Herbein
CPAs + Advisors

CITY OF READING

FINANCIAL AND COMPLIANCE AUDIT REPORT

Year Ended December 31, 2021

TABLE OF CONTENTS

Herbein + Company Inc.
2763 Century Boulevard
Reading, PA 19610
www.herbein.com I 610.378.1175

INDEPENDENT AUDITOR'S REPORT

Members of City Council
City of Reading, Pennsylvania
Reading, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above 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, 2021, 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.

We did not audit the financial statements of the Reading Area Water Authority, a component unit of the City of Reading, Pennsylvania, which represent 90%, 76%, and 99%, respectively, of the assets, net position, and revenues of the water fund as of December 31, 2021 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Reading, Pennsylvania and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Reading, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Reading, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Reading, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Distressed City - Financial Recovery Plan

As more fully discussed in Note 2 of the financial statements, as of December 31, 2021, the City was 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 was 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. Subsequent to year end, in July 2022, the City exited Act 47 status.

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 113 through 118 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reading, Pennsylvania's basic financial statements. The schedule of revenues and other financing sources - budgetary basis - general fund, schedule of expenditures and other financing uses - budgetary basis - general fund, and the combining nonmajor governmental funds, water funds, and fiduciary funds financial statements/schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The general fund budgetary basis schedules, the combining nonmajor governmental, water, and fiduciary funds financial statements/schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditor. In our opinion, based on our audit and the procedures performed as described previously, and the report of the other auditor, the general fund budgetary basis schedules, the combining nonmajor governmental, water, and fiduciary funds financial statements/schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, 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
September 26, 2022

815 WASHINGTON STREET
READING, PA 19601-3690

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2021

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, 2021. 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, 2021. This discussion focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

- The City's property tax millage was increased for 2021 for the first time in five years, to 18.129 mills from 17.689 mills, an increase of .44 mills, or 2.5%. 17.729 mills are for general purposes, .200 mills are for the Library system and .200 mills are for the City's Shade Tree fund.

- During 2021, the City's overall change in net position was $54.3 million. The net position (deficit) of governmental activities increased by $34.4 million and the net position of business-type activities increased by $19.9 million.

- During 2021, the City's general fund had an increase in fund balance of $6,363,150. The primary reason for the increase is because the City's Real Estate Transfer Tax (RTT) revenue exceeded its budget by $4.1 million.

- The City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2021 by $145.0 million. Of this amount, net position (deficit) of $(88.8 million) was from governmental activities, $(104.4 million) of which is unrestricted, and $233.8 million was from business-type activities, $168.7 million of which is unrestricted.

- Long-term liabilities decreased overall by $52.8 million, or 10.6%. Governmental activities long-term liabilities decreased by $37.7 million primarily because of principal payments of $5.7 million, decrease in net pension liability of $27.7 million, and decrease in OPEB liability of $2.2 million. Business-type activities long-term liabilities decreased by $15.1 million primarily because of principal payments made over net new borrowings of $11.6 million, decrease in net pension liability of $2.7 million, and decrease in OPEB liability of $.1 million.

- The City received $30,567,485 in American Rescue Plan Act (ARPA) funds in early 2021. The City created a new fund to account for this Federal award, which is reported as a major fund. Through the end of 2021, $3,000,000 of these funds were disbursed to one recipient.

- In 2021, management of the City has again elected to present the Grant Fund and the Capital Projects Fund as major funds. See Note 1.C. on page 38 for more information.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

There are two categories of activities for the primary government.

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

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

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

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

- Capitalize current outlays for capital assets

- Report long-term debt as a liability

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

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

- Allocate net position balances as follows:

    - Net investment in capital assets

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

  The City adopts an annual budget for the general, community development block grant, and capital projects, 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

Over time, net position may serve as a useful indicator of a government's financial position. The table below summarizes the City's net position at December 31, 2021 and 2020.

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

	Governmental Activities			Business-Type Activities			Total		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
Current & Other Assets	$ 123,241	$ 89,140	38.3%	$ 181,992	$ 190,697	-4.6%	$ 305,233	$ 279,837	9.1%
Capital Assets	62,700	52,475	19.5%	295,751	292,675	1.1%	358,451	345,150	3.9%
Total Assets	185,941	141,615	31.3%	477,743	483,372	-1.2%	663,684	624,987	6.2%
Deferred Outflows of Resources	23,150	32,288	-28.3%	9,270	5,898	57.2%	32,421	38,186	-15.1%
Current & Other Liabilities	48,765	15,562	213.4%	16,494	24,128	-31.6%	65,259	39,690	64.4%
Long-Term Liabilities	211,257	248,948	-15.1%	232,658	247,722	-6.1%	443,915	496,670	-10.6%
Total Liabilities	260,022	264,510	-1.7%	249,152	271,850	-8.3%	509,174	536,360	-5.1%
Deferred Inflows of Resources	37,875	32,635	16.1%	4,058	3,433	18.2%	41,934	36,068	16.3%
Net Position:									
Net Investment in Capital Assets	(4,968)	(17,783)	-72.1%	59,624	40,909	45.7%	54,656	23,126	136.3%
Restricted	20,594	20,924	-1.6%	5,512	8,513	-35.3%	26,106	29,437	-11.3%
Unrestricted	(104,432)	(126,383)	-17.4%	168,667	164,565	2.5%	64,235	38,182	68.2%
Total Net Position	$ (88,806)	$ (123,242)	-27.9%	$ 233,803	$ 213,987	9.3%	$ 144,997	$ 90,745	59.8%

The City's net investment in capital assets, net of the related debt outstanding used to acquire those assets, is $54.7 million, or 37.7% 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, $26.1 million or 18.0% represents resources subject to external restrictions. The unrestricted balance increased by $26.1 million from last year; the primary reasons for the overall increases are discussed in the sections for governmental activities and business-type activities.

The changes in long-term liabilities are described in the Financial Highlights section of the MD&A on page 4.

The following statement of activities represents changes in net position for the year ended December 31, 2021. 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		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
Revenues									
Program Revenues:									
Charges for services	$ 12,815	$ 10,774	18.9%	$ 80,253	$ 76,798	4.5%	$ 93,068	$ 87,572	6.3%
Operating Grants and Contributions	14,615	10,903	34.0%	161	246	-34.6%	14,776	11,149	32.5%
Capital Grants and Contributions	6,004	1,745	244.1%	-	-	0.0%	6,004	1,745	100.0%
General Revenues:									
Property Tax	26,194	24,367	7.5%	-	-	0.0%	26,194	24,367	7.5%
Act 511 Taxes	40,437	37,553	7.7%	-	-	0.0%	40,437	37,553	7.7%
Indirect Cost Allocation	1,741	1,741	0.0%	(1,741)	(1,741)	0.0%	-	-	0.0%
Other	1,725	1,283	34.5%	(464)	958	-148.4%	1,261	2,241	-43.7%
Total Revenues	103,531	88,366	17.2%	78,209	76,261	2.6%	181,740	164,627	10.4%
Expenses									
General Government	11,123	9,155	21.5%	-	-	0.0%	11,123	9,155	21.5%
Public Safety	48,909	54,763	-10.7%	-	-	0.0%	48,909	54,763	-10.7%
Public Works - Highway and Streets	1,334	1,454	-8.3%	-	-	0.0%	1,334	1,454	-8.3%
Public Works - Other	5,769	5,615	2.7%	-	-	0.0%	5,769	5,615	2.7%
Community Development	8,409	7,313	15.0%	-	-	0.0%	8,409	7,313	15.0%
Culture and Recreation	1,708	1,808	-5.5%	-	-	0.0%	1,708	1,808	-5.5%
Other (employee benefits)	449	935	-52.0%	-	-	0.0%	449	935	-52.0%
Debt Service - Interest	4,711	4,821	-2.3%	-	-	0.0%	4,711	4,821	-2.3%
Water	-	-	0.0%	21,552	21,517	0.2%	21,552	21,517	0.2%
Sewer	-	-	0.0%	17,232	17,948	-4.0%	17,232	17,948	-4.0%
Solid Waste	-	-	0.0%	6,292	5,044	24.7%	6,292	5,044	24.7%
Total Expenses	82,412	85,864	-4.0%	45,076	44,509	1.3%	127,488	130,373	-2.2%
Excess of revenues over expenses before transfers	21,119	2,502	744.1%	33,133	31,752	4.3%	54,252	34,254	58.4%
Transfers	13,317	15,554	-14.4%	(13,317)	(15,554)	-14.4%	-	-	0.0%
Increase in net position	34,436	18,056	90.7%	19,816	16,198	22.3%	54,252	34,254	58.4%
Net Position (Deficit) - Beginning of Year	(123,242)	(141,298)	-12.8%	213,987	197,789	8.2%	90,745	56,491	60.6%
Net Position (Deficit) - End of Year	$ (88,806)	$ (123,242)	-27.9%	$ 233,803	$ 213,987	9.3%	$ 144,997	$ 90,745	59.8%

During 2021, the City's governmental activities net position (deficit) increased by $34.4 million, from $(123.2 million) to $(88.8 million). Total governmental activities revenues increased by $15.0 million, from $88.3 million to $103.3 million. Charges for services increased by $2.0 million mostly because of increased user fees for citizens' ambulance trips, $1.1 million, and CD program income, $.2 million. Operating and capital grants and contributions combined were $8.0 million more than last year largely because of timing of expenditures of operating and capital grants from year to year, most notably increased US HUD spending and ARPA spending from last year of $2.4 million and $3.0 million, respectively, plus approximately $2.0 million spent on River Road extension construction this year.

Expenses for governmental activities decreased $3.6 million, or 4.2%. The expenses cover a range of services, the largest being public safety. Public safety (police, fire, and EMS) expense decreased by $5.8 million, or 10.7%, mostly because of the net effect of an increase in salaries and overtime, $3.1 million, offset by a decrease to pension and other postemployment benefit expense of $8.9 million. General government expense increased by $2.0 million, or 21.5%, primarily because of the ARPA grant to the convention center of $3.0 million.

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 2021, real estate and Act 511 taxes totaled $66.6 million. Table 4 depicts the net program expenses for the years ended December 31, 2021 and 2020.

