096	$ 78,151,516

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, 2019

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 56,444,838
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 $132,779,090 and the accumulated depreciation is $83,492,117.		49,286,973
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.		4,050,069
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.		15,056,520
Establish allowance for doubtful accounts - property taxes receivable ($405,007) and other long-term asset receivables ($2,400,771).		(2,805,778)
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	$ (114,468,669)	
Accrued interest	(845,028)	
Unamortized bond discount	591,645	
Unamortized bond premium	(1,438,935)	
Deferred charge on bond refunding	7,267,728	
Compensated absences	(1,159,368)	(110,052,627)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(97,425,139)
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.		(59,477,500)
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.		3,625,186
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (141,297,458)

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, 2019

	General	Community Development	Grant Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Real estate taxes	$ 24,972,056	$ -	$ -	$ 284,949	$ 25,257,005
Earned income taxes	21,749,386	-	-	6,150,837	27,900,223
Other taxes	8,180,441	-	-	-	8,180,441
Licenses, permits, and fines	5,443,837	-	-	-	5,443,837
Intergovernmental	6,279,525	4,746,699	1,216,077	2,478,303	14,720,604
Charges for services	7,493,003	1,125,340	-	-	8,618,343
Interest and rent	1,298,932	668	1,315	50,971	1,351,886
Other	2,660,961	-	-	98,198	2,759,159
TOTAL REVENUES	78,078,141	5,872,707	1,217,392	9,063,258	94,231,498
EXPENDITURES					
Current:					
General government	5,104,458	-	-	187,237	5,291,695
Public safety:					
Police	37,084,400	-	476,785	819,023	38,380,208
Fire	14,561,651	-	100,863	487,752	15,150,266
Emergency medical services	5,023,141	-	-	-	5,023,141
Public works - highways and streets	929,943	-	-	3,421,237	4,351,180
Public works - other	6,007,266	-	24,018	-	6,031,284
Community development	4,189,837	5,688,462	610,969	-	10,489,268
Culture and recreation	895,556	-	-	383,099	1,278,655
Other (employee benefits, debt issuance costs)	2,777,952	-	-	-	2,777,952
Debt service - principal	6,704,200	-	-	-	6,704,200
Debt service - interest	4,803,401	-	-	-	4,803,401
TOTAL EXPENDITURES	88,081,805	5,688,462	1,212,635	5,298,348	100,281,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,003,664)	184,245	4,757	3,764,910	(6,049,752)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds	7,333,200	-	-	-	7,333,200
Payment to escrow agent for refunding bonds	(7,184,617)	-	-	-	(7,184,617)
Sale of capital assets	-	-	-	15,400	15,400
Transfers in - lease payments	9,774,710	-	-	-	9,774,710
Transfers in	3,152,707	-	-	1,000,000	4,152,707
Transfers out	(2,000,000)	-	-	-	(2,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	11,076,000	-	-	1,015,400	12,091,400
NET CHANGE IN FUND BALANCES	1,072,336	184,245	4,757	4,780,310	6,041,648
FUND BALANCES - BEGINNING OF YEAR - RESTATED	31,459,094	817,269	584,673	17,542,154	50,403,190
FUND BALANCES - END OF YEAR	$ 32,531,430	$ 1,001,514	$ 589,430	$ 22,322,464	$ 56,444,838

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, 2019

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 6,041,648
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	$ 7,393,857	
Less: depreciation expense	(4,329,783)	3,064,074
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,306,425)
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	(7,333,200)	
Payment to escrow agent for bond refunding	7,184,617	
Repayment of bond/note principal	6,704,200	
Amortization of bond discount	(51,431)	
Amortization of bond premium	141,737	
Amortization of deferred charge on bond refunding	(684,750)	5,961,173
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.		(175,641)
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	11,110	
Net pension liability and related deferred outflows and inflows	2,053,078	
OPEB liability and related deferred outflows and inflows	673,066	2,737,254
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.		117,545
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 16,439,628

CITY OF READING

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

Year Ended December 31, 2019

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash	$ 15,753,244	$ 74,885,321	$ 5,800,027	$ 96,438,592	$ 2,572,227
Investments	119,120	55,305,871	-	55,424,991	3,456,558
Accounts receivable, net of allowance of $6,288,179	5,232,447	3,797,814	946,329	9,976,590	2,583
Interfund receivables	68,453	3,860,352	331,491	4,260,296	120,000
Intergovernmental receivables	-	14,448,801	-	14,448,801	-
Inventory	160,309	-	-	160,309	-
Prepaid expenses	54,600	-	-	54,600	34,005
Total current assets	21,388,173	152,298,159	7,077,847	180,764,179	6,185,373
Restricted assets:					
Cash and investments	9,570,456	-	-	9,570,456	-
Noncurrent assets:					
Capital assets not being depreciated	2,329,611	165,085,283	-	167,414,894	-
Capital assets, net of accumulated depreciation	75,566,228	42,717,287	435,083	118,718,598	-
Total capital assets, net	77,895,839	207,802,570	435,083	286,133,492	-
Rights to leased land:	917,715	-	-	917,715	-
Total noncurrent assets	78,813,554	207,802,570	435,083	287,051,207	-
TOTAL ASSETS	109,772,183	360,100,729	7,512,930	477,385,842	6,185,373
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on bond refunding	1,041,148	2,545,965	-	3,587,113	-
Deferred outflows of resources for pension	599,238	1,792,076	273,014	2,664,328	-
Deferred outflows of resources for other postemployment benefits	20,939	205,818	5,239	231,996	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,661,325	4,543,859	278,253	6,483,437	-

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2019

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	392,839	854,732	642,042	1,889,613	95,815
Accounts payable - capital	-	11,550,317	-	11,550,317	-
Interfund payables	4,214,064	294,229	1,583,843	6,092,136	916,076
Accrued interest	297,398	-	-	297,398	-
Accrued payroll and compensated absences	790,915	-	-	790,915	-
Accrued claims	-	-	-	-	1,548,296
Escrow deposits	107,245	-	-	107,245	-
Current portion notes and bonds payable	3,478,752	3,345,864	-	6,824,616	-
Total current liabilities	9,281,213	16,045,142	2,225,885	27,552,240	2,560,187
Noncurrent liabilities:					
Notes and bonds payable, net	80,528,152	164,763,508	-	245,291,660	-
Net pension liability	1,178,813	3,836,701	414,252	5,429,766	-
Other postemployment benefits liability	144,972	1,037,668	26,940	1,209,580	-
Total noncurrent liabilities	81,851,937	169,637,877	441,192	251,931,006	-
TOTAL LIABILITIES	91,133,150	185,683,019	2,667,077	279,483,246	2,560,187
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources for pension	576,698	2,132,222	434,288	3,143,208	-
Deferred inflows of resources for other postemployment benefit liabilities	1,900	24,691	642	27,233	-
TOTAL DEFERRED INFLOWS OF RESOURCES	578,598	2,156,913	434,930	3,170,441	-
NET POSITION					
Net investment in capital assets	(5,069,917)	42,249,813	435,083	37,614,979	-
Restricted for debt service	7,592,650	-	-	7,592,650	-
Restricted for capital assets	1,879,990	-	-	1,879,990	-
Restricted for other	-	-	-	-	2,184,386
Unrestricted net position	15,319,037	134,554,843	4,254,093	154,127,973	1,440,800
TOTAL NET POSITION	$ 19,721,760	$ 176,804,656	$ 4,689,176	$ 201,215,592	$ 3,625,186

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, 2019

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 32,093,301	$ 38,949,191	$ 6,156,306	$ 77,198,798	$ 3,285,130
Other	528,946	-	1,313	530,259	267,238
TOTAL OPERATING REVENUES	32,622,247	38,949,191	6,157,619	77,729,057	3,552,368
OPERATING EXPENSES					
Personnel	6,813,097	6,688,500	637,681	14,139,278	86,423
Depreciation and amortization	4,908,850	3,347,182	23,553	8,279,585	-
Risk management	65,800	624,160	262,810	952,770	-
Contracted services	907,019	405,031	3,554,303	4,866,353	-
Chemicals and supplies	1,173,058	416,755	-	1,589,813	-
Utilities	655,444	890,077	-	1,545,521	-
Claims incurred	-	-	-	-	1,907,152
Administrative expenses	-	-	-	-	1,365,786
Other	4,877,142	5,466,055	544,807	10,888,004	-
TOTAL OPERATING EXPENSES	19,400,410	17,837,760	5,023,154	42,261,324	3,359,361
OPERATING INCOME	13,221,837	21,111,431	1,134,465	35,467,733	193,007
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	125,000	-	427,136	552,136	-
Interest income	599,618	2,169,059	-	2,768,677	77,245
Other	19,797	22,945	30,000	72,742	-
Gain (loss) on sale of solid waste accounts receivable	68,728	-	(68,728)	-	-
Interest expense	(3,923,623)	(2,534,005)	-	(6,457,628)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,110,480)	(342,001)	388,408	(3,064,073)	77,245
INCOME BEFORE TRANSFERS	10,111,357	20,769,430	1,522,873	32,403,660	270,252
Transfers out - lease payments	(9,774,710)	-	-	(9,774,710)	-
Transfers out	-	(3,000,000)	-	(3,000,000)	(152,707)
CHANGE IN NET POSITION	336,647	17,769,430	1,522,873	19,628,950	117,545
NET POSITION - BEGINNING OF YEAR - RESTATED	19,385,113	159,035,226	3,166,303	181,586,642	3,507,641
NET POSITION - END OF YEAR	$ 19,721,760	$ 176,804,656	$ 4,689,176	$ 201,215,592	$ 3,625,186

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2019

	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	$ 34,687,053	$ 39,582,565	$ 6,261,674	$ 80,531,292	$ 264,841
Receipts from interfund charges	-	-	-	-	3,285,130
Payments to employees	(6,829,234)	(6,930,775)	(757,829)	(14,517,838)	(86,423)
Payments to suppliers for goods and services	(7,915,350)	(10,557,212)	(4,375,826)	(22,848,388)	(3,414,323)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	19,942,469	22,094,578	1,128,019	43,165,066	49,225
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Nonoperating revenues/expenses, net	19,797	22,945	-	42,742	-
Gain (loss) on sale of receivables	68,728	-	(68,728)	-	-
Intergovernmental revenue	125,000	-	427,136	552,136	-
Transfers out	(9,774,710)	(3,000,000)	-	(12,774,710)	(152,707)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(9,561,185)	(2,977,055)	358,408	(12,179,832)	(152,707)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
(Increase) decrease in restricted assets, net	76,826	-	-	76,826	-
Proceeds from capital asset disposals	-	-	30,000	30,000	-
Proceeds from issuance of long-term debt	-	38,342,388	-	38,342,388	-
Interest paid on debt	(3,719,096)	(2,456,304)	-	(6,175,400)	-
Acquisition and construction of capital assets	(8,037,787)	(35,282,512)	(332,470)	(43,652,769)	-
Principal payments of notes and bonds	(3,449,158)	(1,600,150)	-	(5,049,308)	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(15,129,215)	(996,578)	(302,470)	(16,428,263)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	599,618	2,169,059	-	2,768,677	77,245
Net (purchase) redemption of investments	(2,444)	(1,151,301)	-	(1,153,745)	40,853
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	597,174	1,017,758	-	1,614,932	118,098
NET INCREASE (DECREASE) IN CASH	(4,150,757)	19,138,703	1,183,957	16,171,903	14,616
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	29,474,457	55,746,618	4,616,070	89,837,145	2,557,611
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 25,323,700	$ 74,885,321	$ 5,800,027	$ 106,009,048	$ 2,572,227

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2019

	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	$ 13,221,837	$ 21,111,431	$ 1,134,465	$ 35,467,733	$ 193,007
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation and amortization	4,908,850	3,347,182	23,553	8,279,585	-
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:					
Accounts receivable	2,088,655	633,374	104,055	2,826,084	(2,397)
Interfund receivables	65,573	6,918,951	(331,491)	6,653,033	-
Intergovernmental receivables	-	568,751	-	568,751	-
Inventory	29,234	-	-	29,234	-
Prepaid expenses	(7,532)	-	-	(7,532)	(34,005)
Deferred outflows of resources for pension	179,107	1,159,574	96,733	1,435,414	-
Deferred outflows of resources for other postemployment benefits	7,284	34,769	797	42,850	-
Accounts payable	(382,151)	(3,445,132)	308,387	(3,518,896)	9,588
Interfund payables	(41)	(6,797,704)	9,198	(6,788,547)	87,156
Accrued payroll and compensated absences	58,030	-	-	58,030	-
Accrued claims	-	-	-	-	(204,124)
Net pension liability	(522,309)	(2,344,019)	(168,453)	(3,034,781)	-
Other postemployment benefits liability	(23,849)	(195,394)	(4,937)	(224,180)	-
Deferred inflows of resources for pension	317,881	1,078,104	(44,930)	1,351,055	-
Deferred inflows of resources for other postemployment benefits	1,900	24,691	642	27,233	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 19,942,469	$ 22,094,578	$ 1,128,019	$ 43,165,066	$ 49,225
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Issuance of refunding bonds	$ 1,018,500	$ 1,833,300	$ -	$ 2,851,800	$ -
Intergovernmental receivable related to debt	-	11,134,112	-	11,134,112	-
Capital additions in accounts payable	2,277,733	2,770,020	-	5,047,753	-

See accompanying notes to the financial statements.

CITY OF READING

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2019

	Pension/OPEB Trust Funds
ASSETS	
Cash	$ 2,018,862
Investments	243,387,068
Interfund receivable	128,011
TOTAL ASSETS	245,533,941
LIABILITIES	
Accounts payable	62,457
Interfund payable	332
TOTAL LIABILITIES	62,789
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS	$ 245,471,152

See accompanying notes to the financial statements.

CITY OF READING

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

Year Ended December 31, 2019

	Pension/OPEB Trust Funds
ADDITIONS	
Contributions:	
Employer (including state aid)	$ 18,618,994
Employees	1,792,029
OPEB transfer from general fund	1,000,000
Investment income:	
Interest and dividends	3,672,422
Net appreciation in fair value of investments	32,869,316
Other	28,394
TOTAL ADDITIONS	57,981,155
DEDUCTIONS	
Benefits, including tax withheld	21,584,675
Administrative expenses	971,673
Refunds paid	159,940
TOTAL DEDUCTIONS	22,716,288
CHANGE IN NET POSITION	35,264,867
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS - BEGINNING OF YEAR	210,206,285
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS - END OF YEAR	$ 245,471,152

See accompanying notes to the financial statements.