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

	Total Cost of Services		%	Net (Expense)/Revenue Generated		2021
	2021	2020	Change	2021	2020	Surplus/(Deficit)
Expenses						
General Government	$ 11,123	$ 9,155	21.5%	$ (3,866)	$ (2,414)	(Deficit)
Public Safety	48,909	54,763	(10.7)%	(38,253)	(45,908)	(Deficit)
Public Works - Highway and Streets	1,334	1,454	(8.3)%	824	1,701	Surplus
Public Works - Other	5,769	5,615	2.7%	(1,956)	(5,327)	(Deficit)
Community Development	8,409	7,313	12.4%	1,809	(2,157)	Surplus
Culture and Recreation	1,708	1,808	(5.5)%	(635)	(840)	(Deficit)
Other (employee benefits)	449	935	(52.0)%	(449)	(935)	(Deficit)
Debt Service - interest	4,711	4,821	(2.3)%	(4,711)	(4,821)	(Deficit)
Total Expenses	$ 82,412	$ 85,864	(4.2)%	$ (47,237)	$ (60,701)	

The City relied on real estate tax, Act 511 taxes, and other general revenues to fund 83.1% of its governmental activities in 2021.

Revenues of the City's business-type activities (see Table 3) increased by .3% ($78.2 million in 2021 compared to $78.0 million in 2020). Included within total revenues are other revenues, composed of investment earnings and miscellaneous income, of $(.5 million) in 2021 and $1.0 million in 2020. Expenses decreased by 2.5% ($45.1 million in 2021 compared with $46.3 million in 2020).

During 2021, the City's business-type activities net position increased by $19.8 million, from $214.0 million to $233.8 million. Total business-type activities revenues increased by $.2 million, from $78.0 million to $78.2 million.

Expenses for business-type activities decreased $1.2 million, or 2.5%. The expenses cover providing services to the City's water, sewer, and solid waste customers. Solid Waste fund expenses increased by $1.2 million, or 24.7%; most of the increase resulted from substantial increases from the City's trash and recycling providers, such increases were passed on to the individual customers.

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 Revenue Generated		2021 Surplus/
	2021	2020	Change	2021	2020	(Deficit)
Business-Type Activities:						
Water	$ 21,552	$ 21,517	.2%	$ 11,835	$ 11,751	Surplus
Sewer	17,232	17,948	(4.0)%	21,081	18,066	Surplus
Solid Waste	6,292	5,044	24.7%	681	978	Surplus
Total Expenses	$ 45,076	$ 44,509	1.3%	$ 33,597	$ 30,795	

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, 2021 and 2020 were as follows. Table 6 also presents changes from 2020 to 2021.

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

	2021	2020	Change	Percent Change
Real Estate Taxes	$ 26,671	$ 24,605	$ 2,066	8.4%
Earned Income Tax	27,909	27,184	725	2.7%
Other Taxes	12,325	10,143	2,182	21.5%
Licenses, Permits, Fines	4,811	4,292	519	12.1%
Intergovernmental	20,797	12,727	8,070	63.4%
Charges for Services	8,563	6,620	1,943	29.4%
Interest and Rent	2,093	1,282	811	63.3%
Other	3,539	3,426	113	3.3%
Total Revenue	$ 106,708	$ 90,279	$ 16,429	18.2%

Governmental fund revenues totaled $106.7 million for the year ended December 31, 2021. This is an increase of $16.4 million from 2020. The overall increase is primarily due to increase in earned income tax revenue of $.7 million, an increase in real estate transfer tax of $2.2 million, increase in property tax revenue of $1.6 million and an increase in operating and capital grants and contributions of $8.0 million.

Governmental Fund Expenditures

Governmental fund expenditures by function for the years ended December 31, 2021 and 2020 were as follows. Table 7 also presents changes from 2020 to 2021.

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

	2021	2020	Change	Percent Change
General Government	$ 10,615	$ 8,609	$ 2,006	23.3%
Public Safety	62,733	58,482	4,251	7.3%
Public Works - Highways & Streets	7,848	5,368	2,480	46.2%
Public Works - Other	9,455	6,481	2,974	45.9%
Community Development	9,988	7,829	2,159	27.6%
Culture and Recreation	1,169	1,260	(91)	(7.2)%
Other (Employee Benefits)	2,850	3,301	(451)	(13.7)%
Debt Service - Principal	5,622	6,285	(663)	(10.5)%
Debt Service - Interest	3,761	4,580	(819)	(17.9)%
Total Expenditures	$ 114,041	$ 102,195	$ 11,846	11.6%

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

Governmental fund expenditures totaled $114.0 million for the year ended December 31, 2021, an increase of 11.6% from 2020.

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

Table 8 reflects ending fund balances (deficit) for governmental funds and the net position for enterprise funds at December 31, 2021 and 2020.

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

	2021		2020	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General	$ 41,333	$ -	$ 34,970	$ -
Community Development	2,232	-	1,868	-
Grant Fund	634	-	595	-
Nonmajor governmental	4,932	-	6,343	-
Capital Projects	17,447	-	16,817	-
Water	-	23,405	-	22,324
Sewer	-	204,261	-	186,084
Solid Waste	-	6,137	-	5,579
Total	$ 66,578	$ 233,803	$ 60,593	$ 213,987

The City's governmental funds reported a combined fund balance of $66.6 million at December 31, 2021. Of the total, $17.4 million is for capital projects and acquisitions, $5.0 million is restricted for liquid fuels, $2.9 million is restricted for certain purposes, $2.0 million is assigned for various projects, $3.0 million is assigned for health insurance reserve and $2.6 million is assigned for the 2022 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.

The local economy was strong in 2021 generating favorable results compared to budget in earned income taxes and other taxes.

Capital Assets

The City's investment in capital assets at December 31, 2021, net of accumulated depreciation, was $358.5 million. Capital assets consist of land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. Table 9 is a summary of capital assets at December 31, 2021 and 2020.

Table 9
Capital Assets at December 31, 2021 and 2020
(Amounts expressed in thousands)

	Governmental Activities		Business - Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 2,348	$ 2,348	$ 2,136	$ 2,104	$ 4,484	$ 4,452
Construction in Progress	16,435	6,240	189,990	181,529	206,425	187,769
Buildings	10,550	12,990	7,779	8,711	18,329	21,701
Improvements	20,765	19,768	86,475	90,889	107,240	110,657
Machinery and Equipment	10,836	9,281	9,371	9,442	20,207	18,723
Infrastructure	1,766	1,848	-	-	1,766	1,848
Total	$ 62,700	$ 52,475	$295,751	$292,675	$358,451	$ 345,150

Major capital asset acquisitions during the year include the following:

Governmental activities:

- Various projects that remain to be completed and are included in construction in progress, including River Road extension, $2.6 million increase, fire department apparatus, Schlegel Pool $1.0 million increase and city-wide handicapped ramps on sidewalks $500,000 increase, street paving $2.7 million, 9th & Marion fire station $700,000 increase, streetlights LED upgrade, $333,000
- Police department network upgrade, $380,000
- Police department training simulator, $69,000
- 10 police vehicles with upfits, $411,000
- Fire department monitors, defibrillators, and related equipment, $399,000
- Leaf collection equipment, $138,000
- New ambulance, $180,000
- Two fire trucks, Pierce Enforcer pumpers, $1,290,000

Business-type activities:

- Ongoing construction of the new wastewater treatment plant, $8.6 million

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

Debt Administration

Noncurrent Liabilities

At December 31, 2021, the City's governmental activities had $211.3 million of noncurrent liabilities outstanding, including bonds, notes, capital leases, compensated absences and liabilities for pension and other postemployment benefits. The City's business-type activities had $232.7 million of noncurrent liabilities outstanding. Repayments on long-term debt including bonds/notes/leases payable in 2021 was $5.6 million and $12.5 million for governmental and business-type activities, respectively. New proceeds related to the sewer treatment plant upgrades. Table 10 provides a summary of outstanding debt.

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

	Governmental Activities	Business-Type Activities
Bonds/Notes/Leases Payable, net	$ 100,924	$ 231,290
Net Pension Liability	45,864	436
Other Postemployment Benefits	63,085	932
Compensated Absences	1,384	-
	$ 211,257	$ 232,658

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, 2021 was approximately $445 million, and the total debt outstanding was $276 million, which is below the legal debt limit. The City's net non-electoral and lease rental debt limit at December 31, 2021 was approximately $623 million and the total debt outstanding was $367 million.

Bond Rating

The City's debt rating was BBB+ (negative outlook) by S&P as of December 31, 2021. 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 2022 General Fund budget, adopted in December 2021, including balances and transfers, is $95.4 million. The 2022 adopted General Fund budget represents a significant $3.0 million or 3.2% increase from the 2021 adopted budget of $92.4 million, in response to post-COVID-19 pandemic. The 2022 General Fund adopted budget includes the use of fund balance of $2.6 million. For 2022, the property tax millage rate was unchanged from 2021, 18.129 mills.

In early 2022, the City received its second and final ARPA allocation of $30,567,485.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michael R. Oppenheimer, City Controller; Deputy Finance Director at (610) 655-2583. Written inquiries may be made to City of Reading, Finance Department Room 2-41, 815 Washington Street, Reading, PA 19601.

CITY OF READING

STATEMENT OF NET POSITION

December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Reading Parking Authority	Reading Redevelopment Authority
ASSETS					
Cash	$ 81,214,814	$ 106,713,793	$ 187,928,607	$ 2,806,871	$ 619,139
Investments	20,484,364	55,849,442	76,333,806	-	-
Accounts receivable, net	2,437,682	10,490,875	12,928,557	1,218,158	4,958
Taxes receivable, net	6,260,361	-	6,260,361	-	-
Internal balances	508,648	(508,648)	-	-	-
Intergovernmental receivables	1,969,169	5,866,489	7,835,658	-	-
Lease rental receivable due within one year	224,000	-	224,000	-	-
Inventory	-	146,694	146,694	-	-
Other current assets	146,382	-	146,382	99,429	30,261
Restricted cash and investments	928,118	2,583,576	3,511,694	12,865,172	-
Capital assets not being depreciated	18,783,485	192,125,571	210,909,056	7,758,908	-
Capital assets, net of accumulated depreciation	43,916,466	103,625,313	147,541,779	27,139,668	-
Other noncurrent assets:					
Lease rental receivable	1,297,000	-	1,297,000	-	-
Loans receivable, net	282,315	-	282,315	-	-
Notes receivable, net	7,488,172	-	7,488,172	-	-
Property held for redevelopment	-	-	-	-	475,181
Leased land rights	-	849,525	849,525	-	-
TOTAL ASSETS	185,940,976	477,742,630	663,683,606	51,888,206	1,129,539
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on bond refunding	10,616,819	8,187,531	18,804,350	13,135	-
Deferred outflows of resources for pension	6,949,039	957,754	7,906,793	-	-
Deferred outflows of resources for other postemployment benefits	5,584,583	125,590	5,710,173	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,150,441	9,270,875	32,421,316	13,135	-
LIABILITIES					
Accounts payable	9,400,802	993,048	10,393,850	953,452	5,325
Accounts payable - capital	-	1,506,561	1,506,561	-	-
Accrued interest	611,978	182,632	794,610	40,351	-
Accrued claims	1,743,791	-	1,743,791	-	-
Unearned revenue	29,134,995	-	29,134,995	111,477	-
Other current liabilities	106,341	787,261	893,602	207,135	-
Long-term debt due within one year	7,766,793	13,025,168	20,791,961	1,554,750	-
Noncurrent liabilities:					
Notes and bonds payable, net	100,924,196	231,289,470	332,213,666	26,887,920	-
Other liabilities	-	-	-	67,871	-
Compensated absences	1,384,173	-	1,384,173	-	-
Net pension liability	45,864,077	436,345	46,300,422	-	-
Other postemployment benefits liability	63,084,976	931,863	64,016,839	-	-
TOTAL LIABILITIES	260,022,122	249,152,348	509,174,470	29,822,956	5,325
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources for pension	33,801,027	4,022,992	37,824,019	-	-
Deferred inflows of resources for other postemployment benefits	4,074,487	35,273	4,109,760	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	37,875,514	4,058,265	41,933,779	-	-
NET POSITION					
Net investment in capital assets	(4,968,219)	59,623,777	54,655,558	6,469,041	-
Restricted	20,594,113	5,511,972	26,106,085	12,865,172	-
Unrestricted (deficit)	(104,432,113)	168,667,143	64,235,030	2,744,172	1,124,214
TOTAL NET POSITION (DEFICIT)	$ (88,806,219)	$ 233,802,892	$ 144,996,673	$ 22,078,385	$ 1,124,214

CITY OF READING

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

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	$ 11,123,403	$ (1,759,016)	$ 4,865,296	$ 633,074	$ -	$ (3,866,017)	$ -	$ (3,866,017)	$ -	$ -
Public safety:										
Police	29,780,362	-	1,201,881	3,261,434	-	(25,317,047)	-	(25,317,047)	-	-
Fire	14,228,728	-	415,932	1,253,962	757,087	(11,801,747)	-	(11,801,747)	-	-
Emergency medical services	4,900,012	-	3,400,171	365,068	-	(1,134,773)	-	(1,134,773)	-	-
Public works - highways and streets	1,333,611	-	154,168	1,865,348	137,886	823,791	-	823,791	-	-
Public works - other	5,769,458	-	232,605	135,372	3,444,973	(1,956,508)	-	(1,956,508)	-	-
Community development	8,409,069	17,796	2,251,736	6,321,231	1,663,679	1,809,781	-	1,809,781	-	-
Culture and recreation	1,708,194	-	293,471	779,596	-	(635,127)	-	(635,127)	-	-
Other (employee benefits)	448,684	-	-	-	-	(448,684)	-	(448,684)	-	-
Debt service - interest	4,710,568	-	-	-	-	(4,710,568)	-	(4,710,568)	-	-
Total governmental activities	82,412,089	(1,741,220)	12,815,260	14,615,085	6,003,625	(47,236,899)	-	(47,236,899)	-	-
Business-type activities:										
Water	21,551,575	128,372	33,515,089	-	-	-	11,835,142	11,835,142	-	-
Sewer	17,232,438	1,226,236	39,539,502	-	-	-	21,080,828	21,080,828	-	-
Solid waste	6,292,115	386,612	7,198,490	161,239	-	-	681,002	681,002	-	-
Total business-type activities	45,076,128	1,741,220	80,253,081	161,239	-	-	33,596,972	33,596,972	-	-
Total Primary Government	$ 127,488,217	$ -	$ 93,068,341	$ 14,776,324	$ 6,003,625	(47,236,899)	33,596,972	(13,639,927)	-	-
Component Units										
Reading Parking Authority	$ 9,556,836	$ -	$ 11,439,752	$ -	$ -	-	-	-	1,882,916	-
Reading Redevelopment Authority	621,128	-	31,083	386,149	-	-	-	-	-	(203,896)
Total Component Units	$ 10,177,964	$ -	$ 11,470,835	$ 386,149	$ -	-	-	-	1,882,916	(203,896)
General Revenues										
Taxes:										
Property taxes						26,193,997	-	26,193,997	-	-
Earned income taxes						27,908,804	-	27,908,804	-	-
Other taxes						12,528,018	-	12,528,018	-	-
Investment earnings						47,199	106,036	153,235	22,893	151
Miscellaneous income (expense)						1,676,641	(569,577)	1,107,064	(153)	-
Transfers - internal activities						13,317,462	(13,317,462)	-	-	-
Total General Revenues and Transfers						81,672,121	(13,781,003)	67,891,118	22,740	151
Change in Net Position						34,435,222	19,815,969	54,251,191	1,905,656	(203,745)
Net Position (Deficit) - Beginning of Year						(123,241,441)	213,986,923	90,745,482	20,172,729	1,327,959
Net Position (Deficit) - End of year						$ (88,806,219)	$ 233,802,892	$ 144,996,673	$ 22,078,385	$ 1,124,214

See accompanying notes to the financial statements.

CITY OF READING

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General	Community Development	Grant Fund	American Rescue Plan	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash	$ 20,027,781	$ 3,089,112	$ 1,920,796	$ 27,567,485	$ 19,239,764	$ 7,131,016	$ 78,975,954
Restricted cash	-	-	928,118	-	-	-	928,118
Investments	16,967,236	-	48,568	-	-	-	17,015,804
Accounts receivable	2,324,160	55,997	-	-	-	-	2,380,157
Taxes receivable, net	6,532,704	-	-	-	-	53,164	6,585,868
Interfund receivables	1,385,461	350,364	210,436	-	274,855	-	2,221,116
Intergovernmental receivable	248	604,301	1,364,620	-	-	-	1,969,169
Lease rental receivable	1,521,000	-	-	-	-	-	1,521,000
Loans receivable	282,315	-	-	-	-	-	282,315
Prepaid expenses	146,382	-	-	-	-	-	146,382
TOTAL ASSETS	$ 49,187,287	$ 4,099,774	$ 4,472,538	$ 27,567,485	$ 19,514,619	$ 7,184,180	$ 112,025,883
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 2,068,449	$ 453,434	$ 2,642,522	$ -	$ 1,957,991	$ 2,120,235	$ 9,242,631
Interfund payables	429,147	12,670	1,030,420	-	109,748	81,700	1,663,685
Unearned revenue	-	1,401,714	165,796	27,567,485	-	-	29,134,995
Other liabilities	106,341	-	-	-	-	-	106,341
TOTAL LIABILITIES	2,603,937	1,867,818	3,838,738	27,567,485	2,067,739	2,201,935	40,147,652
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue:							
Property taxes	3,205,356	-	-	-	-	49,707	3,255,063
Other	524,102	-	-	-	-	-	524,102
Lease rental receivable	1,521,000	-	-	-	-	-	1,521,000
TOTAL DEFERRED INFLOWS OF RESOURCES	5,250,458	-	-	-	-	49,707	5,300,165
FUND BALANCES							
Restricted for:							
Community development	-	2,231,956	-	-	-	-	2,231,956
Donor or regulatory restricted	-	-	633,800	-	-	-	633,800
Liquid fuels	-	-	-	-	-	4,992,352	4,992,352
Capital projects	-	-	-	-	10,546,880	-	10,546,880
Committed	219,323	-	-	-	6,900,000	-	7,119,323
Assigned for:							
Budget appropriations	2,568,551	-	-	-	-	-	2,568,551
Demolition	1,000,000	-	-	-	-	-	1,000,000
Property acquisition	1,000,000	-	-	-	-	-	1,000,000
Health insurance reserve	3,000,000	-	-	-	-	-	3,000,000
Unassigned	33,545,018	-	-	-	-	(59,814)	33,485,204
TOTAL FUND BALANCES	41,332,892	2,231,956	633,800	-	17,446,880	4,932,538	66,578,066
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 49,187,287	$ 4,099,774	$ 4,472,538	$ 27,567,485	$ 19,514,619	$ 7,184,180	$ 112,025,883

CITY OF READING

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

December 31, 2021

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 66,578,066
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 $134,371,016 and the accumulated depreciation is $71,671,065.		62,699,951
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and ,therefore, are reported as unavailable revenue in the funds.		3,255,063
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.		12,194,045
Establish allowance for doubtful accounts - property taxes receivable ($325,506) and other long-term asset receivables ($2,660,771).		(2,986,277)
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	$ (107,783,690)	
Accrued interest	(611,978)	
Unamortized bond discount	248,162	
Unamortized bond premium	(1,155,461)	
Deferred charge on bond refunding	10,616,819	
Compensated absences	(1,384,173)	(100,070,321)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(72,716,065)
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.		(61,574,880)
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.		3,814,199
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (88,806,219)