CITY OF READING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

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. The decision to include a potential component unit in the reporting entity was made based upon the above criteria.

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. The City is presently financing operations of the Redevelopment Authority. The Authority publishes a separate financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

3. 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.

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.

4. 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
Shade Tree Commission
Plumbing Board of Examiners
Heating Board of Examiners
Vacant Property Review Committee
Board of Historical and Architectural Review
Board of Health
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 one column (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.

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, 2019.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The City Has the Following Nonmajor Governmental Funds - continued:

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.

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 sewer services to City residents.

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.

These 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.

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*. 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.

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 30-60 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.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Inventories also consist 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. 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.

7. 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 fund liability in the governmental fund that will pay it. 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.

8. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

8. Long-Term Obligations - continued

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.

9. 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.

10. 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. The City OPEB plan is unfunded as of the measurement date, but an OPEB trust was organized and funded during 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

11. 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.

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, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

11. Deferred Outflows/Inflows of Resources - continued

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.

12. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

13. 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, 2019, 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

13. Fund Balance Policies and Flow Assumptions - continued

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. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This statement improves the information that is disclosed in notes to government financial statements related to debt. It also provides financial statement users with additional essential information about debt.

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.

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

Budgetary Data - continued

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.

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.

Deficit Fund Balance or Net Position of Individual Funds

For the year ended December 31, 2019, no individual funds had a deficit fund balance or net position.

Excess of Expenditures Over Appropriations

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

Net Position Deficit and Liquidity

As of December 31, 2019, the City, in its statement of net position, shows a total net deficit of ($141,297,458) 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 $11,507,601, 11.48% of its total expenditures, and the City used 18.76% of its current tax revenues to finance debt service requirements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

Net Position Deficit and Liquidity - continued

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 2019, 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, 2019, was $24,025,823. 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, 2019, consists of the following:

	Primary Government	Blended Component Unit	Total
Petty cash	$ 3,675	$ 930	$ 4,605
Demand deposit accounts	122,785,897	13,991,237	136,777,134
Pooled cash and investments	401,411	-	401,411
Investments	318,767,940	9,472,640	328,240,580
			$ 465,423,730

Classification per statement of net position and fiduciary fund statements:

Unrestricted cash	$ 134,665,061
Investments	75,782,283
Restricted cash and investments	9,570,456
Trust cash	2,018,862
Trust investments	243,387,068
	$ 465,423,730

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, 2019, the carrying amount of the City's deposits was $143,065,864 and the bank balance was $145,269,739. Of the balance, $7,508,304 was covered by federal depository insurance and $137,761,435 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 totaling $6,288,730. These certificates of deposit are fully covered by federal depository insurance and included in investments for financial reporting purposes.

Investments

As of December 31, 2019, the City had the following pooled cash and investments:

	Fair Value	Carrying Value
PA Local Government Investment Trust (PLGIT):		
PLGIT/ARM	$ 401,411	$ 401,411

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 $401,411 (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/ARM is a program for the investment of bond proceeds only, consisting of the Portfolio of the Trust which operates like a money market fund and individual portfolios of investors. This option has no minimum initial investment requirement and has a minimum investment period of 1 day.

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, 2019, the entire PLGIT book balance of $401,411 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, 2019, the City had the following nonpension investments:

Investment Type	Yield	Fair Market Value	Investment Maturities at December 31, 2019 < 1 Year	Investment Maturities at December 31, 2019 1 - 5 Years	Fair Value Level
Investments measured at fair value:					
Money market funds	N/A	$ 2,509,627	N/A	N/A	N/A
Accrued income/cash equivalents	N/A	132,250	N/A	N/A	N/A
Certificates of deposit	1.50 - 2.30%	6,288,730	$ 2,855,563	$ 3,433,167	2
US Government issues:					
Federal Home Loan Banks	1.38% - 2.00%	1,399,295	1,299,288	100,007	2
Federal Farm Credit Banks	1.50% - 2.40%	499,845	-	499,845	2
Federal Home Loan Mortgage Corp	1.50% - 2.38%	499,743	199,883	299,860	2
Federal National Mortgage Association	2.00%	100,771	-	100,771	2
U.S. Treasury Bills	N/A	65,150,946	65,150,946	-	2
Total investments measured at fair value		76,581,207			
Investments measured at net asset value:					
U.S. Treasury Obligation Funds		8,273,139			
Total		84,854,346			
Reconciling items		(834)			
Total nonpension investments		$ 84,853,512			

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.

The U.S. Treasury Obligation Funds are valued at net asset value (NAV) of units held. This fund invests primarily in short-term U.S. Treasury securities and seeks to maintain a stable net asset value of $1.00 per share. However, it is possible to lose money. Investments in the U.S. Treasury Obligation Funds are not insured or guaranteed by the Federal Deposit Insurance Company or any other government agency.

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, 2019, 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 Obligation	N/A (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. The City's $6,288,730 of certificates of deposit are fully covered by federal depository insurance. There are no other 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, 2019, 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		$ 11,300	N/A
Accrued income/cash equivalents		4,198,678	N/A
Common stock		38,734,907	1
Corporate bonds and notes		8,648,774	2
Equity mutual funds:			
Diversified Emerging Markets	2.48%	21,317	1
Large Blend	1.54% - 1.87%	18,343,125	1
Foreign Large Blend	2.92% - 3.18%	9,076,737	1
Real Estate	2.02%	19,098	1
Fixed income mutual funds:			
Intermediate Term Bond	2.57%	79,129	1
Ultrashort Bond	2.18% - 2.24%	1,108,217	1
World Bond	0.49% - 4.13%	3,281,050	1
Equity traded products:			
Equity ETPs		90,837	1
Real estate ETPs		6,031	1
Fixed Income ETPs		78,200	1
US Government Issues:			
US Treasury bonds	1.37% - 7.47%		
Maturity <1 year		511,692	2
Maturity 1-5 years		3,363,272	2
US Treasury notes	0.61% - 2.48%		
Maturity 1-5 years		8,671,639	2
Maturity 6-10 years		7,999,630	2
SEI Core Property Collective Investment Trust		6,008,331	2
Other asset backed securities	3.21% - 3.56%	2,156,916	2
Total investments measured at fair value - Police Pension		112,408,880	

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:			
Accrued income/cash equivalents		1,578,002	N/A
Common stock		23,508,970	1
Corporate bonds and notes		5,993,705	2
Equity mutual funds:			
Large Blend	1.87%	11,329,834	1
Foreign Large Blend	3.18%	5,644,743	1
Fixed income mutual funds:			
Ultrashort Bond	2.24%	640,475	1
World Bond	0.49%	2,232,526	1
US Government Issues:			
US Treasury bonds	1.37% - 7.47%		
Maturity <1 year		946,036	2
Maturity 1-5 years		2,110,581	2
US Treasury notes	0.61% - 2.48%		
Maturity 1-5 years		5,355,609	2
Maturity 6-10 years		5,148,392	2
Other asset backed securities	3.38% - 4.24%	1,334,002	2
Other	2.39%	1,528,625	2
Total investments measured at fair value - Fire Pension		67,351,500	

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		-	N/A
Accrued income/cash equivalents		1,428,811	N/A
Common stock		21,945,895	1
Russell equity funds		3,529,052	2
Corporate bonds and notes		5,406,481	2
Equity mutual funds:			
Large Blend	1.87%	10,276,531	1
Foreign Large Blend	3.18%	5,120,301	1
Fixed income mutual funds:			
Ultrashort Bond	2.24%	623,074	1
World Bond	0.49%	1,835,484	1
US Government Issues:			
US Treasury bonds	1.37% - 7.47%		
Maturity <1 year		844,888	2
Maturity 1-5 years		1,892,119	2
Maturity 6-10 years		533,174	2
US Treasury notes	0.61% - 2.48%		
Maturity 1-5 years		4,908,424	2
Maturity 6-10 years		4,011,353	2
Short Term Investments		51,078	2
Other asset backed securities	3.21% - 3.56%	1,220,023	2
Total investments measured at fair value - Officers' and Employees' Pension		63,626,688	
TOTAL PENSION INVESTMENTS		$ 243,387,068	

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, 2019, 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, 2019. 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, 2019:

Unrestricted:	
Petty cash	$ 15,436
Deposits	1,437,470
	$ 1,452,906
Restricted:	
Money market funds	$ 16,327,848
Certificates of depsit	530,186
Investments	1,157
	$ 16,859,191

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, 2019, the carrying amount of the Authority's deposits was $1,967,656 and the bank balance was $2,012,986. As of December 31, 2019, $780,176 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 $530,186 at December 31, 2019. These certificates of deposit are fully covered by depository insurance and included in investments for financial reporting purposes.

Investments

As of December 31, 2019, the Authority had the following investments:

	Maturities	Fair Value	Level
Pennsylvania Treasurer's INVEST Program			
Daily Pool		$ 1,157	N/A
Money Market Funds:			
GS Financial Square Treasury Solutions Fund		16,327,848	N/A
		$ 16,329,005	

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Investments - continued

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.

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.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Investments - continued

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:

	2019	2018
Federal agency obligations	0.00%	2.27%
Private placement bonds	1.67%	1.87%
Federally insured cash	3.76%	4.10%
Certificates of deposit	19.29%	16.67%
Commercial paper	60.81%	24.83%
Corporate bonds	0.00%	12.04%
Money market funds	14.47%	38.12%
Other	0.00%	0.10%
	100.00%	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.

Credit Risk

The Authority does not have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2019, the Authority's investments 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, 2019, no investments were included within this risk.

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.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Redevelopment Authority)

The carrying amount of the Authority's cash and cash equivalents as of December 31, 2019 was $83,317 and the bank balance was $82,882. 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 $551,862. 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, 2019, 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	$ 871,704	$ -	$ 871,704
Alarm fees	226,100	-	226,100
Reading Public Library	508,884	-	508,884
Franchise fee	204,481	-	204,481
Emergency medical services fees	1,720,870	-	1,720,870
Other	106,300	79,150	185,450
	$ 3,638,339	$ 79,150	$ 3,717,489

There was no allowance for doubtful accounts related to governmental funds' accounts receivable at December 31, 2019.

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 2019 assessed value of real property totaled $1,433,172,100. These taxes are billed and collected by the County of Berks. Taxes paid through April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. 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, 2019, were 89.6% of the tax levy.

For 2019, 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, 2019, 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)	$ 4,980,074	$ 400,322	$ 4,579,752	$ 979,034	$ 4,001,040
Earned income tax	1,191,089	-	1,191,089	1,191,089	-
Real estate transfer tax	457,238	-	457,238	457,238	-
Admissions tax	41,415	-	41,415	41,415	-
Other	385,334	-	385,334	385,334	-
General Fund Total	7,055,150	400,322	6,654,828	3,054,110	4,001,040
Nonmajor Funds:					
Property tax (Shade Tree)	56,865	4,685	52,180	7,836	49,029
Nonmajor Funds Total	56,865	4,685	52,180	7,836	49,029
Total	$ 7,112,015	$ 405,007	$ 6,707,008	$ 3,061,946	$ 4,050,069

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

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	Total Primary	Component Unit Reading Parking
	Water	Sewer	Enterprise	Government	Authority
Accounts receivable, gross	$ 7,522,069	$ 6,065,875	$ 2,676,825	$ 16,264,769	$ 1,036,792
Less: allowance for uncollectible accounts	(2,289,622)	(2,268,061)	(1,730,496)	(6,288,179)	(233,116)
Net accounts receivable	$ 5,232,447	$ 3,797,814	$ 946,329	$ 9,976,590	$ 803,676

Included in the Water Fund accounts receivable is $1,084,997 of unbilled water usage as of December 31, 2019.

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 2019 adopted rate of taxation was 17.689 mills.

City of Reading property tax revenues were reduced by approximately $472,000 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.

NOTE 5 - TAX ABATEMENTS - CONTINUED

Keystone Opportunity Zone Program (KOZ) Program - continued

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 $414,000 for the year ended December 31, 2019.

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.

NOTE 5 - TAX ABATEMENTS - CONTINUED

Local Economic Revitalization Tax Assistance (LERTA) Program - continued

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 $58,000 for the year ended December 31, 2019.

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, 2019:

	Business-Type Activities	Component Unit
	Water Fund	Reading Parking Authority
Construction account	$ 1,879,990	$ 12,986,297
Debt service account	224,546	-
Debt service reserve account	7,367,428	-
Clearing account	676	-
Other	97,816	3,872,894
Total	$ 9,570,456	$ 16,859,191

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 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 $300,000 of which $193,000 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 $1,937,000 at December 31, 2019, and are reported as a lease rental receivable and unavailable revenue - lease rental receivable in the general fund.

Loans and Notes Payable

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 $2,400,771 included in notes receivable on the statement of net position. Total loans and notes outstanding at December 31, 2019, are $582,965 and $9,908,677, 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, 2019:

	Interfund Receivables	Interfund Payables
Governmental Activities		
Major funds:		
General	$ 8,700,913	$ 4,404,818
Community Development	421,465	1,373,334
Grant Fund	43,552	1,887,794
Nonmajor governmental funds	1,000,253	-
Business-Type Activities		
Major funds:		
Water	68,453	4,214,064
Sewer	3,860,352	294,229
Nonmajor proprietary fund	331,491	1,583,843
	14,426,479	13,758,082
Internal Service	120,000	916,076
Fiduciary Funds	128,011	332
	$ 14,674,490	$ 14,674,490

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.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS - CONTINUED

The City had transfers in and out for the following amounts at December 31, 2019:

	Transfers In	Transfers Out
Governmental Activities		
General	$ 3,152,707	$ 2,000,000
General - lease transfer	9,774,710	-
Capital projects	1,000,000	-
Business-Type Activities		
Water - lease transfer	-	9,774,710
Sewer	-	3,000,000
	13,927,417	14,774,710
Internal Service Funds	-	152,707
Fiduciary Funds	1,000,000	-
	$ 14,927,417	$ 14,927,417

Transfers and payments within the reporting entity are for the purpose of transferring lease payments, subsidizing operating functions, providing resources for current and future capital needs, and funding an other postemployment benefits trust.