CITY OF READING

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

Year Ended December 31, 2021

	General	Community Development	Grant Fund	American Rescue Plan	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Real estate taxes	$ 26,376,244	$ -	$ -	$ -	$ -	$ 294,527	$ 26,670,771
Earned income taxes	21,139,108	-	-		6,769,696	-	27,908,804
Other taxes	12,325,563	-	-	-	-	-	12,325,563
Licenses, permits, and fines	4,811,384	-	-	-	-	-	4,811,384
Intergovernmental	5,921,501	4,443,668	5,455,374	3,000,000	-	1,976,408	20,796,951
Charges for services	7,701,433	861,246	-	-	-	-	8,562,679
Interest and rent	2,069,936	387	-	-	18,160	4,485	2,092,968
Other	3,528,993	-	2,500	-	-	7,622	3,539,115
TOTAL REVENUES	83,874,162	5,305,301	5,457,874	3,000,000	6,787,856	2,283,042	106,708,235
EXPENDITURES							
Current:							
General government	6,880,090	-	11,448	3,000,000	723,337	-	10,614,875
Public safety:							
Police	37,505,115	-	582,001	-	1,102,046	-	39,189,162
Fire	15,673,025	-	1,067,693	-	1,019,806	-	17,760,524
Emergency medical services	5,783,872	-	-	-	-	-	5,783,872
Public works - highways and streets	1,208,281	-	-	-	3,296,444	3,343,141	7,847,866
Public works - other	5,962,535	-	3,492,168	-	-	-	9,454,703
Community development	4,724,841	4,941,192	305,941	-	16,495	-	9,988,469
Culture and recreation	817,395	-	-	-	-	351,125	1,168,520
Other (employee benefits, debt issuance costs)	2,850,091	-	190	-	-	-	2,850,281
Debt service - principal	5,621,630	-	-	-	-	-	5,621,630
Debt service - interest	3,760,965	-	-	-	-	-	3,760,965
TOTAL EXPENDITURES	90,787,840	4,941,192	5,459,441	3,000,000	6,158,128	3,694,266	114,040,867
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(6,913,678)	364,109	(1,567)	-	629,728	(1,411,224)	(7,332,632)
OTHER FINANCING SOURCES (USES)							
Transfers in - lease payments	10,475,098	-	-	-	-	-	10,475,098
Transfers in	3,000,000	-	40,634	-	-	-	3,040,634
Transfers out	(198,270)	-	-	-	-	-	(198,270)
TOTAL OTHER FINANCING SOURCES (USES)	13,276,828	-	40,634	-	-	-	13,317,462
NET CHANGE IN FUND BALANCES	6,363,150	364,109	39,067	-	629,728	(1,411,224)	5,984,830
FUND BALANCES - BEGINNING OF YEAR	34,969,742	1,867,847	594,733	-	16,817,152	6,343,762	60,593,236
FUND BALANCES - END OF YEAR	$ 41,332,892	$ 2,231,956	$ 633,800	$ -	$ 17,446,880	$ 4,932,538	$ 66,578,066

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, 2021

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 5,984,830
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	$ 14,269,402	
Less: loss on disposal of assets	(79,660)	
Less: depreciation expense	(3,964,419)	10,225,323
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(2,576,885)
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.		
Repayment of bond/note principal	5,621,630	
Amortization of bond discount	(21,241)	
Amortization of bond premium	141,737	
Amortization of deferred charge on bond refunding	(999,980)	4,742,146
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.		(70,119)
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	(106,047)	
Net pension liability and related deferred outflows and inflows	16,074,205	
OPEB liability and related deferred outflows and inflows	455,964	16,424,122
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.		(294,195)
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 34,435,222

CITY OF READING

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

Year Ended December 31, 2021

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash	$ 17,956,301	$ 83,583,867	$ 5,173,625	$ 106,713,793	$ 2,238,860
Investments	119,763	55,729,679	-	55,849,442	3,468,560
Accounts receivable, net of allowance of $7,393,008	5,023,156	4,150,394	1,317,325	10,490,875	57,525
Interfund receivables	2,663	-	21,239	23,902	120,000
Intergovernmental receivables	-	5,866,489	-	5,866,489	-
Inventory	146,694	-	-	146,694	-
Total current assets	23,248,577	149,330,429	6,512,189	179,091,195	5,884,945
Restricted assets:					
Cash and investments	2,583,576	-	-	2,583,576	-
Noncurrent assets:					
Capital assets not being depreciated	2,173,724	189,951,847	-	192,125,571	-
Capital assets, net of accumulated depreciation	68,260,051	35,022,059	343,203	103,625,313	-
Total capital assets, net	70,433,775	224,973,906	343,203	295,750,884	-
Rights to leased land	849,525	-	-	849,525	-
Total noncurrent assets	71,283,300	224,973,906	343,203	296,600,409	-
TOTAL ASSETS	97,115,453	374,304,335	6,855,392	478,275,180	5,884,945
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on bond refunding	5,502,582	2,684,949	-	8,187,531	-
Deferred outflows of resources for pension	178,602	631,438	147,714	957,754	-
Deferred outflows of resources for other postemployment benefits	5,633	114,050	5,907	125,590	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,686,817	3,430,437	153,621	9,270,875	-

CITY OF READING

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2021

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	84,583	450,581	457,884	993,048	158,172
Accounts payable - capital	-	1,506,561	-	1,506,561	-
Interfund payables	484,907	42,063	5,580	532,550	168,783
Accrued interest	182,632	-	-	182,632	-
Accrued payroll and compensated absences	700,950	-	-	700,950	-
Accrued claims	-	-	-	-	1,743,791
Escrow deposits	74,811	11,500	-	86,311	-
Current portion notes and bonds payable	4,215,513	8,809,655	-	13,025,168	-
Total current liabilities	5,743,396	10,820,360	463,464	17,027,220	2,070,746
Noncurrent liabilities:					
Notes and bonds payable, net	72,660,326	158,629,144	-	231,289,470	-
Net pension liability	102,636	304,925	28,784	436,345	-
Other postemployment benefits liability	59,141	847,203	25,519	931,863	-
Total noncurrent liabilities	72,822,103	159,781,272	54,303	232,657,678	-
TOTAL LIABILITIES	78,565,499	170,601,632	517,767	249,684,898	2,070,746
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources for pension	796,542	2,871,633	354,817	4,022,992	-
Deferred inflows of resources for other postemployment benefit liabilities	35,273	-	-	35,273	-
TOTAL DEFERRED INFLOWS OF RESOURCES	831,815	2,871,633	354,817	4,058,265	-
NET POSITION					
Net investment in capital assets	(939,482)	60,220,056	343,203	59,623,777	-
Restricted for debt service	2,511,972	-	-	2,511,972	-
Restricted for other	-	-	3,000,000	3,000,000	2,189,125
Unrestricted net position	21,832,466	144,041,451	2,793,226	168,667,143	1,625,074
TOTAL NET POSITION	$ 23,404,956	$ 204,261,507	$ 6,136,429	$ 233,802,892	$ 3,814,199

CITY OF READING

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

Year Ended December 31, 2021

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 33,002,946	$ 39,539,502	$ 7,198,490	$ 79,740,938	$ 3,275,163
Other	512,143	-	-	512,143	252,611
TOTAL OPERATING REVENUES	33,515,089	39,539,502	7,198,490	80,253,081	3,527,774
OPERATING EXPENSES					
Personnel	6,426,792	6,056,681	651,429	13,134,902	78,691
Depreciation and amortization	5,092,208	3,489,363	75,943	8,657,514	-
Risk management	65,800	624,160	262,810	952,770	-
Contracted services	1,038,313	359,238	5,003,104	6,400,655	-
Chemicals and supplies	1,197,734	418,304	-	1,616,038	-
Utilities	644,695	765,978	-	1,410,673	-
Claims incurred	-	-	-	-	2,328,831
Administrative expenses	-	-	-	-	1,409,117
Other	4,831,658	4,012,233	685,441	9,529,332	-
TOTAL OPERATING EXPENSES	19,297,200	15,725,957	6,678,727	41,701,884	3,816,639
OPERATING INCOME (LOSS)	14,217,889	23,813,545	519,763	38,551,197	(288,865)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	-	-	161,239	161,239	-
Interest income	15,684	90,352	-	106,036	(5,330)
Loss on sale of equipment	(50,548)	(6,481)	-	(57,029)	-
Other	(525,508)	12,960	-	(512,548)	-
Gain (loss) on sale of solid waste accounts receivable	123,405	-	(123,405)	-	-
Interest expense	(2,382,747)	(2,732,717)	-	(5,115,464)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,819,714)	(2,635,886)	37,834	(5,417,766)	(5,330)
INCOME (LOSS) BEFORE TRANSFERS	11,398,175	21,177,659	557,597	33,133,431	(294,195)
Transfers in	157,636	-	-	157,636	-
Transfers out - lease payments	(10,475,098)	-	-	(10,475,098)	-
Transfers out	-	(3,000,000)	-	(3,000,000)	-
CHANGE IN NET POSITION	1,080,713	18,177,659	557,597	19,815,969	(294,195)
NET POSITION - BEGINNING OF YEAR	22,324,243	186,083,848	5,578,832	213,986,923	4,108,394
NET POSITION - END OF YEAR	$ 23,404,956	$ 204,261,507	$ 6,136,429	$ 233,802,892	$ 3,814,199

CITY OF READING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2021

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 33,720,519	$ 38,758,555	$ 6,911,848	$ 79,390,922	$ 195,543
Receipts from interfund charges	-	-	-	-	3,275,163
Payments to employees	(6,693,918)	(7,129,260)	(833,620)	(14,656,798)	(78,691)
Payments to suppliers for goods and services	(8,137,257)	(6,216,687)	(5,731,030)	(20,084,974)	(3,242,891)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,889,344	25,412,608	347,198	44,649,150	149,124
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenue	-	-	161,239	161,239	-
Nonoperating revenues/expenses, net	(525,508)	12,960	-	(512,548)	-
Gain (loss) on sale of receivables	123,405	-	(123,405)	-	-
Transfers out, net	(10,317,462)	(3,000,000)	-	(13,317,462)	-
NET CASH (USED FOR) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(10,719,565)	(2,987,040)	37,834	(13,668,771)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital asset disposals	-	7,500	-	7,500	-
Proceeds from issuance of long-term debt	-	6,541,112	-	6,541,112	-
Decrease in escrow deposits, net	(251,758)	-	-	(251,758)	-
Interest paid on debt	(2,341,828)	(2,634,681)	-	(4,976,509)	-
Acquisition and construction of capital assets	(2,095,381)	(17,314,223)	-	(19,409,604)	-
Principal payments of notes and bonds	(3,937,449)	(8,543,389)	-	(12,480,838)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(8,626,416)	(21,943,681)	-	(30,570,097)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	15,684	90,352	-	106,036	(5,330)
Net (purchase) redemption of investments	(111)	(28,604)	-	(28,715)	5,330
NET CASH PROVIDED BY INVESTING ACTIVITIES	15,573	61,748	-	77,321	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(441,064)	543,635	385,032	487,603	149,124
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR - RESTATED	20,980,941	83,040,232	4,788,593	108,809,766	2,089,736
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 20,539,877	$ 83,583,867	$ 5,173,625	$ 109,297,369	$ 2,238,860