NOTE 9 - CAPITAL ASSETS

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

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 345,960	$ 2,002,721	$ -	$ 2,348,681
Construction in progress	493,940	2,233,041	56,789	2,783,770
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	839,900	4,235,762	56,789	5,132,451
Capital assets being depreciated:				
Infrastructure	6,577,160	-	-	6,577,160
Buildings	38,044,632	-	-	38,044,632
Improvements	33,812,688	86,993	(56,789)	33,842,892
Machinery and equipment	46,265,546	3,071,102	(154,693)	49,181,955
Totals at historical cost	124,700,026	3,158,095	(211,482)	127,646,639
Less accumulated depreciation for:				
Infrastructure	4,435,327	204,607	-	4,639,934
Buildings	23,299,795	877,406	-	24,177,201
Improvements	13,096,490	1,301,148	-	14,397,638
Machinery and equipment	38,485,415	1,946,622	(154,693)	40,277,344
Total accumulated depreciation	79,317,027	4,329,783	(154,693)	83,492,117
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	45,382,999	(1,171,688)	(56,789)	44,154,522
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 46,222,899	$ 3,064,074	$ -	$ 49,286,973

NOTE 9 - CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 2,103,659	$ -	$ -	$ 2,103,659
Construction in progress	150,034,038	36,408,558	(21,131,361)	165,311,235
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	152,137,697	36,408,558	(21,131,361)	167,414,894
Capital assets being depreciated:				
Buildings	46,058,995	-	-	46,058,995
Improvements	149,414,434	44,288	21,131,361	170,590,083
Machinery and equipment	33,303,228	2,152,170	(254,541)	35,200,857
Totals at historical cost	228,776,657	2,196,458	20,876,820	251,849,935
Less accumulated depreciation for:				
Buildings	33,011,464	917,893	-	33,929,357
Improvements	68,118,577	5,769,643	-	73,888,220
Machinery and equipment	24,010,347	1,557,954	(254,541)	25,313,760
Total accumulated depreciation	125,140,388	8,245,490	(254,541)	133,131,337
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	103,636,269	(6,049,032)	21,131,361	118,718,598
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 255,773,966	$ 30,359,526	$ -	$ 286,133,492

NOTE 9 - CAPITAL ASSETS - CONTINUED

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

Governmental Activities		Business-type Activities	
General government	$ 1,794,521	Water system	$ 4,874,755
Public safety:		Sewer system	3,347,182
Police	532,216	Recycling	23,553
Fire	680,215		
Public works - highway and streets	105,888		$ 8,245,490
Community development	605,833		
Culture and recreation	611,110		
	$ 4,329,783		

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
COMPONENT UNIT - READING PARKING AUTHORITY				
Capital assets not being depreciated:				
Land	$ 2,462,356	$ -	$ -	$ 2,462,356
Construction in progress	72,700	303,283	(51,900)	324,083
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	2,535,056	303,283	(51,900)	2,786,439
Capital assets being depreciated:				
Buildings	59,338,006	7,029	-	59,345,035
Improvements	64,962	-	-	64,962
Machinery and equipment	2,049,172	1,001,816	51,900	3,102,888
Totals at historical cost	61,452,140	1,008,845	51,900	62,512,885
Less accumulated depreciation for:				
Buildings	29,775,676	1,351,972	-	31,127,648
Improvements	53,662	1,200	-	54,862
Machinery and equipment	1,750,836	117,926	-	1,868,762
Total accumulated depreciation	31,580,174	1,471,098	-	33,051,272
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	29,871,966	(462,253)	51,900	29,461,613
COMPONENT UNIT, CAPITAL ASSETS, NET	$ 32,407,022	$ (158,970)	$ -	$ 32,248,052

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 Bonds, Series of 2009, with 3.0% - 5.0% interest payable through 2029. Proceeds were used to currently refund the General Obligation Line of Credit of 2006, fund various capital projects of the City, and fund the termination payment for fixed payer swap and pay bond issuance costs.	$ 385,000	$ -	$ 385,000	$ -	$ -
General Obligation Note Series A of 2011, with 0.65% - 5.25% interest payable through 2019. Proceeds were used to advance refund the General Obligation Bonds (Capital Appreciation Bonds) Series of 2002, to pay termination costs of an interest rate management agreement and pay bond issuance costs. The net cash savings from the refunding was $275,267.	1,675,000	-	1,675,000	-	-
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.	2,130,000	-	193,000	1,937,000	203,000
General Obligation Bonds Series C of 2012, with 1.50% - 5.13% interest payable through 2031. 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.	7,801,200	-	6,674,400	1,126,800	356,400
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.	29,043,869	-	634,200	28,409,669	705,721

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 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.	14,880,000	-	800,000	14,080,000	825,000
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.	35,710,000	-	2,210,000	33,500,000	2,275,000
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.	3,908,000	-	431,000	3,477,000	446,000
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.	24,675,000	-	70,000	24,605,000	1,470,000
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	-	7,333,200	3,600
Total Governmental Activities	$ 120,208,069	$ 7,333,200	$ 13,072,600	$ 114,468,669	$ 6,284,721

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 of C of 2012, variable interest payable through 2031. 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.	$ 3,033,800	$ -	$ 2,595,600	$ 438,200	$ 138,600
Guaranteed Water Revenue Bonds Series of 2003 (Capital Appreciation Bonds), with 3.60% - 4.62% interest payable through 2020.	5,380,000	-	2,690,000	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.	5,526,149	-	120,800	5,405,349	134,280
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.	49,195,000	-	105,000	49,090,000	100,000
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.	24,645,000	-	290,000	24,355,000	305,000
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.	5,689,239	-	327,395	5,361,844	317,488
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.	3,963,891	-	277,113	3,686,778	284,254

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.	23,815,000	-	1,120,000	22,695,000	1,170,000
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.	82,480,554	15,670,669	-	98,151,223	1,222,898
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.	23,008,523	11,537,607	-	34,546,130	460,696
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	-	2,851,800	1,400
Less: unamortized interest on Capital Appreciation Bonds	(352,928)	-	(232,954)	(119,974)	-
Total Business-Type Activities	$ 226,384,228	$ 30,060,076	$ 7,292,954	$ 249,151,350	$ 6,824,616

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

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.

Pennsylvania Infrastructure Investment Authority Note Payables

The City's outstanding notes from direct borrowings related to business-type activities of $3,686,778 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 $5,361,844; $98,151,223; and $34,546,130 are secured by a lien on the City's sewer revenues. The outstanding note of $5,361,844 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, 2019, 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, 2019.

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
Bonds Payable, Notes Payable, and Other Long-Term Liabilities					
Guaranteed Authority Revenue Bonds Series of 1993. The bonds were current interest and Capital Appreciation Bonds (CAB). In 2003, $9,550,000 of remaining current interest bonds were refunded. The remaining CABs have imputed interest of 5.85% to 6.10%. On November 13, 2019, a Discharge of Guaranteed agreement was signed and the City no longer guarantees any debt of the Authority.	$ 5,630,000	$ -	$ 5,630,000	$ -	$ -
On December 22, 2011, the Series A of 2011 Parking Revenue Note was issued by a local bank for $1,570,000. The note was issued to refinance the Series of 2006 Guaranteed Parking Revenue Note. Repayment of the note is due November 15, 2024. Interest on the note is stated at 3.15% per annum from the date of issue through November 15, 2021, and thereafter at an interest rate equal to 65% of the bank's prime rate, but in no event less than 2.85% or more than 6.00% per annum. The Authority will realize an estimated present value savings of $69,145. This note was refinanced with the Parking Revenue Bonds, Series of 2019.	1,570,000	-	1,570,000	-	-
On December 19, 2011, the Series of 2011 Parking Revenue Note was issued by a local bank for $5,570,000. The note was issued to refinance the Federally Taxable Parking Revenue Note - Series of 2009 (Build America Bond - Direct Payment). Repayment of the note began in 2012 in varying amounts, and the maturity of the note is November 15, 2025. Interest on the note is stated at 3.15% per annum from the date of issue through November 15, 2021, and thereafter at an interest rate equal to 65% of the bank's prime rate, but in no event less than 2.85% or more than 6.00% per annum. The Authority will realize an estimated present value savings of $332,483 on the fixed rate amount. This note was refinanced with the Parking Revenue Bonds, Series of 2019.	5,075,000	-	5,075,000	-	-

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
Bonds Payable, Notes Payable, and Other Long-Term Liabilities - continued					
On January 12, 2012, the Series of 2012 Parking Revenue Note was issued by a local bank for $9,570,000. The note was issued to refinance the Series of 2004 Guaranteed Parking Revenue note. Repayment of the note is due November 15, 2024. Interest on the note is stated at 3.15% per annum from the date of the issue through November 15, 2012, and thereafter at an interest rate equal to 65% of the bank's prime rate, but in no event less than the 2.85% or more than 6.00% per annum. The Authority estimates a present value savings of $361,678 on the fixed rate amount. This note was refinanced by the Parking Revenue Bonds, Series of 2019.	8,945,000	-	8,945,000	-	-
Capital lease with the Reading Redevelopment Authority (RRA), whereby the Parking Authority will pay $1,667 monthly to the RRA for a term of 25 years for a parcel of land at 2nd & Washington Streets.	141,448	-	141,448	-	-
Revenue Bonds Payable					
Parking Revenue Bonds, Series of 2019					
Parking revenue bonds consisting of Series A of 2019 in the original principal amount of $12,180,000; Series B of 2019 in the original principal amount of $10,580,000; and Series C of 2019 in the original principal amount of $8,035,000 were issued under a trust indenture dated October 24, 2019. The bonds were issued for the purpose of (1) funding capital projects of the Authority, (2) currently refunding the Authority's outstanding Series of 2011 parking revenue note; (3) currently refunding the Authority's outstanding Series A of 2011 parking revenue note; (4) currently refunding the Authority's outstanding Series of 2012 parking revenue note; (5) advance refunding the Authority's series of 1993 outstanding guaranteed authority revenue bonds; and (6) paying the costs of issuing the bonds.					
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	-

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 - continued					
Parking Revenue Bonds, Series of 2019 - continued					
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	-	8,035,000	1,455,025
Less: unamortized interest on Capital Appreciation Bonds	(449,296)	-	(449,296)	-	-
	$ 20,912,152	$ 30,795,000	$ (20,912,152)	$ 30,795,000	$ 1,455,025

Component unit - Reading Redevelopment Authority has the following debt outstanding as of December 31, 2019:

On December 19, 2013, the Redevelopment Authority purchased a property for $1,655,000. This purchase was funded through private financing from an individual. This debt was repaid in May 2014 through a long-term debt issued with a financial institution (Bank Loan) in the amount of $1,599,328. During 2019, the Authority entered into an agreement to sell the land to the City of Reading in exchange for the City satisfying the outstanding debt with the bank. Under the terms of the agreement, the bank loan was satisfied during 2019. The City paid $1,546,333 to the bank on behalf of the Authority. The resulting loss from the sale of property of $44,164 is reported in expenses for the Authority.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

The annual requirements to pay principal and interest on long-term debt outstanding at December 31, 2019, are as follows:

	Governmental Activities					
	Direct Borrowings		General Obligation Bonds		Total	
	Principal	Interest ^	Principal	Interest	Principal	Interest ^
2020	$ 649,000	$ 213,339	$ 5,635,721	$ 4,375,894	$ 6,284,721	$ 4,589,233
2021	675,000	186,792	6,451,391	4,187,817	7,126,391	4,374,609
2022	703,000	159,761	6,638,583	3,996,835	7,341,583	4,156,596
2023	731,000	131,592	6,841,164	3,789,296	7,572,164	3,920,888
2024	760,000	102,557	7,058,346	3,575,740	7,818,346	3,678,297
2025 - 2029	1,896,000	118,533	41,820,828	13,104,233	43,716,828	13,222,766
2030 - 2034	-	-	34,608,636	4,051,326	34,608,636	4,051,326
	$ 5,414,000	$ 912,574	$ 109,054,669	$ 37,081,141	$ 114,468,669	$ 37,993,715

^ 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
2020	$ 2,285,336	$ 566,483	$ 4,539,280	$ 5,049,466	$ 6,824,616	$ 5,615,949
2021	7,392,124	1,623,083	4,738,609	4,854,384	12,130,733	6,477,467
2022	7,474,297	1,540,910	4,946,417	4,619,891	12,420,714	6,160,801
2023	7,557,482	1,457,727	5,163,836	4,377,889	12,721,318	5,835,616
2024	7,641,691	1,373,517	5,351,655	4,160,631	12,993,346	5,534,148
2025 - 2029	39,508,556	5,567,479	30,174,169	17,387,374	69,682,725	22,954,853
2030 - 2034	40,196,235	3,364,503	39,006,365	9,408,402	79,202,600	12,772,905
2035 - 2039	39,763,432	1,325,821	13,605,018	1,080,450	53,368,450	2,406,271
2040	6,137,786	25,602	-	-	6,137,786	25,602
Less: unamortized interest	-	-	(119,974)	-	(119,974)	-
Less: amount not drawn down	(16,210,964)	-	-	-	(16,210,964)	-
	$ 141,745,975	$ 16,845,125	$ 107,405,375	$ 50,938,487	$ 249,151,350	$ 67,783,612

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, 2019.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Component Unit - Reading Parking Authority

Year Ending December 31	Parking Revenue Bonds Series A of 2019	Parking Revenue Bonds Series B of 2019	Parking Revenue Bonds Series C of 2019	Total Principal	Interest Maturities*
2020	$ -	$ -	$ 1,455,025	$ 1,455,025	$ 1,042,024
2021	-	-	1,503,565	1,503,565	993,274
2022	-	-	1,554,750	1,554,750	942,882
2023	-	-	1,606,638	1,606,638	890,790
2024	-	-	1,660,287	1,660,287	836,960
2025 - 2029	4,789,000	4,159,000	254,735	9,202,735	3,300,945
2030 - 2034	5,479,000	4,758,000	-	10,237,000	2,245,802
2035 - 2036	1,912,000	1,663,000	-	3,575,000	154,488
	$ 12,180,000	$ 10,580,000	$ 8,035,000	$ 30,795,000	$ 10,407,165

* 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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation debt:					
Bonds payable	$ 114,170,069	$ 7,333,200	$ 12,448,600	$ 109,054,669	$ 5,635,721
Discounts	(730,172)	-	(138,527)	(591,645)	-
Premiums	1,580,672	-	141,737	1,438,935	-
Net general obligation debt	115,020,569	7,333,200	12,451,810	109,901,959	5,635,721
Direct borrowings	6,038,000	-	624,000	5,414,000	649,000
Other liabilities:					
Compensated absences	1,170,478	-	11,110	1,159,368	-
Net pension liability	121,804,079	-	27,517,035	94,287,044	-
OPEB liability	66,445,462	1,013,161	4,098,894	63,359,729	-
	$ 310,478,588	$ 8,346,361	$ 44,702,849	$ 274,122,100	$ 6,284,721

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

The following is a summary of business-type long-term liability activity for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
General obligation bonds payable	$ 32,374,949	$ 2,851,800	$ 3,836,400	$ 31,390,349	$ 1,444,280
Water revenue bonds	79,220,000	-	3,085,000	76,135,000	3,095,000
Discounts	(238,445)	-	(47,137)	(191,308)	-
Premiums	3,486,899	-	330,665	3,156,234	-
For unamortized accreted interest	(352,928)	-	(232,954)	(119,974)	-
Net bonds payable	114,490,475	2,851,800	6,971,974	110,370,301	4,539,280
Direct borrowings	115,142,207	27,208,276	604,508	141,745,975	2,285,336
Net pension liability	8,464,547	-	3,034,781	5,429,766	-
OPEB liability	1,433,760	16,937	241,117	1,209,580	-
	$ 239,530,989	$ 30,077,013	$ 10,852,380	$ 258,755,622	$ 6,824,616

The following is a summary of long-term liability activity for the Component Unit (Reading Parking Authority) for the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Revenue bonds payable	$ 5,630,000	$ 30,795,000	$ 5,630,000	$ 30,795,000	$ 1,455,025
Bond discount	(449,296)	-	(449,296)	-	-
Net revenue bonds payable	5,180,704	30,795,000	5,180,704	30,795,000	1,455,025
Notes payable	15,590,000	-	15,590,000	-	-
Capital lease payable	141,448	-	141,448	-	-
Control card deposits	65,891	3,581	-	69,472	-
	$ 20,978,043	$ 30,798,581	$ 20,912,152	$ 30,864,472	$ 1,455,025

Defeasance of Debt

During the year ended December 31, 2019, the City issued General Obligation Bonds, Series of 2019 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 C of 2012. 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, 2019, outstanding general obligation bonds of the City in the amount of $8,845,000 were considered to be defeased with a related $9,784,434 held in escrow funds.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Subsequent Events

Subsequent to year end, the City issued General Obligation Bonds, Series of 2020 in the amount of $36,145,000. Principal matures annually on November 1, 2021 through 2033. The bonds bear interest at rates varying from 0.897% - 2.949%. The proceeds were used to advance refund most of the General Obligation Bonds, Series of 2014, $29,545,000, and a small amount of the General Obligation Bonds, Series B of 2015, $400,000, plus to pay various costs of issuance. The City realized a savings of $722,030 as a result of the refunding.

In March 2020, the Reading Area Water Authority issued the federally taxable Water Revenue Bonds, Series 2020 with a maximum draw of $50,195,000, various interest rates ranging from 1.611% to 2.952%, maturing in amounts ranging from $575,000 to $6,245,000 through 2036. Proceeds of the bond were used to refinance the Water Revenue Bonds, Series of 2011.

On April 21, 2020, in response to the COVID-19 pandemic, the bank for the Reading Parking Authority approved a deferral on payments for the three-month period beginning May 15, 2020, and ending July 15, 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 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.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Plan Description - continued
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, 2019, 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.

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.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

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

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.

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%).

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

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

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.

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.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

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

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.

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 2019 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.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Contributions - continued

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.

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 2019. The following table reflects contribution information for 2019:

	PPP	PFPP	O&E	Total
MMO	$ 11,508,252	$ 3,567,944	$ 3,446,705	$ 18,522,901
Contributions:				
City	$ 10,059,352	$ 2,390,229	$ 2,119,098	$ 14,568,679
Allocation of state aid	1,515,668	1,177,715	1,356,932	4,050,315
Total	11,575,020	3,567,944	3,476,030	18,618,994
Employee	919,638 *	463,727	408,664	1,792,029
Total contributions	$ 12,494,658	$ 4,031,671	$ 3,884,694	$ 20,411,023
Covered payroll	$ 10,110,784	$ 8,931,512	$ 12,522,275	$ 31,564,571
Employee contributions as a percent of covered payroll	9.10%	5.19%	3.26%	5.68%

* PPP employee contribution includes $226,400 in service time purchases.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Contributions - continued
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, 2019, the balance of DROP accounts for the PPP held by the City was $661,328.

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, 2019, the balance of DROP accounts for the PFPP held by the City was $1,528,625.

Net Pension Liability
The components of the net pension liability of the Plans at December 31, 2019, were as follows:

	PPP	PFPP	O&E	Total
Total pension liability	$ 179,995,451	$ 86,423,906	$ 77,768,605	$ 344,187,962
Plan fiduciary net position	(113,034,134)	(67,569,504)	(63,867,514)	(244,471,152)
Net pension liability	$ 66,961,317	$ 18,854,402	$ 13,901,091	$ 99,716,810
Plan fiduciary net position as a percentage of total pension liability	62.80%	78.18%	82.13%	71.03%

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, 2019, were as follows:

	Increases/Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	$ 340,474,911	$ 210,206,285	$ 130,268,626
Changes for the year:			
Service cost	4,822,728	-	4,822,728
Interest	24,882,194	-	24,882,194
Differences between expected and actual experience	(4,247,256)	-	(4,247,256)
Contributions - employer	-	18,618,994	(18,618,994)
Contributions - employee	-	1,792,029	(1,792,029)
Net investment income	-	35,780,325	(35,780,325)
Benefit payments, including refunds	(21,744,615)	(21,744,615)	-
Administrative expenses	-	(181,866)	181,866
Net changes	3,713,051	34,264,867	(30,551,816)
Balances at December 31, 2019	$ 344,187,962	$ 244,471,152	$ 99,716,810
Plan fiduciary net position as a percentage of the total pension liability			71.03%

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, 2019, and rolled forward to December 31, 2019, 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%	5.25%	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, 2019:

	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, 2019, the annual money-weighted rate of return on the PPP, PFPP, and O&E investments, net of investment expenses, was 16.32%, 17.49%, and 13.38%, 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	$ 88,433,229	$ 66,961,317	$ 49,249,825
City of Reading Paid Firemen's Pension Plan	$ 28,718,145	$ 18,854,402	$ 10,633,240
Officers' and Employees' Pension Plan	$ 23,220,279	$ 13,901,091	$ 6,146,009

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

For the year ended December 31, 2019, the City recognized pension expense of $16,327,419 ($15,214,091 - governmental activities; $1,113,328 - business-type activities). At December 31, 2019, 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:				
Change in proportion allocated	$ -	$ -	$ 202,065	$ 202,065
Differences between expected and actual experience	362,899	-	-	362,899
Changes of assumptions	2,163,783	1,567,759	2,385,090	6,116,632
Net difference between projected and actual earnings on pension plan investments	8,433,359	4,705,772	4,575,152	17,714,283
Total deferred outflows of resources	$ 10,960,041	$ 6,273,531	$ 7,162,307	$ 24,395,879
Deferred Inflows of Resources:				
Change in proportion allocated	$ -	$ -	$ 202,065	$ 202,065
Difference between expected and actual experience	-	2,121,753	3,042,198	5,163,951
Net difference between projected and actual earnings on pension plan investments	10,601,157	7,068,434	4,977,247	22,646,838
Total deferred inflows of resources	$ 10,601,157	$ 9,190,187	$ 8,221,510	$ 28,012,854

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:

2020	$ 652,504
2021	(246,918)
2022	1,219,461
2023	(4,399,804)
2024	(280,739)
Thereafter	(561,479)
Total	$ (3,616,975)

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	$ 635,319	$ 176,835	$ 206,708	$ 1,018,862
Investments (at fair value):				
Equities	66,195,184	40,483,548	40,871,779	147,550,511
Fixed income	15,274,088	10,200,707	9,085,062	34,559,857
Exchange traded products	175,068	-	-	175,068
US Government issues	20,546,233	13,560,618	12,189,958	46,296,809
Short-term funds	-	-	51,078	51,078
Other	10,218,307	3,106,627	1,428,811	14,753,745
Interfund receivable	18,197	55,094	54,720	128,011
TOTAL ASSETS	113,062,396	67,583,429	63,888,116	244,533,941
LIABILITIES				
Accounts payable	28,056	13,770	20,631	62,457
Interfund payable	206	155	(29)	332
TOTAL LIABILITIES	28,262	13,925	20,602	62,789
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 113,034,134	$ 67,569,504	$ 63,867,514	$ 244,471,152

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)	$ 11,575,020	$ 3,567,944	$ 3,476,030	$ 18,618,994
Employee	919,638	463,727	408,664	1,792,029
Investment income:				
Interest and dividends	1,915,979	1,489,268	267,175	3,672,422
Net appreciation in fair value of investments	15,015,116	9,569,194	8,285,006	32,869,316
Other	21,723	2,734	3,937	28,394
TOTAL ADDITIONS	29,447,476	15,092,867	12,440,812	56,981,155
DEDUCTIONS				
Benefits, including tax withheld	11,520,554	4,988,891	5,075,230	21,584,675
Administrative expenses	453,216	96,565	421,892	971,673
Refunds paid	74,678	10,141	75,121	159,940
TOTAL DEDUCTIONS	12,048,448	5,095,597	5,572,243	22,716,288
CHANGE IN NET POSITION	17,399,028	9,997,270	6,868,569	34,264,867
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	95,635,106	57,572,234	56,998,945	210,206,285
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	$ 113,034,134	$ 67,569,504	$ 63,867,514	$ 244,471,152

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	$ 13,558,113	$ 14,071,885	$ 14,117,023	$ 41,747,021
Unrealized gain (loss)	1,457,003	(4,502,691)	(5,832,017)	(8,877,705)
	$ 15,015,116	$ 9,569,194	$ 8,285,006	$ 32,869,316

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, 2019, $11,567 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 2019 follow the below table:

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

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 2019 follow the below table:

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

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, the fixed amount is $634 for single and $1,287 for employee/spouse coverage. For 2019, the fixed amount is $666 and $1,351, respectively.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

Police Officers - continued

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.

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 2019 follow the below table.

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

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, 2018, 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	11	31	100	82	89	313
Vested former participants	-	-	-	-	-	-
Retired participants	4	-	32	64	147	247
Total	15	31	132	146	236	560

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of January 1, 2019, was determined by rolling forward the City's total OPEB liability as of January 1, 2018 to January 1, 2019, 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 - 3.64% - based on the Standards & Poor's Municipal Bond 20 Year High Grade Rate Index at 1/1/19.
- Mortality rates -
    - Health Lives: RP-2000 Blue Collar Mortality Table. Incorporated into the table are rates for annuitants projected 17 years using Scale AA to reflect mortality improvement.
    - Disabled Lives: RP-2000 Disability Mortality Table
- 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.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in Total OPEB Liability

	AFSCME First Level	Management	AFSCME Rank and File	Fire	Police	Total OPEB Liability
Balance at January 1, 2018	$ 234,442	$ 201,339	$ 3,502,938	$ 16,281,345	$ 47,659,158	$ 67,879,222
Changes for the year:						
Service cost	1,399	6,564	16,972	446,126	756,041	1,227,102
Interest	6,363	6,485	101,366	512,345	1,482,910	2,109,469
Changes of assumptions or other inputs	(1,788)	(3,432)	(84,663)	(524,874)	(1,691,716)	(2,306,473)
Benefit payments	(63,646)	(4,962)	(576,205)	(948,889)	(2,746,309)	(4,340,011)
Net changes	(57,672)	4,655	(542,530)	(515,292)	(2,199,074)	(3,309,913)
Balance at January 1, 2019	$ 176,770	$ 205,994	$ 2,960,408	$ 15,766,053	$ 45,460,084	$ 64,569,309

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.16% to 3.64%.

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 (2.64%) or one-percentage point higher (4.64%) than the current discount rate:

	1% Decrease 2.64%	Current Discount Rate 3.64%	1% Increase 4.64%
AFSCME First Level	$ 180,492	$ 176,770	$ 173,059
Management	212,929	205,994	198,396
AFSCME Rank and File	3,143,610	2,960,408	2,801,123
Fire	16,887,339	15,766,053	14,745,104
Police	49,090,524	45,460,084	42,212,316
Total OPEB Liability	$ 69,514,894	$ 64,569,309	$ 60,129,998

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 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	$ 169,563	$ 176,770	$ 184,377
Management	191,845	205,994	221,237
AFSCME Rank and File	2,758,391	2,960,408	3,188,907
Fire	14,461,947	15,766,053	17,238,481
Police	41,677,011	45,460,084	49,695,269
Total OPEB Liability	$ 59,258,757	$ 64,569,309	$ 70,528,271

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

For the year ended December 31, 2019, the City recognized OPEB expense of $3,398,105 ($3,347,189 - governmental activities; $50,916 - business-type activities). At December 31, 2019, 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:						
Changes of assumptions	$ 1,749	$ 2,666	$ 69,675	$ 409,844	$ 1,299,851	$ 1,783,785
Benefit payments subsequent to the measurement date	37,612	10,475	505,995	986,591	2,684,595	4,225,268
Total deferred outflows of resources	$ 39,361	$ 13,141	$ 575,670	$ 1,396,435	$ 3,984,446	$ 6,009,053
Deferred Inflows of Resources:						
Changes of assumptions	$ 1,490	$ 2,860	$ 70,552	$ 437,395	$ 1,409,764	$ 1,922,061

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 - continued

The $4,225,268 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. 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:

2020	$ 61,534
2021	61,534
2022	61,534
2023	61,535
2024	(384,413)
Total	$ (138,276)

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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 2010 and was effective through December 31, 2014. AFSCME Local 2763 was renewed in 2017 and is effective through December 31, 2019. 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. The labor agreement with the International Association of Firefighters, Local 1803 was amended in arbitration in 2017 and is effective through December 31, 2019. Subsequent to year end, all bargaining units reached a one year extension through December 31, 2020 with the City.