CITY OF READING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2021

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Nonmajor Fund (Solid Waste)	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	$ 14,217,889	$ 23,813,545	$ 519,763	$ 38,551,197	$ (288,865)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	5,092,208	3,489,363	75,943	8,657,514	-
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:					
Accounts receivable	217,100	(294,517)	(286,642)	(364,059)	(57,068)
Interfund receivables	-	176,464	95,151	271,615	-
Intergovernmental receivables	-	(486,430)	-	(486,430)	-
Inventory	(32,111)	-	-	(32,111)	-
Prepaid expenses	-	-	-	-	15,457
Deferred outflows of resources for pension	141,458	434,431	41,009	616,898	-
Deferred outflows of resources for other postemployment benefits	1,881	55,182	2,532	59,595	-
Accounts payable	(188,724)	(266,801)	122,938	(332,587)	141,616
Interfund payables	(89,380)	42,063	2,236	(45,081)	111,162
Accrued payroll and compensated absences	(48,842)	-	-	(48,842)	-
Accrued claims	-	-	-	-	226,822
Escrow deposits	-	11,500	-	11,500	-
Net pension liability	(559,523)	(1,893,540)	(240,500)	(2,693,563)	-
Other postemployment benefits liability	(11,670)	(126,439)	(3,804)	(141,913)	-
Deferred inflows of resources for pension	159,912	457,787	18,572	636,271	-
Deferred inflows of resources for other postemployment benefits	(10,854)	-	-	(10,854)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 18,889,344	$ 25,412,608	$ 347,198	$ 44,649,150	$ 149,124
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital additions in accounts payable	$ -	$ 7,645,541	$ -	$ 7,645,541	$ -
Intergovernmental receivable related to debt	-	5,348,981	-	5,348,981	-

The beginning cash balance for the Water Fund was restated by $4,494,776 to reflect the reclassification of restricted cash to deferred outflows of resources in the current year as reflected in the Reading Area Water Authority financial statements.

CITY OF READING

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2021

	Pension/OPEB Trust Funds
ASSETS	
Cash	$ 3,577,159
Investments	310,199,586
Interfund receivable	142
TOTAL ASSETS	313,776,887
LIABILITIES	
Interfund payable	142
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS	$ 313,776,745

See accompanying notes to the financial statements.

CITY OF READING

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

Year Ended December 31, 2021

	Pension/OPEB Trust Funds
ADDITIONS	
Contributions:	
Employer (including state aid)	$ 18,551,458
Employees	1,769,267
Investment income:	
Interest and dividends	5,646,630
Net appreciation in fair value of investments	33,340,639
Other	32,515
TOTAL ADDITIONS	59,340,509
DEDUCTIONS	
Benefits, including tax withheld	22,003,357
Administrative expenses	1,316,934
Refunds paid	247,879
TOTAL DEDUCTIONS	23,568,170
CHANGE IN NET POSITION	35,772,339
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS - BEGINNING OF YEAR	278,004,406
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS - END OF YEAR	$ 313,776,745

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

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

1. Blended Component Units

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

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

2. Discretely Presented Component Units

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

3. Fiduciary Component Units

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

4. Potential Component Units Excluded

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

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

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

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

5. Related Organizations

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements

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

The City Reports the Following Major Governmental Funds:

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

Community Development Fund: This special revenue fund was established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

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

American Rescue Plan Act Fund: This special revenue fund is established to account for the federal funds received and disbursed through the American Rescue Plan Act.

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

The following are included in the capital projects fund:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The City Has the Following Nonmajor Governmental Funds:

Shade Tree Fund: This special revenue fund is established for the purpose of recording a certain portion of the tax millage to be used for the maintenance and expansion of the City's horticulture. The portion was .2 mills for the year ended December 31, 2021.

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

The City has the Following Major Enterprise Funds:

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

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

The City has the Following Nonmajor Enterprise Fund:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the City Reports the Following Fund Types:

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

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting* as are the proprietary and the fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pension, compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, and licenses associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

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

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

3. Interfund Transactions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

4. Inventory and Prepaid Items

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

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

5. Capital Assets, Depreciation, and Amortization

The City's property and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. 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. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives for depreciable assets are as follows:

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

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

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The City periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the City's long-lived assets were considered to be impaired as of December 31, 2021.

7. Unearned Revenues

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

8. Compensated Absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

9. Long-Term Obligations

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

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

10. Pension

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

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

11. Other Postemployment Benefits (OPEB)

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three types of items that qualify for reporting in this category, which are a deferred charge on bond refunding, deferred outflows of resources for pension, and deferred outflows of resources for other postemployment benefits, which are reported on the government-wide statement of net position, as well as the proprietary fund statements.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting this category.

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

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

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

13. Encumbrances

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

14. Net Position

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

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

15. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. At December 31, 2021, 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 15.

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 and policy. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

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

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

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

F. Implementation of New Accounting Standard

During the year, the City adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Under this statement, interest expenses incurred during the construction period must be recognized as an expense in the period in which the expenses are incurred for financial statements prepared using the economic resources measurement focus. The adoption of this standard resulted in no restatement to beginning net position.

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 finance and managing director. This review process, which continues through November, includes meetings with the City Council, comparisons with prior year's spending patterns, and forecasting of future needs.

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

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, grant fund, and American Rescue Plan fund which are all special revenue funds, capital projects funds, and debt service funds. Budgets are adopted on a modified accrual basis; accordingly, revenues are reported when susceptible to accrual and expenditures are recorded when incurred.

Deficit Fund Balance or Net Position of Individual Funds
As of December 31, 2021, the combining balance sheet - nonmajor governmental funds, shows a total deficit fund balance in the shade tree fund of $59,814. The deficit results from excess expenditures for contracted services over real estate revenues collected. Public works will develop a plan to fund the deficit which will include decreasing future expenditures.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

Net Position Deficit and Liquidity

As of December 31, 2021, the City, in its statement of net position, shows a total net deficit of $88,806,219 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 $9,382,595, 8.23% of its total expenditures, and the City used 14.02% of its current tax revenues to finance debt service requirements.

In October 2009, the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47 of 1987) of the Commonwealth of Pennsylvania. The Act 47 of 1987 coordinators appointed by the Commonwealth issued their five-year recovery plan, which was originally adopted by the City Council on June 11, 2010. On October 27, 2014, an amended recovery plan was filed with the Pennsylvania Department of Community and Economic Development extending the Act 47 of 1987 status through 2019. In July of 2019, the City adopted a 3-year exit plan from Act 47 of 1987 with the goal of exiting the program by the end of 2022. During 2021, the City continued efforts to control costs, improve collections, and maintain solvency. Subsequent to year end, in July 2022, the City exited Act 47 status.

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.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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.

The carrying amount of cash, restricted cash, and investments at December 31, 2021, consists of the following:

	Primary Government	Blended Component Unit	Total
Petty cash	$ 3,100	$ 1,000	$ 4,100
Demand deposit accounts	174,741,712	17,759,676	192,501,388
Pooled cash and investments	403,646	-	403,646
Investments	386,129,746	2,511,972	388,641,718
			$ 581,550,852

Classification per statement of net position and fiduciary fund statements:

Unrestricted cash	$ 187,928,607
Investments	76,333,806
Restricted cash and investments	3,511,694
Trust cash	3,577,159
Trust investments	310,199,586
	$ 581,550,852

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, 2021, the carrying amount of the City's deposits was $199,346,948 and the bank balance was $200,925,093. Of the balance, $8,038,599 was covered by federal depository insurance and $192,886,494 was exposed to custodial credit risk but covered by the collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly. Included in the deposits and bank balance above are certificates of deposit (CDs) totaling $6,845,560. These CDs are fully covered by federal depository insurance and included in investments for financial reporting purposes. Of the CDs, $1,963,978 mature in less than one year and $4,881,582 mature in one to five years.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

As of December 31, 2021, the City had the following pooled cash and investments:

	Fair Value	Carrying Value
PA Local Government Investment Trust (PLGIT):		
PLGIT/Reserve-Class	$ 403,646	$ 403,646

Certain external investments held by the City, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The City measures those investments, which include $403,646 (PLGIT) at amortized cost.

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

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

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

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

As of December 31, 2021, the entire PLGIT book balance of $403,646 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, 2021, the City had the following nonpension investments:

Investment Type	Yield	Fair Market Value	Investment Maturities at December 31, 2021 < 1 Year	Investment Maturities at December 31, 2021 1 - 5 Years	Fair Value Level
Investments measured at fair value:					
Money market funds	N/A	$ 2,708,001	N/A	N/A	N/A
Accrued income/cash equivalents	N/A	122,658	N/A	N/A	N/A
U.S. Government issues:					
Federal Farm Credit Banks	0.10% - 0.12%	249,956	$ 249,956	$ -	2
Federal Home Loan Mortgage Corp	2.38%	150,098	150,098	-	2
Federal National Mortgage Association	2.00%	100,011	100,011	-	2
U.S. Treasury Bills	N/A	64,813,880	64,813,880	-	2
U.S. Treasury Notes	0.13%	943,959	99,691	844,268	2
Total investments measured at fair value		69,088,563			
Reconciling items		(3,963)			
Total nonpension investments		$ 69,084,600			

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

Interest Rate Risk

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Credit Risk
The City does have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2021, the City's investments were rated as:

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

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

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

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

Pension Trust Funds

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pension Trust Funds - continued

As of December 31, 2021, 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		$ 60,081	N/A
Accrued income/cash equivalents		2,961,314	N/A
Common stock		55,968,737	1
Corporate bonds and notes		15,717,397	2
Other asset backed securities		5,655,245	2
Equity mutual funds:			
Diversified Emerging Markets	1.97%	55,953	1
Large Blend	1.17% - 1.24%	26,293,159	1
Foreign Large Blend	2.41% - 3.07%	10,013,789	1
Real Estate	2.10%	57,031	1
Fixed income mutual funds:			
Intermediate Term Bond	2.05%	169,332	1
Multisector Bond	3.92%	24,703	1
Ultrashort Bond	0.02% - 2.79%	4,811,616	1
World Bond	0.03% - 1.27%	2,003,984	1
Exchange traded products (ETP):			
Equity ETPs		406,670	1
Real estate ETPs		11,601	1
Fixed Income ETPs		188,432	1
US Government Issues:			
US Treasury notes	0.13% - 1.27%		
Maturity < 1 year		2,085,956	2
Maturity 1-5 years		10,333,489	2
Maturity 6-10 years		3,102,620	2
Maturity > 10 years		686,890	2
Real estate investments		7,132,387	3
Other		42,196	N/A
Total investments measured at fair value - Police Pension		147,782,582	

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pension Trust Funds - continued

Investment Type	Yield	Fair Market Value	Fair Value Level
Fire Pension Fund			
Investments measured at fair value:			
Money market funds		$ 8,176	N/A
Accrued income/cash equivalents		1,497,120	N/A
Common stock		30,964,327	1
Corporate bonds and notes		9,227,075	2
Other asset backed securities		3,245,032	2
Equity mutual funds:			
Large Blend	1.24%	14,594,755	1
Foreign Large Blend	3.07%	5,609,455	1
Fixed income mutual funds:			
Ultrashort Bond	1.19%	2,558,674	1
World Bond	1.27%	1,287,729	1
US Government Issues:			
US Treasury notes	0.13% - 2.06%		
Maturity <1 year		1,206,336	2
Maturity 1-5 years		5,817,811	2
Maturity 6-10 years		1,753,363	2
Maturity > 10 years		399,335	2
Real estate investments		4,180,200	2
Other		2,096,124	N/A
Total investments measured at fair value - Fire Pension		84,445,512	

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		$ 6,420	N/A
Accrued income/cash equivalents		1,757,150	N/A
Common stock		29,773,383	1
Corporate bonds and notes		8,416,778	2
Other asset backed securities		3,040,327	2
Equity mutual funds:			
Large Blend	1.24%	13,672,515	1
Foreign Large Blend	3.07%	5,250,455	1
Fixed income mutual funds:			
Ultrashort Bond	1.19%	2,511,610	1
World Bond	1.27%	976,570	1
US Government Issues:			
US Treasury notes	0.13% - 2.06%		
Maturity <1 year		1,115,861	2
Maturity 1-5 years		5,422,713	2
Maturity 6-10 years		1,659,886	2
Maturity > 10 years		325,100	2
Real estate investments		4,018,947	2
Other		23,777	N/A
Total investments measured at fair value - Officers' and Employees' Pension		77,971,492	
TOTAL PENSION INVESTMENTS		$ 310,199,586	

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, 2021, 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, 2021. 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, 2021:

Unrestricted:	
Petty cash	$ 12,978
Deposits	2,793,893
	$ 2,806,871
Restricted:	
Money market funds	$ 5,663,808
Commercial paper	4,996,616
Certificates of deposit	2,203,581
Investments	1,167
	$ 12,865,172

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, 2021, the carrying amount of the Authority's deposits was $4,997,474 and the bank balance was $5,160,684. As of December 31, 2021, $2,466,667 of the bank balance was covered by federal depository insurance and the remainder was exposed to custodial credit risk, but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly. Included in the deposits and bank balance above are certificates of deposit totaling $2,203,581 at December 31, 2021. These certificates of deposit are fully covered by depository insurance and included in investments for financial reporting purposes.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Investments
As of December 31, 2021, the Authority had the following investments:

	Fair Value	Level
Pennsylvania Treasurer's INVEST Program:		
Daily Pool	$ 1,167	N/A
Money Market Funds:		
GS Financial Square Treasury Solutions Fund	5,663,808	N/A
Commercial Paper:		
Banco Del Estado de Chile	998,631	N/A
Crown Point Capital Company, LLC	999,538	N/A
Industrial and Commercial Bank of China	999,977	N/A
Lexington Parker Capital Company, LLC	999,929	N/A
Ridgefield Funding LLC	998,196	N/A
Total	10,661,246	
Reconciling Items	345	
Total Investments	$ 10,661,591	

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

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

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Investments - continued
The INVEST fund invests in the following:

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

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

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

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

The INVEST Daily Pool portfolio is comprised of the following investments at December 31, 2021:

Federal agency obligations	10.66%
Private placement bonds	1.34%
Certificates of deposit	12.80%
Commercial paper	47.72%
Money market funds	27.48%
	100.00%

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Component Unit (Reading Parking Authority) - continued

Credit Risk
The Authority does not have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2021, the Authority's investments subject to this risk were all rated as AAA by a nationally recognized rating organization.

Concentration of Credit Risk
The Authority places no limit on the amount the Authority may invest in any one issuer. For the year ended December 31, 2021, the Authority has more than 5% of its investments in commercial paper.

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

Component Unit (Reading Redevelopment Authority)

The carrying amount of the Authority's cash and cash equivalents as of December 31, 2021 was $34,763 and the bank balance was $72,248. 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 $584,376. 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, 2021, 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	$ 1,042,294	$ -	$ 1,042,294
Alarm fees	240,779	-	240,779
Reading Public Library	300,999	-	300,999
Franchise fee	193,478	-	193,478
Emergency medical services fees	254,749	-	254,749
Other	291,861	55,997	347,858
	$ 2,324,160	$ 55,997	$ 2,380,157

There was no allowance for doubtful accounts related to governmental funds' accounts receivable at December 31, 2021.

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 2021 assessed value of real property totaled $1,431,423,800. 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, 2021, were 91.5% of the tax levy.

For 2021, the City real estate taxes were levied at 18.129 mills; 17.729 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, 2021, 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)	$ 3,693,636	$ 320,536	$ 3,373,100	$ 488,280	$ 3,205,356
Earned income tax	1,509,937	-	1,509,937	1,509,937	-
Real estate transfer tax	837,431	-	837,431	837,431	-
Admissions tax	91,523	-	91,523	91,523	-
Other	400,177	-	400,177	400,177	-
General Fund Total	6,532,704	320,536	6,212,168	3,327,348	3,205,356
Nonmajor Funds:					
Property tax (Shade Tree)	53,164	4,971	48,193	3,457	49,707
Total	$ 6,585,868	$ 325,507	$ 6,260,361	$ 3,330,805	$ 3,255,063

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				Component Unit
	Water	Sewer	Nonmajor Enterprise	Total Primary Government	Reading Parking Authority
Accounts receivable, gross	$ 7,899,727	$ 6,845,387	$ 3,138,769	$ 17,883,883	$ 1,347,211
Less: allowance for uncollectible accounts	(2,876,571)	(2,694,993)	(1,821,444)	(7,393,008)	(129,053)
Net accounts receivable	$ 5,023,156	$ 4,150,394	$ 1,317,325	$ 10,490,875	$ 1,218,158

Included in the Water Fund accounts receivable is $1,033,025 of unbilled water usage as of December 31, 2021.

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 2021 adopted rate of taxation was 18.129 mills.

City of Reading property tax revenues were reduced by approximately $290,000 because of legislation enacted by the Commonwealth of Pennsylvania under the following programs:

Keystone Opportunity Zone (KOZ) Program

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

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

The City's forgone real estate tax revenue as a result of KOZ tax abatement agreements entered into by the Commonwealth of Pennsylvania was approximately $251,000 for the year ended December 31, 2021.

NOTE 5 - TAX ABATEMENTS - CONTINUED

Local Economic Revitalization Tax Assistance (LERTA) Program

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

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

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

The City’s forgone real estate tax revenue as a result of LERTA tax abatement agreements entered into by the Commonwealth of Pennsylvania was approximately $39,000 for the year ended December 31, 2021.

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, 2021:

	Governmental Activities	Business-Type Activities	Component Unit
	Grant Fund	Water Fund	Reading Parking Authority
Construction account	$ -	$ -	$ 8,985,108
Debt service account	-	24	-
Debt service reserve account	-	2,511,922	-
Clearing account	-	26	-
Fire escrow	755,427	-	-
Zoning escrow	172,691	-	-
Other required reserves	-	71,604	3,880,064
Total	$ 928,118	$ 2,583,576	$ 12,865,172

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 varying amounts 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 $350,000 of which $213,000 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 $1,521,000 at December 31, 2021, and are reported as a lease rental receivable and unavailable revenue - lease rental receivable in the general fund.

Loans and Notes Receivable

The City of Reading, Pennsylvania, has issued various loans and notes receivable to promote community development activity within the City. The loans and notes have varying repayment schedules based on timing and complexity of the related project. The City has also estimated an allowance for doubtful accounts of $3,575,508 included in notes receivable on the statement of net position. Total loans and notes outstanding at December 31, 2021, are $282,315 and $7,488,172, 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, 2021:

	Interfund Receivables	Interfund Payables
Governmental Activities		
Major funds:		
General	$ 1,385,461	$ 429,147
Community Development	350,364	12,670
Grant Fund	210,436	1,030,420
Capital Projects	274,855	109,748
Nonmajor governmental funds	-	81,700
Business-Type Activities		
Major funds:		
Water	2,663	484,907
Sewer	-	42,063
Nonmajor proprietary fund	21,239	5,580
	2,245,018	2,196,235
Internal Service	120,000	168,783
Fiduciary Funds	142	142
	$ 2,365,160	$ 2,365,160

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

The City had transfers in and out for the following amounts at December 31, 2021:

	Current Year	
	Transfers In	Transfers Out
Governmental Activities		
General	$ 3,000,000	$ 198,270
General - lease transfer	10,475,098	-
Grant Fund	40,634	-
Business-Type Activities		
Water	157,636	-
Water - lease transfer	-	10,475,098
Sewer	-	3,000,000
	$ 13,673,368	$ 13,673,368