Construction Commitments

The City has entered into contracts for capital improvements. At December 31, 2019, the balance of open contracts was as follows:

Project	Commitment Remaining
Wastewater Treatment Plant	$ 20,146,937
Information Improvement	180,812
6th & Canal Pump Station	1,375,731
19th Ward Pump Station	293,261
Collection System	351,972
Total	$ 22,348,713

At December 31, 2019, the City also has an outstanding commitment of $1,940,429 on a street paving contract. Open commitments will be funded by cash on hand as well as available drawdowns on PennVest loans.

NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 2020. 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.

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, 2019, the balance of open contracts was approximately $2,797,028.

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 $395,957. 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 $379,058 in connection with capital improvement projects. At December 31, 2019, 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, 2019, the Forman Collective Bargaining Agreement is effective through 2023 and the Rank and File Collective Bargaining Agreement is effective through 2022.

NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 2019:

Balance at January 1, 2019	Borrowings	Repayments	Balance at December 31, 2019
$ 6,735,091	$ -	$ 600,972	$ 6,134,119

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, 2019:

	Limit	Deductible
Property	$ 297,742,513	$ 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 Worker Comp	1,000,000	1,000,000
Pollution Liability	5,000,000	25,000 - 50,000

NOTE 14 - RISK MANAGEMENT AND SELF-INSURANCE - CONTINUED

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 $2,184,386.

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.

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, 2019. An analysis of claims activity is presented below:

	Beginning of Year Liabilities	Estimated Current Year Claims	Actual Claim Payments	Balance at Fiscal Year End
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
2017	$ 2,962,254	$ 3,120,453	$ 3,576,633	$ 2,506,074

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 FUND BALANCE/NET POSITION

At January 1, 2019, various restatements to beginning fund balance and net position were recorded to account for errors noted during account reconciliation processes for grants and accounts receivable and to write off past interfund receivables and payables that will not be repaid. The restatements were as follows:

	Governmental Activities					Business-Type Activities	
			Non-Major Funds				
	General Fund	Grant Fund	Capital Projects Fund	Debt Service Fund	Liquid Fuels Fund	Sewer Fund	Total
Balance at December 31, 2018	$ 31,373,682	$ 652,102	$ 12,954,724	$ 158,658	$ 4,269,183	$ 159,290,126	$ 208,698,475
Adjust for interfund balances	85,412	-	-	(158,658)	73,246	-	-
To correct grant activity	-	(67,429)	34,272	-	-	-	(33,157)
To correct an accounting error	-	-	-	-	-	(254,900)	(254,900)
Balance at January 1, 2019	$ 31,459,094	$ 584,673	$ 12,988,996	$ -	$ 4,342,429	$ 159,035,226	$ 208,410,418

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, 2019, were as follows:

General Fund: The general fund has an assigned fund balance of $2,300,000 consisting of $300,000 appropriated for the 2020 budget and $2,000,000 for various capital projects, and an unassigned fund balance of $30,231,430.

Community Development Fund: The community development fund has restricted funds of $1,001,514, consisting primarily of unspent federal and state grant funds restricted by federal or state law.

NOTE 16 - FUND BALANCE - CONTINUED

Primary Government - continued

Grant Fund: The grant fund has restricted funds of $589,430 consisting primarily of unspent funds granted by various parties which are to be used according to the grantor's wishes.

Nonmajor Funds:

Shade Tree Fund: The special revenue fund has restricted funds of $113,437 consisting of real estate taxes levied for specific purposes.

Liquid Fuels Fund: The liquid fuels fund has a restricted fund balance of $6,254,084, consisting primarily of unspent state grant funds restricted by state law.

Capital Projects Fund: The capital projects fund has restricted funds of $9,054,943, consisting primarily of unspent tax revenue and transfers from the general fund 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.

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 - SUBSEQUENT EVENTS

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.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

NOTE 18 - NEW ACCOUNTING STANDARDS

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

- 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. This statement is effective for the City's fiscal year ending December 31, 2020.

- 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 18 - 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF READING

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended December 31, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real estate taxes	$ 24,505,200	$ 24,505,200	$ 24,972,056	$ 466,856
Earned income taxes	22,000,000	22,000,000	21,749,386	(250,614)
Other taxes	7,365,000	7,365,000	8,180,441	815,441
Licenses, permits, and fines	5,619,100	5,636,785	5,443,837	(192,948)
Intergovernmental	6,236,630	6,236,630	6,279,525	42,895
Charges for services	7,260,050	7,362,158	7,493,003	130,845
Interest and rent	1,475,000	1,475,000	1,298,932	(176,068)
Other	2,555,880	2,558,133	2,660,961	102,828
TOTAL REVENUES	77,016,860	77,138,906	78,078,141	939,235
EXPENDITURES				
Current:				
General government	6,983,518	6,870,092	5,104,458	1,765,634
Public safety:				
Police	37,473,440	37,499,917	37,084,400	415,517
Fire	14,790,683	14,804,683	14,561,651	243,032
Emergency medical services	4,769,365	4,854,473	5,023,141	(168,668)
Public works - highways and streets	1,375,770	1,375,770	929,943	445,827
Public works - other	7,238,480	7,221,318	6,007,266	1,214,052
Community development	4,495,990	4,512,175	4,189,837	322,338
Culture and recreation	962,580	962,580	895,556	67,024
Other (employee benefits, debt issuance costs)	2,642,984	2,820,024	2,777,952	42,072
Debt service - principal	6,511,200	6,511,200	6,704,200	(193,000)
Debt service - interest	4,847,560	4,815,946	4,803,401	12,545
TOTAL EXPENDITURES	92,091,570	92,248,178	88,081,805	4,166,373
DEFICIENCY OF REVENUES OVER EXPENDITURES	(15,074,710)	(15,109,272)	(10,003,664)	5,105,608
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	-	-	7,333,200	7,333,200
Payment to escrow agent for refunding bonds	-	-	(7,184,617)	(7,184,617)
Transfers in - lease payments	9,774,710	9,774,710	9,774,710	-
Transfers in	3,000,000	3,034,562	3,152,707	118,145
Transfers out	-	-	(2,000,000)	(2,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	12,774,710	12,809,272	11,076,000	(1,733,272)
NET CHANGE IN FUND BALANCES	$ (2,300,000)	$ (2,300,000)	1,072,336	$ 3,372,336
FUND BALANCE - BEGINNING OF YEAR			31,459,094	
FUND BALANCE - END OF YEAR			$ 32,531,430	

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

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 2,235,363	$ 3,007,401	$ 2,957,882	$ 2,878,084	$ 2,741,032	$ 2,714,223
Interest	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	(11,595,232)	(10,959,749)	(11,275,270)	(11,805,479)	(12,194,828)	(9,571,570)
Net change in total pension liability	3,556,986	4,351,643	12,011,820	2,659,892	2,334,491	4,302,159
Total pension liability, beginning	176,438,465	172,086,822	160,075,002	157,415,110	155,080,619	150,778,460
Total pension liability, ending	$ 179,995,451	$ 176,438,465	$ 172,086,822	$ 160,075,002	$ 157,415,110	$ 155,080,619
Plan Fiduciary Net Position						
Contributions - employer	$ 11,575,020	$ 11,453,968	$ 9,996,690	$ 9,729,933	$ 8,398,475	$ 6,052,629
Contributions - employee	919,638	718,724	892,168	875,026	740,779	665,036
Net investment income	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	(11,595,232)	(10,959,749)	(11,275,270)	(11,805,479)	(12,194,828)	(9,571,570)
Administrative expenses	(59,182)	(468,345)	(425,728)	(400,163)	(484,484)	(295,053)
Net change in plan fiduciary net position	17,399,028	(5,887,551)	12,723,947	4,667,396	(4,723,769)	1,180,465
Plan fiduciary net position, beginning	95,635,106	101,522,657	88,798,710	84,131,314	88,855,083	87,674,618
Plan fiduciary net position, ending	$ 113,034,134	$ 95,635,106	$ 101,522,657	$ 88,798,710	$ 84,131,314	$ 88,855,083
Net Pension Liability	$ 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	62.80%	54.20%	59.00%	55.47%	53.45%	57.30%
Covered Payroll	$ 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	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.

CITY OF READING

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 1,401,120	$ 1,583,339	$ 1,537,256	$ 1,545,376	$ 1,494,096	$ 1,606,792
Interest	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	(4,999,032)	(5,453,682)	(4,277,152)	(4,244,639)	(4,504,335)	(3,610,654)
Net change in total pension liability	934,919	2,096,190	6,223,353	2,835,398	(904,130)	3,373,543
Total pension liability, beginning	85,488,987	83,392,797	77,169,444	74,334,046	75,238,176	71,864,633
Total pension liability, ending	$ 86,423,906	$ 85,488,987	$ 83,392,797	$ 77,169,444	$ 74,334,046	$ 75,238,176
Plan Fiduciary Net Position						
Contributions - employer	$ 3,567,944	$ 3,536,370	$ 3,025,070	$ 2,811,430	$ 2,957,060	$ 2,282,336
Contributions - employee	463,727	460,023	480,346	466,719	463,696	456,196
Net investment income	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	(4,999,032)	(5,453,682)	(4,277,152)	(4,244,639)	(4,504,335)	(3,610,654)
Administrative expenses	(66,973)	(110,122)	(112,983)	(114,338)	(129,985)	(85,450)
Net change in plan fiduciary net position	9,997,270	(4,791,852)	6,971,884	2,346,757	(1,330,393)	1,544,184
Plan fiduciary net position, beginning	57,572,234	62,364,086	55,392,202	53,045,445	54,375,838	52,831,654
Plan fiduciary net position, ending	$ 67,569,504	$ 57,572,234	$ 62,364,086	$ 55,392,202	$ 53,045,445	$ 54,375,838
Net Pension Liability	$ 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	78.18%	67.34%	74.78%	71.78%	71.36%	72.27%
Covered Payroll	$ 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	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.

CITY OF READING

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 1,186,245	$ 1,287,800	$ 1,249,541	$ 1,165,580	$ 1,135,512	$ 1,218,457
Interest	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	(5,150,351)	(5,131,721)	(5,141,823)	(5,068,045)	(5,049,970)	(4,901,267)
Net change in total pension liability	(778,854)	1,642,298	4,677,467	1,316,664	157,889	1,427,521
Total pension liability, beginning	78,547,459	76,905,161	72,227,694	70,911,030	70,753,141	69,325,620
Total pension liability, ending	$ 77,768,605	$ 78,547,459	$ 76,905,161	$ 72,227,694	$ 70,911,030	$ 70,753,141
Plan Fiduciary Net Position						
Contributions - employer	$ 3,476,030	$ 3,532,555	$ 3,135,808	$ 3,005,282	$ 3,179,616	$ 2,780,193
Contributions - employee	408,664	411,457	391,888	412,951	416,374	422,154
Net investment income	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	(5,150,351)	(5,131,721)	(5,141,823)	(5,068,045)	(5,049,970)	(4,901,267)
Administrative expenses	(55,711)	(455,561)	(428,049)	(392,538)	(448,751)	(402,879)
Net change in plan fiduciary net position	6,868,569	(4,834,274)	6,009,349	2,070,647	(1,303,918)	708,853
Plan fiduciary net position, beginning	56,998,945	61,833,219	55,823,870	53,753,223	55,057,141	54,348,288
Plan fiduciary net position, ending	$ 63,867,514	$ 56,998,945	$ 61,833,219	$ 55,823,870	$ 53,753,223	$ 55,057,141
Net Pension Liability	$ 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	82.13%	72.57%	80.40%	77.29%	75.80%	77.82%
Covered Payroll	$ 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	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.

CITY OF READING

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
POLICE PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 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	$ 2,607,362
Contributions in relation to the actuarially determined contribution	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	3,206,243
Contribution deficiency (excess)	$ (66,768)	$ -	$ (176,419)	$ (51,595)	$ (195)	$ (1,394)	$ -	$ (13)	$ (20,563)	$ (598,881)
Covered payroll	$ 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	$ 14,124,752
Contributions as a percentage of covered payroll	114.48%	93.60%	86.64%	84.81%	78.16%	55.05%	55.33%	36.25%	38.57%	22.70%
Investment Returns										
Annual money-weighted rate of return, net investment expense	16.32%	(4.99%)	16.27%	8.61%	(1.52%)	5.39%				
PAID FIREMEN'S PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 3,567,944	$ 3,533,964	$ 2,891,616	$ 2,811,430	$ 2,956,620	$ 2,282,337	$ 2,286,857	$ 1,903,883	$ 1,976,423	$ 1,380,603
Contributions in relation to the actuarially determined contribution	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	1,587,874
Contribution deficiency (excess)	$ -	$ (2,406)	$ (133,454)	$ -	$ (440)	$ 1	$ -	$ 10	$ (8,040)	$ (207,271)
Covered payroll	$ 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	$ 8,392,528
Contributions as a percentage of covered payroll	39.95%	40.92%	36.60%	35.32%	36.39%	31.71%	31.69%	23.71%	23.33%	18.92%
Investment Returns										
Annual money-weighted rate of return, net investment expense	17.49%	(5.57%)	15.46%	7.12%	(0.28%)	5.49%				
OFFICERS' AND EMPLOYEES' PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 3,446,705	$ 3,532,555	$ 3,033,047	$ 3,005,282	$ 3,173,811	$ 2,769,963	$ 2,836,234	$ 1,488,269	$ 1,376,733	$ 800,416
Contributions in relation to the actuarially determined contribution	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	1,670,803
Contribution deficiency (excess)	$ (29,325)	$ -	$ (102,761)	$ -	$ (5,805)	$ (10,230)	$ (24,369)	$ (22,568)	$ (27,406)	$ (870,387)
Covered payroll	$ 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	$ 17,182,014
Contributions as a percentage of covered payroll	27.76%	25.36%	22.67%	21.10%	22.08%	19.53%	19.21%	9.75%	9.46%	9.72%
Investment Returns										
Annual money-weighted rate of return, net investment expense	13.38%	(5.34%)	15.19%	8.11%	1.08%	5.93%				

Other Information:
In 2007, the City underfunded the MMO. In 2010, excess contributions were made to account for this underfunding.

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

	2019	2018
Total OPEB Liability:		
Service cost	$ 1,227,102	$ 1,061,045
Interest	2,109,469	2,424,195
Changes of assumptions	(2,306,473)	2,675,677
Benefit payments	(4,340,011)	(5,592,000)
Net change in total OPEB liability	(3,309,913)	568,917
Total OPEB liability, beginning	67,879,222	67,310,305
Total OPEB liability, ending	$ 64,569,309	$ 67,879,222
Covered Employee Payroll	$ 18,072,245	$ 18,072,245
Total OPEB Liability as a Percentage of Covered Employee Payroll	357.28%	375.60%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the January 1, 2018 measurement date are as follows:

- The discount rate changed from 3.16% to 3.64%.