Current year transfers and payments within the reporting entity are for the purpose of transferring lease payments and subsidizing operating functions.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 2,348,681	$ -	$ -	$ 2,348,681
Construction in progress	6,239,418	10,467,899	(272,513)	16,434,804
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	8,588,099	10,467,899	(272,513)	18,783,485
Capital assets being depreciated:				
Infrastructure	6,698,434	5,521	(60,754)	6,643,201
Buildings	38,044,632	-	(7,146,559)	30,898,073
Improvements	35,399,637	499,967	7,213,022	43,112,626
Machinery and equipment	40,426,886	3,296,015	(8,789,270)	34,933,631
Totals at historical cost	120,569,589	3,801,503	(8,783,561)	115,587,531
Less accumulated depreciation for:				
Infrastructure	4,850,270	87,124	(59,793)	4,877,601
Buildings	25,054,607	601,567	(5,308,086)	20,348,088
Improvements	15,632,616	1,558,392	5,157,089	22,348,097
Machinery and equipment	31,145,567	1,717,336	(8,765,624)	24,097,279
Total accumulated depreciation	76,683,060	3,964,419	(8,976,414)	71,671,065
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	43,886,529	(162,916)	192,853	43,916,466
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 52,474,628	$ 10,304,983	$ (79,660)	$ 62,699,951

CITY OF READING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 2,103,659	$ -	$ 32,414	$ 2,136,073
Construction in progress	181,528,608	10,094,000	(1,633,110)	189,989,498
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	183,632,267	10,094,000	(1,600,696)	192,125,571
Capital assets being depreciated:				
Buildings	45,987,530	-	(43,470)	45,944,060
Improvements	171,938,200	116,426	1,473,449	173,528,075
Machinery and equipment	31,371,500	1,553,637	(711,817)	32,213,320
Totals at historical cost	249,297,230	1,670,063	718,162	251,685,455
Less accumulated depreciation for:				
Buildings	37,276,036	930,354	(41,365)	38,165,025
Improvements	81,049,384	6,084,029	(80,296)	87,053,117
Machinery and equipment	21,929,309	1,609,035	(696,344)	22,842,000
Total accumulated depreciation	140,254,729	8,623,418	(818,005)	148,060,142
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	109,042,501	(6,953,355)	1,536,167	103,625,313
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 292,674,768	$ 3,140,645	$ (64,529)	$ 295,750,884

NOTE 9 - CAPITAL ASSETS - CONTINUED

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

Governmental Activities		Business-type Activities	
General government	$ 1,141,675	Water system	$ 5,058,112
Public safety:		Sewer system	3,489,363
Police	682,453	Recycling	75,943
Fire	791,005		
Public works - highway and streets	184,944		$ 8,623,418
Community development	505,469		
Culture and recreation	658,873		
	$ 3,964,419		

	Beginning Balance	Increase	Decrease/ Reclassification	Ending Balance
COMPONENT UNIT - READING PARKING AUTHORITY				
Capital assets not being depreciated:				
Land	$ 2,893,156	$ 208,911	$ -	$ 3,102,067
Construction in progress	1,816,608	2,840,233	-	4,656,841
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,709,764	3,049,144	-	7,758,908
Capital assets being depreciated:				
Buildings	59,367,384	8,950	-	59,376,334
Improvements	64,962	-	-	64,962
Machinery and equipment	3,498,367	407,649	(18,560)	3,887,456
Totals at historical cost	62,930,713	416,599	(18,560)	63,328,752
Less accumulated depreciation for:				
Buildings	32,479,532	1,352,723	-	33,832,255
Improvements	56,062	1,200	-	57,262
Machinery and equipment	2,055,081	245,414	(928)	2,299,567
Total accumulated depreciation	34,590,675	1,599,337	(928)	36,189,084
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	28,340,038	(1,182,738)	(17,632)	27,139,668
COMPONENT UNIT, CAPITAL ASSETS, NET	$ 33,049,802	$ 1,866,406	$ (17,632)	$ 34,898,576

NOTE 10 - LONG-TERM LIABILITIES

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

Governmental Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable					
General Obligation Note Series B of 2012, with 4.8% fixed interest rate through February 2018, converting to a variable rate equal to the Bank's prime rate through 2027, which shall not fall below 4.0% nor exceed 12.0%. Proceeds were used to refinance the term loan of 2010 and pay note issuance costs. The net cash savings from the refunding was $175,580.	$ 1,734,000	$ -	$ 213,000	$ 1,521,000	$ 224,000
General Obligation Bonds Series C of 2012, with 1.50% - 5.13% interest payable through 2022. Proceeds were used to currently refund the Federally Taxable General Obligation Bonds, Series E of 2008 and pay bond issuance costs. The net cash savings from the refunding was $654,622.	770,400	-	396,000	374,400	374,400
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.	2,886,269	-	-	2,886,269	1,071,183
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.	13,255,000	-	845,000	12,410,000	865,000

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Governmental Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable - continued:					
General Obligation Bonds Series B of 2015 with .95% - 4.67% interest payable through 2031. Proceeds were used to advance refund the City's General Obligation Bonds, Series of 2006 and pay bond issuance costs. The combined net cash savings from the refunding, including savings from the issuance of General Obligation Bonds Series A of 2015 was $2,985,436.	30,825,000	-	1,940,000	28,885,000	2,420,000
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.	3,031,000	-	462,000	2,569,000	479,000
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.	23,135,000	-	1,645,000	21,490,000	1,800,000
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.	7,329,600	-	108,000	7,221,600	108,000
General Obligation Bonds Series of 2020, with 0.897% - 2.949% interest payable through 2033. Proceeds were used to advance refund a portion of the General Obligation Bonds Series of 2014 and 2015 and pay bond issuance costs. The present value of net cash savings from the refunding, which includes a portion allocated to business-type activities, was $725,043.	30,439,051	-	12,630	30,426,421	425,210
Total Governmental Activities	$ 113,405,320	$ -	$ 5,621,630	$ 107,783,690	$ 7,766,793

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Business-Type Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable					
General Obligation Bonds Series C of 2012, variable interest payable through 2022. Proceeds were used to currently refund Federally Taxable General Obligation Bonds Series E of 2008 and pay bond issuance costs. The net cash savings from the refunding was $163,656.	$ 299,600	$ -	$ 154,000	$ 145,600	$ 145,600
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.	543,749	-	-	543,749	203,817
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.	24,050,000	-	3,000,000	21,050,000	3,155,000
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.	5,044,356	-	323,938	4,720,418	330,520
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.	3,402,524	-	291,579	3,110,945	299,093

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.	21,525,000	-	1,220,000	20,305,000	1,280,000
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.	102,131,438	435,170	4,993,025	97,573,583	5,016,347
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.	38,555,164	756,961	1,878,926	37,433,199	1,883,001
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.	2,850,400	-	42,000	2,808,400	42,000
Water Revenue Bonds, Series of 2020, initial issue $50,195,000, various interest rates ranging from 1.5% to 3.00%, maturing in amounts ranging from $575,000 to $6,245,000 through 2036. Proceeds were used to refund Water Revenue Bonds, Series of 2011.	49,240,000	-	575,000	48,665,000	590,000

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Business-Type Activities	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Bonds Payable and Notes Payable - continued					
General Obligation Bonds Series of 2020, with 0.897% - 2.949% interest payable through 2033. Proceeds were used to advance refund a portion of the General Obligation Bonds Series of 2014 and 2015 and pay bond issuance costs. The present value of net cash savings from the refunding, which includes a portion allocated to business-type activities, was $725,043.	5,705,949	-	2,370	5,703,579	79,790
Total Business-Type Activities	$ 253,348,180	$ 1,192,131	$ 12,480,838	$ 242,059,473	$ 13,025,168

Direct Borrowings

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

General Obligation Note, Series B of 2012

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

Guaranteed Lease Revenue Note, Series of 2015

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

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Direct Borrowings - continued

Pennsylvania Infrastructure Investment Authority Note Payables

The City's outstanding notes from direct borrowings related to business-type activities of $3,110,945 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 $4,720,418, $97,573,583, and $37,433,199 are secured by a lien on the City's sewer revenues. The outstanding note of $4,720,418 also contains a provision allowing for a late charge of 4% of any unpaid amount.

Covenants

The Water Revenue Bonds, 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, 2021, 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, 2021.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Component Unit - Reading Parking Authority	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Due Within One Year
Revenue Bonds Payable					
Parking Revenue Bonds, Series of 2019					
Series A of 2019 Bonds:					
The bonds bear interest at a fixed rate of 3.51% through November 14, 2029. Commencing on November 15, 2029, the bonds bear interest at a floating rate per annum which is calculated at LIBOR plus 185 basis points, multiplied by 83%; provided, however that the interest rate shall not exceed 5.0%. Interest is due monthly on the 15th of each month. Monthly principal payments are due on the 15th of each month, commencing January 15, 2025 through maturity in 2036.	$ 12,180,000	$ -	$ -	$ 12,180,000	$ -
Series B of 2019 Bonds:					
The bonds bear interest at a fixed rate of 3.51% through November 14, 2029. Commencing on November 15, 2029, the bonds bear interest at a floating rate per annum which is calculated at LIBOR plus 185 basis points, multiplied by 83%; provided, however that the interest rate shall not exceed 5.0% Interest is due monthly on the 15th of each month. Monthly principal payments are due on the 15th of each month, commencing January 15, 2025 through maturity in 2026.	10,580,000	-	-	10,580,000	-
Series C of 2019 Bonds:					
The bonds bear interest at a fixed rate of 3.30%. Interest is due monthly on the 15th of each month. Monthly principal payments are due on the 15th of each month, commencing on January 15, 2020 through maturity in 2025.	7,186,235	-	1,503,565	5,682,670	1,554,750
	$ 29,946,235	$ -	$ 1,503,565	$ 28,442,670	$ 1,554,750

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

The annual requirements to pay principal and interest on long-term debt outstanding at December 31, 2021, are as follows:

	Governmental Activities					
	Direct Borrowings		General Obligation Bonds		Total	
	Principal	Interest ^	Principal	Interest	Principal	Interest ^
2022	$ 703,000	$ 159,761	$ 7,063,793	$ 3,548,946	$ 7,766,793	$ 3,708,707
2023	731,000	131,592	7,274,794	3,337,380	8,005,794	3,468,972
2024	760,000	102,557	7,500,762	3,118,977	8,260,762	3,221,534
2025	791,000	71,740	7,805,980	2,816,805	8,596,980	2,888,545
2026	821,000	39,938	8,101,990	2,517,340	8,922,990	2,557,278
2027 - 2031	284,000	6,854	46,811,920	7,752,018	47,095,920	7,758,872
2032 - 2034	-	-	19,134,451	858,475	19,134,451	858,475
	$ 4,090,000	$ 512,442	$ 103,693,690	$ 23,949,941	$ 107,783,690	$ 24,462,383

^ 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
2022	$ 7,528,961	$ 1,486,247	$ 5,496,207	$ 3,144,029	$ 13,025,168	$ 4,630,276
2023	7,612,694	1,402,514	5,720,206	2,896,723	13,332,900	4,299,237
2024	7,697,458	1,317,749	5,909,256	2,673,921	13,606,714	3,991,670
2025	7,783,269	1,231,938	6,114,020	2,442,089	13,897,289	3,674,027
2026	7,870,141	1,145,067	6,333,010	2,207,255	14,203,151	3,352,322
2027 - 2031	40,440,260	4,385,874	36,218,080	7,922,228	76,658,340	12,308,102
2032 - 2036	39,992,980	2,222,948	33,430,549	2,409,621	73,423,529	4,632,569
2037 - 2040	23,912,382	366,027	-	-	23,912,382	366,027
	$ 142,838,145	$ 13,558,364	$ 99,221,328	$ 23,695,866	$ 242,059,473	$ 37,254,230

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, 2021. Accrued interest is not recorded for business-type activities as the amount is not materially different from expense on the cash basis.