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, 2019

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, 2019

	Original Budget	Final Budget	Actual	Variance
REVENUES				
TAXES:				
Real estate taxes	$ 24,505,200	$ 24,505,200	$ 24,972,056	$ 466,856
Earned income taxes	22,000,000	22,000,000	21,749,386	(250,614)
Other taxes:				
Per capita tax	275,000	275,000	233,739	(41,261)
Per capita tax - prior years	30,000	30,000	273,193	243,193
Real estate transfer tax	3,800,000	3,800,000	4,651,325	851,325
Occupation tax	1,000,000	1,000,000	1,174,870	174,870
Occupation tax - prior years	200,000	200,000	14,191	(185,809)
Business privilege tax	1,850,000	1,850,000	1,732,318	(117,682)
Business privilege tax - prior years	210,000	210,000	100,805	(109,195)
Total Other Taxes	7,365,000	7,365,000	8,180,441	815,441
TOTAL TAXES	53,870,200	53,870,200	54,901,883	1,031,683
LICENSES, PERMITS, AND FINES:				
Food permits	150,000	150,810	173,653	22,843
Building and electrical	1,130,000	1,130,000	1,018,581	(111,419)
Trades licenses	110,000	110,000	100,065	(9,935)
Business privilege	280,000	280,000	309,477	29,477
Street and pavement	250,000	250,000	194,433	(55,567)
Zoning and land development	74,000	74,000	57,627	(16,373)
Housing	1,595,000	1,609,000	1,791,654	182,654
Tax administration licenses	13,600	13,600	16,194	2,594
Franchise fees	875,000	875,000	823,621	(51,379)
No parking signs	300	300	640	340
Traffic fines	340,000	340,000	277,408	(62,592)
Penalties and interest	75,000	77,500	39,538	(37,962)
District court	380,000	380,000	361,701	(18,299)
Other	346,200	346,575	279,245	(67,330)
TOTAL LICENSES, PERMITS, AND FINES	5,619,100	5,636,785	5,443,837	(192,948)
INTERGOVERNMENTAL:				
Payments in lieu of taxes	160,000	160,000	93,719	(66,281)
Malt and liquor tax	34,000	34,000	32,000	(2,000)
Public utility tax	55,000	55,000	50,636	(4,364)
Snow and ice control	60,000	60,000	64,302	4,302
Reading Public Library	840,000	840,000	869,631	29,631
School guard	200,000	200,000	116,436	(83,564)
Pension - state aid	3,705,350	3,705,350	4,050,315	344,965
Police training	415,000	415,000	156,639	(258,361)
Grant reimbursement - code enforcement	400,000	400,000	388,000	(12,000)
Grant reimbursement - police	275,000	275,000	366,074	91,074
Grant reimbursement - fire	92,280	92,280	91,773	(507)
TOTAL INTERGOVERNMENTAL	6,236,630	6,236,630	6,279,525	42,895

CITY OF READING

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
REVENUES - CONTINUED				
CHARGES FOR SERVICES:				
School district tax collection	6,000	6,000	3,293	(2,707)
Admissions fee/tax	500,500	500,500	379,893	(120,607)
Police services	1,028,050	1,028,050	955,353	(72,697)
Fire services	297,700	297,700	382,624	84,924
Ambulance services	3,159,000	3,258,108	3,469,202	211,094
Housing Authority	250,000	250,000	285,578	35,578
Public works	170,000	170,000	174,250	4,250
Meter surcharge	1,700,000	1,700,000	1,700,000	-
Other	148,800	151,800	142,810	(8,990)
TOTAL CHARGES FOR SERVICES	7,260,050	7,362,158	7,493,003	130,845
INTEREST AND RENT:				
Interest	250,000	250,000	484,089	234,089
Stadium rental	300,000	300,000	300,000	-
Building rental	75,000	75,000	67,176	(7,824)
Parking Authority	850,000	850,000	400,000	(450,000)
Loan repayments	-	-	47,667	47,667
TOTAL INTEREST AND RENT	1,475,000	1,475,000	1,298,932	(176,068)
OTHER:				
Sale of city property	22,000	22,000	-	(22,000)
Indirect cost reimbursement:				
Community development	199,250	199,250	199,250	-
Recycling	199,500	199,500	199,520	20
Sewer	1,199,840	1,199,840	1,199,840	-
Water	-	-	169,230	169,230
Solid waste	178,790	178,790	178,790	-
Direct cost reimbursement:				
Pension	40,000	40,000	62,016	22,016
Sewer	125,000	125,000	-	(125,000)
Grants and gifts	85,000	85,000	64,998	(20,002)
Other shared revenues	25,000	25,000	25,425	425
Miscellaneous	481,500	483,753	561,892	78,139
TOTAL OTHER	2,555,880	2,558,133	2,660,961	102,828
TOTAL REVENUES	77,016,860	77,138,906	78,078,141	939,235
OTHER FINANCING SOURCES				
Issuance of refunding bonds	-	-	7,333,200	7,333,200
Transfers in:				
Self-Insurance Fund	-	34,562	152,707	118,145
Water Fund - lease payments	9,774,710	9,774,710	9,774,710	-
Sewer Fund	3,000,000	3,000,000	3,000,000	-
TOTAL OTHER FINANCING SOURCES	12,774,710	12,809,272	20,260,617	7,451,345
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 89,791,570	$ 89,948,178	$ 98,338,758	$ 8,390,580

CITY OF READING

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES				
GENERAL GOVERNMENT:				
Office of the Mayor:				
Personnel	$ 389,190	$ 389,190	$ 320,903	$ 68,287
Other operating expenditures	20,500	20,500	27,402	(6,902)
City Council:				
Personnel	319,660	319,660	306,714	12,946
Other operating expenditures	116,900	116,774	142,368	(25,594)
City Auditor:				
Personnel	187,160	187,160	134,849	52,311
Other operating expenditures	1,000	1,000	3,315	(2,315)
Office of the Managing Director:				
Personnel	253,460	258,460	274,106	(15,646)
Other operating expenditures	53,178	48,178	39,106	9,072
Department of Finance:				
Office of the Director:				
Personnel	353,520	386,595	356,149	30,446
Other operating expenditures	8,900	8,900	20,943	(12,043)
Purchasing:				
Personnel	180,270	180,270	170,470	9,800
Other operating expenditures	116,500	136,200	124,893	11,307
Accounting:				
Personnel	530,690	464,815	431,465	33,350
Other operating expenditures	105,500	105,500	117,311	(11,811)
Information Technology:				
Personnel	833,300	833,300	80,485	752,815
Other operating expenditures	1,005,060	989,060	52,917	936,143
Department of Human Resources:				
Personnel	330,870	383,870	572,724	(188,854)
Other operating expenditures	282,500	285,000	327,702	(42,702)
Citizens Service Center:				
Personnel	829,020	829,020	755,856	73,164
Other operating expenditures	132,870	132,870	148,248	(15,378)
Department of Law:				
Personnel	491,470	491,470	425,293	66,177
Other operating expenditures	442,000	302,300	271,239	31,061
TOTAL GENERAL GOVERNMENT	6,983,518	6,870,092	5,104,458	1,765,634

CITY OF READING

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES - CONTINUED				
PUBLIC SAFETY:				
Police:				
Police - Criminal Investigation:				
Personnel	6,787,590	6,787,590	6,831,828	(44,238)
Other operating expenditures	142,760	164,484	252,651	(88,167)
Police - Special Services:				
Personnel	3,589,100	3,589,100	3,741,923	(152,823)
Other operating expenditures	1,110,350	1,112,603	956,896	155,707
Police - Patrol:				
Personnel	24,560,810	24,560,810	23,637,039	923,771
Other operating expenditures	400,580	400,580	742,113	(341,533)
Police - Administration:				
Personnel	761,710	761,710	809,776	(48,066)
Other operating expenditures	120,540	123,040	112,174	10,866
Fire:				
Fire Administration:				
Personnel	1,176,110	1,176,110	1,231,198	(55,088)
Other operating expenditures	264,360	239,360	234,903	4,457
Fire Special Services:				
Personnel	582,290	582,290	555,870	26,420
Other operating expenditures	67,780	67,780	58,039	9,741
Fire Suppression:				
Personnel	11,990,990	12,055,990	11,599,127	456,863
Other operating expenditures	709,153	683,153	882,514	(199,361)
Fire Emergency Medical Services:				
Personnel	4,347,370	4,342,370	4,545,833	(203,463)
Other operating expenditures	421,995	512,103	477,308	34,795
TOTAL PUBLIC SAFETY	57,033,488	57,159,073	56,669,192	489,881
PUBLIC WORKS:				
Department of Public Works:				
Fleet Management:				
Personnel	726,690	726,690	744,171	(17,481)
Other operating expenditures	607,500	642,062	579,981	62,081
Traffic Engineering:				
Other operating expenditures	1,554,600	1,587,700	1,244,016	343,684
Public Works Administration:				
Personnel	534,210	534,210	422,027	112,183
Other operating expenditures	395,300	340,476	180,425	160,051
Engineering:				
Personnel	16,870	16,870	64,338	(47,468)
Streets:				
Personnel	1,075,070	1,075,070	884,661	190,409
Other operating expenditures	300,700	300,700	45,282	255,418
Parks:				
Personnel	836,710	836,710	650,556	186,154
Other operating expenditures	178,440	178,440	71,790	106,650
Recreation:				
Personnel	26,990	26,990	10,631	16,359
Other operating expenditures	-	-	37,191	(37,191)
Public Property:				
Personnel	856,620	856,620	801,992	54,628
Other operating expenditures	1,504,550	1,474,550	1,200,148	274,402
TOTAL PUBLIC WORKS	8,614,250	8,597,088	6,937,209	1,659,879

CITY OF READING

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

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES - CONTINUED				
COMMUNITY DEVELOPMENT:				
Administration:				
Personnel	235,050	235,050	265,524	(30,474)
Other operating expenditures	2,500	2,500	20,489	(17,989)
Zoning:				
Personnel	321,170	324,790	434,880	(110,090)
Other operating expenditures	99,350	95,730	99,718	(3,988)
Trades:				
Personnel	774,020	774,020	729,497	44,523
Other operating expenditures	438,500	439,500	328,111	111,389
Codes:				
Personnel	2,449,640	2,449,640	2,084,472	365,168
Other operating expenditures	175,760	190,945	227,146	(36,201)
TOTAL COMMUNITY DEVELOPMENT	4,495,990	4,512,175	4,189,837	322,338
CULTURE AND RECREATION:				
Library:				
Personnel	962,580	962,580	895,556	67,024
TOTAL CULTURE AND RECREATION	962,580	962,580	895,556	67,024
NONDEPARTMENTAL:				
Payroll and benefits	271,100	262,700	201,285	61,415
Risk management	2,332,360	2,332,360	2,332,360	-
Other	39,524	224,964	244,307	(19,343)
TOTAL NONDEPARTMENTAL	2,642,984	2,820,024	2,777,952	42,072
DEBT SERVICE:				
Principal	6,511,200	6,511,200	6,704,200	(193,000)
Interest	4,847,560	4,815,946	4,803,401	12,545
TOTAL DEBT SERVICE	11,358,760	11,327,146	11,507,601	(180,455)
TOTAL EXPENDITURES	92,091,570	92,248,178	88,081,805	4,166,373
OTHER FINANCING USES				
Payment to escrow agent for refunding bonds	-	-	7,184,617	(7,184,617)
Transfers out	-	-	2,000,000	(2,000,000)
TOTAL OTHER FINANCING USES	-	-	9,184,617	(9,184,617)
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 92,091,570	$ 92,248,178	$ 97,266,422	$ (5,018,244)

CITY OF READING

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2019

	Shade Tree	Liquid Fuels	Capital Projects	Totals
ASSETS				
Cash	$ 107,830	$ 6,274,890	$ 15,739,352	$ 22,122,072
Taxes receivable, net	56,865	-	-	56,865
Interfund receivables	4,320	-	995,933	1,000,253
Intergovernmental receivables	-	-	12,906	12,906
TOTAL ASSETS	$ 169,015	$ 6,274,890	$ 16,748,191	$ 23,192,096
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 6,549	$ 20,806	$ 793,248	$ 820,603
TOTAL LIABILITIES	6,549	20,806	793,248	820,603
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	49,029	-	-	49,029
FUND BALANCES				
Restricted for:				
Shade Tree	113,437	-	-	113,437
Liquid Fuels	-	6,254,084	-	6,254,084
Capital Projects	-	-	9,054,943	9,054,943
Debt Service	-	-	-	-
Committed for:				
Street Paving	-	-	1,500,000	1,500,000
City Facilities Construction	-	-	4,400,000	4,400,000
Housing Improvement	-	-	1,000,000	1,000,000
TOTAL FUND BALANCES	113,437	6,254,084	15,954,943	22,322,464
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 169,015	$ 6,274,890	$ 16,748,191	$ 23,192,096

CITY OF READING

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

Year Ended December 31, 2019

	Shade Tree	Liquid Fuels	Capital Projects	Totals
REVENUES				
Real estate taxes	$ 284,949	$ -	$ -	$ 284,949
Earned income taxes	-	-	6,150,837	6,150,837
Intergovernmental	-	2,186,337	291,966	2,478,303
Interest and rent	-	20,519	30,452	50,971
Other	858	97,340	-	98,198
TOTAL REVENUES	285,807	2,304,196	6,473,255	9,063,258
EXPENDITURES				
Current:				
General government	-	-	187,237	187,237
Public safety:				
Police	-	-	819,023	819,023
Fire	-	-	487,752	487,752
Public works - highways and streets	-	392,541	3,028,696	3,421,237
Culture and recreation	383,099	-	-	383,099
TOTAL EXPENDITURES	383,099	392,541	4,522,708	5,298,348
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,292)	1,911,655	1,950,547	3,764,910
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	15,400	15,400
Transfers in	-	-	1,000,000	1,000,000
TOTAL OTHER FINANCING SOURCES	-	-	1,015,400	1,015,400
NET CHANGE IN FUND BALANCES	(97,292)	1,911,655	2,965,947	4,780,310
FUND BALANCES - BEGINNING OF YEAR	210,729	4,342,429	12,988,996	17,542,154
FUND BALANCES - END OF YEAR	$ 113,437	$ 6,254,084	$ 15,954,943	$ 22,322,464

CITY OF READING

COMBINING STATEMENT OF NET POSITION - WATER FUNDS

December 31, 2019

	City Water Fund	Reading Area Water Authority	Eliminations	Total Water Fund
ASSETS				
Current assets:				
Cash	$ 1,858,893	$ 13,894,351	$ -	$ 15,753,244
Investments	119,120	-	-	119,120
Accounts receivable, net	1,687	5,230,760	-	5,232,447
Interfund receivables	293,208	-	(224,755)	68,453
Inventory	-	160,309	-	160,309
Prepaid expenses	-	54,600	-	54,600
Total current assets	2,272,908	19,340,020	(224,755)	21,388,173
Restricted assets - cash and investments	-	9,570,456	-	9,570,456
Noncurrent assets:				
Capital assets not being depreciated	2,059,359	270,252	-	2,329,611
Capital assets, net of accumulated depreciation	9,380,774	66,185,454	-	75,566,228
Total capital assets, net	11,440,133	66,455,706	-	77,895,839
Rights to leased land	-	917,715	-	917,715
Total noncurrent assets	11,440,133	67,373,421	-	78,813,554
TOTAL ASSETS	13,713,041	96,283,897	(224,755)	109,772,183
DEFERRED OUTFLOWS				
Deferred charge on bond refunding	123,536	917,612	-	1,041,148
Deferred outflows of resources for pension	599,238	-	-	599,238
Deferred outflows of resources for other postemployment benefits	20,939	-	-	20,939
TOTAL DEFERRED OUTFLOWS	743,713	917,612	-	1,661,325
LIABILITIES				
Current liabilities:				
Accounts payable	14,606	378,233	-	392,839
Interfund payables	4,214,064	224,755	(224,755)	4,214,064
Accrued interest	-	297,398	-	297,398
Accrued payroll and compensated absences	-	790,915	-	790,915
Escrow deposits	-	107,245	-	107,245
Current portion notes and bonds payable	99,498	3,379,254	-	3,478,752
Total current liabilities	4,328,168	5,177,800	(224,755)	9,281,213
Noncurrent liabilities:				
Notes and Bonds payable, net	3,065,323	77,462,829	-	80,528,152
Net pension liability	1,178,813	-	-	1,178,813
Other postemployment benefits	144,972	-	-	144,972
Total noncurrent liabilities	4,389,108	77,462,829	-	81,851,937
TOTAL LIABILITIES	8,717,276	82,640,629	(224,755)	91,133,150
DEFERRED INFLOWS				
Deferred inflows of resources for pension	576,698	-	-	576,698
Deferred inflows of resources for other postemployment benefits	1,900	-	-	1,900
TOTAL DEFERRED INFLOWS	578,598	-	-	578,598
NET POSITION				
Net investment in capital assets	8,398,848	(13,468,765)	-	(5,069,917)
Restricted for debt service	-	7,592,650	-	7,592,650
Restricted for capital assets	-	1,879,990	-	1,879,990
Unrestricted	(3,237,968)	18,557,005	-	15,319,037
TOTAL NET POSITION	$ 5,160,880	$ 14,560,880	$ -	$ 19,721,760

See note to supplementary information.

CITY OF READING

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

Year Ended December 31, 2019

	City Water Fund	Reading Area Water Authority	Eliminations	Total Water Fund
OPERATING REVENUES				
Charges for services	$ 12,151,531	$ 32,093,301	$ (12,151,531)	$ 32,093,301
Other	487,110	41,836	-	528,946
TOTAL OPERATING REVENUES	12,638,641	32,135,137	(12,151,531)	32,622,247
OPERATING EXPENSES				
Lease payments	-	12,142,535	(12,142,535)	-
Personnel	441,051	6,372,046	-	6,813,097
Depreciation and amortization	596,856	4,311,994	-	4,908,850
Risk management	65,800	-	-	65,800
Contracted Services	-	907,019	-	907,019
Chemicals and supplies	-	1,173,058	-	1,173,058
Utilities	-	655,444	-	655,444
Other	1,869,230	3,016,908	(8,996)	4,877,142
TOTAL OPERATING EXPENSES	2,972,937	28,579,004	(12,151,531)	19,400,410
OPERATING INCOME	9,665,704	3,556,133	-	13,221,837
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	125,000	-	125,000
Interest income	2,445	597,173	-	599,618
Interest expense	(154,896)	(3,768,727)	-	(3,923,623)
Gain (loss) on sale of solid waste accounts receivable	-	68,728	-	68,728
Other	-	19,797	-	19,797
NET NONOPERATING REVENUES (EXPENSES)	(152,451)	(2,958,029)	-	(3,110,480)
INCOME BEFORE TRANSFERS	9,513,253	598,104	-	10,111,357
Transfers out - lease payments	(9,774,710)	-	-	(9,774,710)
CHANGE IN NET POSITION	(261,457)	598,104	-	336,647
NET POSITION - BEGINNING OF YEAR - RESTATED	5,422,337	13,962,776	-	19,385,113
NET POSITION - END OF YEAR	$ 5,160,880	$ 14,560,880	$ -	$ 19,721,760

CITY OF READING

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2019

	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	$ 635,319	$ 176,835	$ 206,708	$ 1,018,862	$ 1,000,000	$ 2,018,862
Investments	112,408,880	67,351,500	63,626,688	243,387,068	-	243,387,068
Interfund receivable	18,197	55,094	54,720	128,011	-	128,011
TOTAL ASSETS	113,062,396	67,583,429	63,888,116	244,533,941	1,000,000	245,533,941
LIABILITIES						
Accounts payable	28,056	13,770	20,631	62,457	-	62,457
Interfund payable	206	155	(29)	332	-	332
TOTAL LIABILITIES	28,262	13,925	20,602	62,789	-	62,789
NET POSITION						
Held in trust for pension benefits	113,034,134	67,569,504	63,867,514	244,471,152	-	244,471,152
Held in trust for other postemployment benefits	-	-	-	-	1,000,000	1,000,000
TOTAL NET POSITION	$ 113,034,134	$ 67,569,504	$ 63,867,514	$ 244,471,152	$ 1,000,000	$ 245,471,152

CITY OF READING

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

Year Ended December 31, 2019

	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)	$ 11,575,020	$ 3,567,944	$ 3,476,030	$ 18,618,994	$ -	$ 18,618,994
Employee	919,638	463,727	408,664	1,792,029	-	1,792,029
OPEB transfer from general fund	-	-	-	-	1,000,000	1,000,000
Investment income:						
Interest and dividends	1,915,979	1,489,268	267,175	3,672,422	-	3,672,422
Net appreciation in fair value of investments	15,015,116	9,569,194	8,285,006	32,869,316	-	32,869,316
Other	21,723	2,734	3,937	28,394	-	28,394
TOTAL ADDITIONS	29,447,476	15,092,867	12,440,812	56,981,155	1,000,000	57,981,155
DEDUCTIONS						
Benefits, including tax withheld	11,520,554	4,988,891	5,075,230	21,584,675	-	21,584,675
Administrative expenses	453,216	96,565	421,892	971,673	-	971,673
Refunds paid	74,678	10,141	75,121	159,940	-	159,940
TOTAL DEDUCTIONS	12,048,448	5,095,597	5,572,243	22,716,288	-	22,716,288
CHANGE IN NET POSITION	17,399,028	9,997,270	6,868,569	34,264,867	1,000,000	35,264,867
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	95,635,106	57,572,234	56,998,945	210,206,285	-	210,206,285
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	$ 113,034,134	$ 67,569,504	$ 63,867,514	$ 244,471,152	$ 1,000,000	$ 245,471,152

CITY OF READING

NOTE TO SUPPLEMENTARY INFORMATION

December 31, 2019

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, 2019, was $12,142,535.

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, 2019

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:

2020	$ 9,794,456
2021	9,941,372
2022	10,090,493
2023	10,241,850
2024	10,395,478
Thereafter	272,622,910
	$ 323,086,559

RAWA is reported as a blended component unit within the water fund. The lease revenue and expense are eliminated with this presentation. A transfer is then reported for the $9,774,710 financing fee paid to the general fund.

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/18	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/19	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	$ -	$ 264,402	$ 265,671	$ 1,269	$ -
Community Development Block Grant/Entitlement Grant	D	14.218		B-17-MC-42-0013	2,419,585	-	436,690	629,675	192,985	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-18-MC-42-0013	2,604,014	326,095	1,955,383	1,718,223	88,935	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-19-MC-42-0013	2,553,505	-	528,485	1,097,541	569,056	-
Subtotal - CFDA 14.218						326,095	3,184,960	3,711,110	852,245	113,866
Community Development Block Grant - Section 108 Loan Guarantee	D	14.248			-	(1,500,000)	-	3,835,092	(1,500,000)	-
Emergency Shelter Grant	D	14.231		E-16-MC-42-0013	221,124	-	-	-	-	-
Emergency Shelter Grant	D	14.231		E-17-MC-42-0013	218,460	39,060	56,156	17,096	-	-
Emergency Shelter Grant	D	14.231		E-18-MC-42-0013	217,817	-	189,945	207,894	17,949	-
Emergency Shelter Grant	D	14.231		E-19-MC-42-0013	220,956	-	-	35,721	35,721	-
Subtotal - CFDA 14.231						39,060	246,101	260,711	53,670	227,971
HOME Investment Partnership Program	D	14.239		M-14-MC-42-0204	797,601	75,976	329,336	294,340	40,980	-
HOME Investment Partnership Program	D	14.239		M-15-MC-42-0204	756,936	-	101,713	101,713	-	-
HOME Investment Partnership Program	D	14.239		M-16-MC-42-0204	761,698	36,585	-	134,613	171,198	-
HOME Investment Partnership Program	D	14.239		M-17-MC-42-0204	745,445	-	13,047	94,986	81,939	-
HOME Investment Partnership Program	D	14.239		M-18-MC-42-0204	1,027,240	16,995	46,410	29,415	-	-
HOME Investment Partnership Program	D	14.239		M-19-MC-42-0204	937,491	-	-	82,658	82,658	-
Subtotal - CFDA 14.239						129,556	490,506	737,725	376,775	867,964
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	(4,312)	-	4,179	(133)	-
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						(65,302)	-	4,179	(61,123)	-
TOTAL U.S. DEPARTMENT OF HOUSING						(1,070,591)	3,921,567	8,548,817	(278,433)	1,209,801
U.S. DEPARTMENT OF JUSTICE										
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/15-09/30/19	2016-DJ-BX-0965	92,819	-	77,629	77,629	-	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/16-09/30/20	2017-DJ-BX-0226	88,700	1,190	15,764	14,574	-	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/17-09/30/21	2018-DJ-BX-0849	86,389	-	-	-	-	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/18-09/30/22	2019-DJ-BX-0578	76,892	-	-	-	-	-
Subtotal - CFDA 16.738						1,190	93,393	92,203	-	-
US DOJ Bulletproof Vest Partnership Program	D	16.607		BJA01004208		-	-	29,605	29,605	-
Subtotal - CFDA 16.607						-	-	29,605	29,605	-

See notes to schedule of expenditures of federal awards.

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/18	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/19	Passed Through to Subrecipients
DEA (DEA Admin reimbursement)	D	16.999	Unknown			-	8,853	9,662	809	-
CBP JOPREIM (US Treasury Dept Joint Ops Reimb)	D	16.999	Unknown			-	17,201	17,201	-	-
US Department of Justice - Drug Forfeiture	D	16.999	Unknown			(39,594)	-	12,049	(27,545)	-
US Treasury Dept equitable sharing	D	16.999	Unknown			(3,824)	-	3,824	-	-
Subtotal - CFDA 16.999						(43,418)	26,054	42,736	(26,736)	-
TOTAL U.S. DEPARTMENT OF JUSTICE						(42,228)	119,447	164,544	2,869	-
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION										
Equal Employment Opportunity Commission	D	30.001		EECCN110067	21,700	(3,027)	5,040	2,405	(5,662)	-
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Commonwealth of Pennsylvania										
Department of Conservation and Natural Resources										
Emerald Ash Borer Management	I	10.680	3/31/16-3/31/19	4000020323	15,000	3,341	3,341	4,320	4,320	-
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	03/22/07-	057087	334,800	326,615	326,615	-	-	-
Transportation Enhancement Funds	I	20.205	04/10/12-04/09/17	057231	906,150	56,461	56,461	-	-	-
Transportation Enhancement Funds	I	20.205	04/14/15-	057342	8,129,571	134,313	413,373	291,966	12,906	-
Subtotal - CFDA 20.205 and Highway Planning and Construction Cluster						517,389	796,449	291,966	12,906	-
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	10/1/15-9/30/20	LWCF 42-01585	250,000	-	-	93,194	93,194	-
TOTAL U.S. DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE						-	-	93,194	93,194	-
FEDERAL EMERGENCY MANAGEMENT AGENCY										
Operations and Safety	D	97.044	07/06/18-07/05/19	EMW-2017-FO-04331	85,000	-	77,273	77,273	-	-
ENVIRONMENTAL PROTECTION AGENCY										
Passed through Pennsylvania Infrastructure Investment Authority										
Clean Water State Revolving Fund Cluster										
Capitalization Grants for Clean Water State Revolving Funds	I	66.458	12/01/16-06/30/20	71419	108,161,309	15,132,064	22,398,415	15,670,669	8,404,318	-
Capitalization Grants for Clean Water State Revolving Funds	I	66.458	12/01/16-06/30/20	71420	40,747,008	7,611,451	15,943,973	11,537,606	3,205,084	-
TOTAL CLEAN WATER STATE REVOLVING FUND CLUSTER AND ENVIRONMENTAL PROTECTION AGENCY						22,743,515	38,342,388	27,208,275	11,609,402	-
TOTAL FEDERAL AWARDS						$ 22,148,399	$ 43,265,505	$ 36,390,794	$ 11,438,596	$ 1,209,801

Source Codes - I = Indirect; D = Direct

* Includes program income

See notes to schedule of expenditures of federal awards.

CITY OF READING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

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, 2019. 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, 2019, the City had the following Section 108 loan activity:

Outstanding Loans At 12/31/2018	Proceeds	Payments	Outstanding Loans at 12/31/2019
$ 3,835,092	$ -	$ (400,972)	$ 3,434,120

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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, 2019, 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 November 23, 2020. 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider these deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider these deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-002, 2019-003, and 2019-004.

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
November 23, 2020

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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, 2019. 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

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

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, and material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-005, that we consider to be a material weakness.

The City of Reading, Pennsylvania's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Reading, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Herbein + Company, Inc.

Reading, Pennsylvania
November 23, 2020

CITY OF READING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2019

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?	X yes	____ none reported	
Noncompliance material to financial statements noted?	X yes	____ no	

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	X yes	____ 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)?	X yes	____ no	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.248	Section 108 Loan Guarantee Program
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, 2019

Section II - Financial Statement Findings

2019-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE 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 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, (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 within 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 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.

Section II - Financial Statement Findings - continued

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 discrepancies. Our audit testing noted the following items: (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.

Management Response

See corrective action plan included in this report package.

Section II - Financial Statement Findings - continued

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.

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

See corrective action plan included in this report package.

Section II - Financial Statement Findings - continued

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 5 years have not been taken into consideration.

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
See corrective action plan included in this report package.

CITY OF READING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2019

Section III - Federal Award Findings and Questioned Costs

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
We recommend that the City put a procedure and control in place related to reports required by federal grants. The reports should be reviewed for accuracy and timeliness prior to submission, by an individual with knowledge of the grant program independent of the preparation of the report.

Management Response
See corrective action plan included in this report package.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2019

2018-001 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 the general and sewer fund. Specifically, there were three areas where material adjustments were required: (1) accurate accounts receivable accruals related to taxes receivable, (2) timely and accurate reconciliation of capital expenditures, and (3) 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. These adjustments include approximately $4,800,000 in earned income taxes accrued as accounts receivable, but relating to a future year, and over $55,000,000 in construction expenses not properly capitalized.

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.

CITY OF READING

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2019

2018-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF AUDIT - MATERIAL WEAKNESS - CONTINUED

Management Response

City management agrees with this finding. The City hired a Controller in August 2019. The Controller will review the City's real estate tax reconciliation for year end 2019 and propose year-end accruals to the extent necessary to fairly state the City's real estate tax revenue. As a result of procedural changes, the need for audit entries to record receivable accruals should be significantly reduced or eliminated. The City filled the position of Accounting Manager in March 2019. The Accounting Manager will monitor the activity on the related funds and will work in conjunction with the Capital Projects Manager and the City's Grant Writer to reconcile capital-related activity on a quarterly basis. The City filled the position of Project Accountant in September 2018. The Accounting Manager will monitor the sewer bank activity and ensure that the Project Accountant timely processes the corresponding Sewer Capital journal entries.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2019-001.

2018-002 DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT REPORTING NONCOMPLIANCE - SIGNIFICANT DEFICIENCY

Criteria

The Department of Community and Economic Development (DCED) requires that municipalities file several annual reports by stated deadlines, including: (1) Municipality Report of Elected and Appointed Officials (due January 31st); (2) Tax Information Form (due January 16th); and (3) Survey of Financial Condition (due March 31st).

Condition

The Survey of Financial Condition was not filed until April 2019 when the noncompliance was noted by the auditors.

Cause

Procedures and controls were not in place to ensure accurate or timely reporting of this form.

Effect

As a result of not submitting all three forms above timely, the City's 2019 liquid fuels remittance was delayed. Had the City received the funds timely, interest could have been earned on the money, thus generating additional funds for street projects.

Recommendation

We recommend that the City establish controls and procedures to ensure timely filing of this report. The procedure should include the assignment of filing the report to a specified individual and a review by a second individual prior to submission or a tracking mechanism to ensure all tasks are completed.

2018-002 DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT REPORTING NONCOMPLIANCE - SIGNIFICANT DEFICIENCY - CONTINUED

Management Response

City management agrees with this finding. In November 2019, the City Controller received in the mail, from the Commonwealth of Pennsylvania, Department of Community and Economic Development, a 'State-Wide Annual Mailing Information' packet that lists forms due in 2020 with their respective due dates. The 2019 Statement of Financial Condition (form DCED-CLGS-69) lists a due date of March 15th. The requirement to file this form has been added to the City's year-end task list for 2019 and will be assigned to a designated City employee.

Current Status of Corrective Action Plan

This finding has been resolved by management.

2018-003 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. The City pension office also reconciles and reports the accounts related to the police and fire deferred retirement option plan (DROP) programs.

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 31 individuals for whom gross pay reported did not agree to gross pay per the individual's 2018 Form W-2; (2) From a sample of 75 participants, tested, we noted 2 individuals for which certain time codes within the payroll software were set up as pensionable but should not have been, leading to the incorrect amount withheld from the employee; (3) From a sample of 75 participants, we noted 2 individuals for whom the City could not recalculate their pension eligible pay to support the amount withheld. In each of the situations above, the City properly reported the withholdings on the AG-385; however, the actual amount withheld did not agree to the collective bargaining agreements in place.

In relation to the DROP accounts, the City was not reconciling the daily activity within the accounts.

Cause

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. There are no standard procedures for reconciling DROP activity.

Effect

After the differences in gross pay reported were disclosed by the audit, management reviewed gross pay for each individual reported on the 2018 Form AG-385 and filed a revised report. An incorrect amount of pension contributions was being withheld from two individuals. The City was not properly reporting the pension asset balance with respect to DROP investments and activity.

2018-003 PENSION REPORTING - MATERIAL WEAKNESS - CONTINUED

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. Furthermore, the pension department should continue to check formulas in ADP to be sure proper payroll withholdings are being withheld from employees' pay. Activity within the DROP accounts should be reconciled to the general ledger at least quarterly.

Management Response

City management agrees with this finding. Upon preparation process review of the AG-385 pension report, accounting division, human resources division, and the city auditor's office implemented reconciliation processes to ensure correctness and timely filing of the report in question. DROP accounts daily activity will be monitored and reconciled by the Accounting Manager in conjunction with the Pension Coordinator and verify accuracy of payroll codes and withholding amounts. Additional training will be provided to enable pension personnel to perform the related duties with higher accuracy in a timely manner.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2019-002.

2018-004 PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) - SIGNIFICANT DEFICIENCY

Criteria

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires the auditee to prepare a complete and accurate SEFA.

Condition

The City does not have a process in place for centralized reporting of all federal grants that allows the finance office to prepare a SEFA containing all required information.

Cause

The City did provide a SEFA in the current year; however, material revisions were recorded to the SEFA to agree to current year grant activity. The City provided information relating to the federal programs including agreements and other supporting documentation. However, due to the decentralized nature of grant reporting in the City, and the inaccurately reporting of grants in the sewer fund and capital projects fund throughout the year, a complete SEFA was not able to be accurately prepared.

2018-004 PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) - SIGNIFICANT DEFICIENCY - CONTINUED

Effect
The SEFA was subsequently updated through further inquiry and documentation of awards received.

Recommendation
In order to be aware of all compliance requirements from the Federal Compliance Supplement and prepare a complete and accurate SEFA, management should have an awareness of all federal related grants applied for and received by the City. Once grants are approved, the CFDA numbers, grant award documentation, and any other relevant information should be forwarded to the finance office to properly compile the SEFA. Due to the decentralized nature of the grant reporting, we recommend the City designate an individual to be responsible for assembling the report. This individual should establish a timeframe for all City departments handling federal funds to assemble their information and submit it for inclusion in the SEFA.

Management Response
City management agrees with this finding. In order to centralize grant management functions, the City has implemented various processes to ensure the proper tracking of grant revenues received by all departments. All grant agreements will be saved electronically by the respective project manager in shared drive accessible by the accounting staff. In addition, a comprehensive project schedule will be maintained by the Accounting Manager that will display the corresponding accounting codes. These additional measures complemented with timely reconciliations will ensure the accurate preparation of the SEFA report.

Current Status of Corrective Action Plan
This finding has been resolved by management.

2018-005 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.

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

2018-005 INDIRECT COSTS - SIGNIFICANT DEFICIENCY - CONTINUED

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

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 report. The contract includes development and delivery of central services cost allocation plans that identify the various costs incurred by the Client to support and administer federal programs. The plans will contain determination of the allowable costs of providing each supporting services, 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.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2019-004.

2018-006 UNDERPAYMENT OF 2018 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 did not fully pay the MMO that was due to the police pension plan or the officers' and employees' pension plan for the year 2018, as required by Act 205 of 1984. The City had an unpaid MMO balance of $15,748 and $47,355, to each of the plans, respectively, for the year 2018.

2018-006 UNDERPAYMENT OF 2018 MINIMUM MUNICIPAL OBLIGATION - SIGNIFICANT DEFICIENCY - CONTINUED

Cause

Management failed to establish internal controls over the 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.

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. Due to the City's failure to fully pay the 2018 MMO by the December 31, 2018 deadline, the City must add the 2018 MMO unpaid balance to the current year's MMO and include interest, as required by Act 205 of 1984.

Recommendation

We recommend that a standard operating procedure related to the 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. Standardized procedures will be formulated in order to ensure accurate calculations of MMO and timely transfer of funds. The procedures will include the MMO calculation by the Accounting Manager and the verification calculation correctness by the Controller. In addition, the Controller will monitor that the transfers occurrence are completed as scheduled.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2019-003.

2018-007 GRANT REPORTING - MATERIAL WEAKNESS

Federal Program

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

Criteria

Various grants received by the City require periodic reporting to the grantor agency. To receive funds from PennVest, the City must submit a payment request form.

2018-007 GRANT REPORTING - MATERIAL WEAKNESS - CONTINUED

Condition

During 2018, several items 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 2018 were not timely submitted; (2) accurate reconciliations of expenses drawndown, agreeing to vendor support were not maintained; and (3) for one request form, ineligible expenses were submitted for drawdown. 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. Turnover in the project accountant and other positions also lead to non timely filing of reports.

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, an improper amount was requested for one of the engineering payment request forms, leading to the City requesting drawdown for expenditures that were not incurred. If ineligible expenses are drawn on the grant, the City risks having to repay the amounts with any interest or penalties.

Questioned Costs

Less than $25,000.

Context

Management was not aware of the delays in drawdowns or improper amount requested until they were identified during our audit.

Repeat Finding

Yes.

Recommendation

We recommend that the City put a procedure and control in place related to reports required by federal grants. The reports should be reviewed for accuracy and timeliness prior to submission, by an individual with knowledge of the grant program independent of the preparation of the report.

Management Response

City management agrees with this finding. Accounting management will improve oversight of the PennVest construction fund and will implement measures to ensure timely withdrawals. Monthly 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 monthly project reconciliations.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2019-005.

CITY OF READING

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2019

2018-008 SUBRECIPIENT MONITORING - SIGNIFICANT DEFICIENCY

Federal Program
Home Investment Partnership Program - 14.218, Contracts B14-MC-420013, B15-MC-420013, B16-MC-420013, B17-MC-420013, and B18-MC-420013

Criteria
Each entity that passes federal funds to a subrecipient must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward, per 2 CFR, Section 200.331(b).

Condition
The City does not perform and document a risk assessment for subrecipients under the HOME program. Instead, all subrecipients are considered high risk and monitoring is performed for all. The assessment is required by the program.

Cause
The City was not in compliance with the Uniform Grant Guidance requirements to perform a risk assessment on all subrecipients.

Effect
If a risk assessment was performed, the City may be able to be more efficient and effective in its monitoring of subrecipients.

Questioned Costs
None noted.

Context
Monitoring was performed for all subrecipients of the program.

Repeat Finding
No.

Recommendation
We understand that the City is currently working with a consultant to update procedures over subrecipient monitoring. We recommend that the City take steps to ensure the updated procedures include an element that addresses a risk assessment for all subrecipients of the program.

CITY OF READING

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2019

2018-008 SUBRECIPIENT MONITORING - SIGNIFICANT DEFICIENCY - CONTINUED

Management Response

City management agrees with this finding. Community Development management will perform biannual employee performance evaluation of CD staff in charge of administering Federal grants; evaluation must include the verification of critical tasks have been completed as well as other compliance. Cross training of CD staff in administering the various federal grants to gain familiarity of each grant's compliance deadlines and reporting.

Current Status of Corrective Action Plan

This finding has been resolved by management.

CITY OF READING, PENNSYLVANIA

815 WASHINGTON STREET
READING, PA 19601-3690

CORRECTIVE ACTION PLAN

December 31, 2019

U.S. Environmental Protection Agency

The City of Reading respectfully submits the following corrective action plan for the year ended December 31, 2019.

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

Audit period: December 31, 2019
Contact Name: Jamar Kelly, Director of Finance

The findings from the December 31, 2019 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

2019-001 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, (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 within the Accounting and Finance departments, as well as a general lack of accountability and oversight of certain positions 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 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.

Anticipated Completion Date - Ongoing

Section II - Financial Statement Findings - continued

2019-002 PENSION REPORTING - MATERIAL WEAKNESS

Condition

The information reported on the AG-385 report contained multiple discrepancies. Our audit testing noted the following items: (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.

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.

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.

Anticipated Completion Date - Ongoing

Section II - Financial Statement Findings - continued

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

Condition

The City revised the 2019 MMOs 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 MMOs to the pension plans. The monthly amount being transferred was calculated off a budget that did not agree to the final MMOs that were certified.

Recommendation

We recommend that a standard operating procedure related to the calculation and payment of the MMOs 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 MMOs 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.

Anticipated Completion Date - Ongoing

Section II - Financial Statement Findings - continued

2019-004 INDIRECT COSTS - SIGNIFICANT DEFICIENCY

Condition

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

Cause

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

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 services, 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, respectively. 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.

Anticipated Completion Date - December 31, 2021

CITY OF READING

CORRECTIVE ACTION PLAN

December 31, 2019

Section III – Federal Award Findings and Questioned Costs

2019-005 GRANT REPORTING – MATERIAL WEAKNESS

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

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 drawn down, 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.

Recommendation
We recommend that the City put a procedure and control in place related to reports required by federal grants. The reports should be reviewed for accuracy and timeliness prior to submission, by an individual with knowledge of the grant program independent of the preparation of the report.

Management Response
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.

Anticipated Completion Date – Ongoing

If there are any questions regarding this plan, please contact Michael R. Oppenheimer, City Controller, or Jamar Kelly, Director of Finance, for the City of Reading.

Sincerely,

Michael R. Oppenheimer
City Controller
City of Reading