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Year Ending December 31	Parking Revenue Bonds Series A of 2019	Parking Revenue Bonds Series B of 2019	Parking Revenue Bonds Series C of 2019	Total Principal	Interest Maturities*
2022	$ -	$ -	$ 1,554,750	$ 1,554,750	$ 962,889
2023	-	-	1,606,638	1,606,638	910,797
2024	-	-	1,660,287	1,660,287	856,966
2025	783,000	681,000	860,995	2,324,995	788,211
2026	952,000	826,000	-	1,778,000	718,886
2026 - 2031	5,083,000	4,414,000	-	9,497,000	3,004,107
2032 - 2036	5,362,000	4,659,000	-	10,021,000	1,198,366
	$ 12,180,000	$ 10,580,000	$ 5,682,670	$ 28,442,670	$ 8,440,222

* 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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation debt:					
Bonds payable	$ 108,640,320	$ -	$ 4,946,630	$ 103,693,690	$ 7,063,793
Discounts	(269,403)	-	(21,241)	(248,162)	-
Premiums	1,297,198	-	141,737	1,155,461	-
Net general obligation debt	109,668,115	-	5,067,126	104,600,989	7,063,793
Direct borrowings	4,765,000	-	675,000	4,090,000	703,000
Other liabilities:					
Compensated absences	1,278,126	106,047	-	1,384,173	-
Net pension liability	73,567,204	-	27,703,127	45,864,077	-
OPEB liability	65,290,255	-	2,205,279	63,084,976	-
	$ 254,568,700	$ 106,047	$ 35,650,532	$ 219,024,215	$ 7,766,793

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

The following is a summary of business-type long-term liability activity for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
General obligation bonds payable	$ 30,924,698	$ -	$ 1,418,370	$ 29,506,328	$ 1,751,207
Water revenue bonds	73,290,000	-	3,575,000	69,715,000	3,745,000
Discounts	(172,767)	-	(9,221)	(163,546)	-
Premiums	2,833,138	-	315,839	2,517,299	-
Other	(103,960)	-	(5,372)	(98,588)	-
Net bonds payable	106,771,109	-	5,294,616	101,476,493	5,496,207
Direct borrowings	149,133,482	1,192,131	7,487,468	142,838,145	7,528,961
Net pension liability	3,129,908	-	2,693,563	436,345	-
OPEB liability	1,073,776	-	141,913	931,863	-
	$ 260,108,275	$ 1,192,131	$ 15,617,560	$ 245,682,846	$ 13,025,168

The following is a summary of long-term liability activity for the Component Unit (Reading Parking Authority) for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021	Due Within One Year
Revenue bonds payable	$ 29,946,235	$ -	$ 1,503,565	$ 28,442,670	$ 1,554,750
Control card deposits	69,496	-	1,625	67,871	-
	$ 30,015,731	$ -	$ 1,505,190	$ 28,510,541	$ 1,554,750

Payment Deferral - Component Unit

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

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Defeasance of Debt

During the year ended December 31, 2020, the City issued General Obligation Bonds, Series of 2020 to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of General Obligation Bonds, Series of 2014 and General Obligation Bonds, Series B of 2015. As a result, the refunded bonds were considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. As of December 31, 2021, outstanding general obligation bonds of the City in the amount of $38,485,494 were considered to be defeased with a related $41,007,201 held in escrow funds.

NOTE 11 - CITY OF READING RETIREMENT PLANS

Plan Description

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

Membership of each plan consisted of the following at January 1, 2021, the date of the latest actuarial valuation:

	PPP	PFPP	O&E
Inactive plan members or beneficiaries currently receiving benefits	316	165	278
Inactive plan members entitled to, but not yet receiving benefits	2	9	26
Active plan members	139	116	248
Total plan members	457	290	552

At December 31, 2021, there were no individual investments that constituted more than 5% of plan net position available for benefits that were required to be reported. The Plans did not have any investment transactions with related parties during the year.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

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

Retirement Benefit - The PPP is a contributory plan available to all full-time City police officers. Pension benefits become 100% vested after the completion of 12 years of service. For police officers hired prior to January 1, 2012, eligibility for the normal retirement benefit is attained after completing 20 years of service, including any service purchased. These members may purchase up to five years of additional service credit for non-intervening military service as well as five years of police service. The monthly pension benefit is equal to 60% of “average monthly pay” plus 2.0% of “average monthly pay” for each year of service in excess of 20 years to a maximum of five years. An additional benefit of 2.5% (1/40th) 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% (1/40th) of the pension benefit determined for each year of service in excess of 20 years to a maximum of $500 per month is also payable. These members may not purchase any intervening or non-intervening military time.

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

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

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

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

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

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

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

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

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

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

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

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

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

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

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

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

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

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

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

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Contributions

PA Act 205 of 1984 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. The January 1, 2019 valuation was used in the calculation of the City's 2021 MMO.

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

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

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

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

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

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Contributions - continued

The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth allocation, must be funded by the City (and could include employee contributions). Payments made to the Plans were sufficient to meet the MMOs in 2021. The following table reflects contribution information for 2021:

	PPP		PFPP	O&E	Total
MMO	$ 11,303,371		$ 3,894,670	$ 3,353,417	$ 18,551,458
Contributions:					
City	$ 9,960,132		$ 2,810,484	$ 2,106,124	$ 14,876,740
Allocation of state aid	1,343,239		1,084,186	1,247,293	3,674,718
Total	11,303,371		3,894,670	3,353,417	18,551,458
Employee	824,451	*	521,217	423,599	1,769,267
Total contributions	$ 12,127,822		$ 4,415,887	$ 3,777,016	$ 20,320,725
Covered payroll	$ 10,713,580		$ 8,290,663	$ 13,318,635	$ 32,322,878
Employee contributions as a percent of covered payroll	7.70%		6.29%	3.18%	5.47%

* PPP employee contribution includes $68,140 in service time purchases.

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

Deferred Retirement Option Program

City of Reading Police Pension Plan (PPP)

Members who are eligible to retire and were hired before January 1, 2012, may elect to enter into the DROP (Deferred Retirement Option Program) for no more than five years. Officers in the DROP have their retirement benefit calculated as of the date of entry into the DROP and accrue no further benefit under the plan. The retirement benefit is paid from the plan and deposited into an account established for the officer, which will be paid in full upon retirement. The City remains the fiduciary for these funds until full retirement of the officers. At December 31, 2021, the balance of DROP accounts for the PPP held by the City was $1,956,457.

NOTE 11 - CITY OF READING RETIREMENT PLANS - CONTINUED

Deferred Retirement Option Program - continued

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

Members who were hired before January 1, 2011, and who had met the eligibility requirements for normal retirement may elect to participate in the DROP (Deferred Retirement Option Program) for no more than five years. The member's monthly pension benefit shall be calculated as of the date of entry into the DROP and shall be accumulated with annual interest and distributed in a lump sum at retirement. Members who elect to participate in DROP after January 1, 2011, will be required to continue their member contributions to the plan. The City remains the fiduciary for these funds until full retirement of the member. There shall be a limit of 10 bargaining unit members added to the DROP each year. At December 31, 2021, the balance of DROP accounts for the PFPP held by the City was $2,071,393.

Net Pension Liability

The components of the net pension liability of the Plans at December 31, 2021, were as follows:

	PPP	PFPP	O&E	Total
Total pension liability	$ 188,385,340	$ 90,115,469	$ 80,576,358	$ 359,077,167
Plan fiduciary net position	(148,560,640)	(84,786,513)	(79,429,592)	(312,776,745)
Net pension liability	$ 39,824,700	$ 5,328,956	$ 1,146,766	$ 46,300,422
Plan fiduciary net position as a percentage of total pension liability	78.86%	94.09%	98.58%	87.11%

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, 2021, were as follows:

	Increases/Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	$ 353,701,518	$ 277,004,406	$ 76,697,112
Changes for the year:			
Service cost	4,795,424	-	4,795,424
Interest	25,526,321	-	25,526,321
Differences between expected and actual experience	(4,535,638)	-	(4,535,638)
Changes of assumptions	1,840,778	-	1,840,778
Contributions - employer	-	18,551,458	(18,551,458)
Contributions - employee	-	1,769,267	(1,769,267)
Net investment income	-	37,713,900	(37,713,900)
Benefit payments, including refunds	(22,251,236)	(22,251,236)	-
Administrative expenses	-	(11,050)	11,050
Net changes	5,375,649	35,772,339	(30,396,690)
Balances at December 31, 2021	$ 359,077,167	$ 312,776,745	$ 46,300,422
Plan fiduciary net position as a percentage of the total pension liability			87.11%

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, 2021, and rolled forward to December 31, 2021, 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	PubG-2010 Mortality Table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.	PubG-2010 Mortality Table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.	PubG-2010 Mortality Table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 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, 2021:

	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%	8.2%	8.2%	8.2%
Mid Cap	7.0%	7.0%	7.0%	8.9%	8.9%	8.9%
Small Cap	4.0%	4.0%	4.0%	9.4%	9.4%	9.4%
International	17.0%	17.0%	17.0%	8.9%	8.9%	8.9%
Fixed income:						
Core	12.0%	12.0%	12.0%	3.6%	3.6%	3.6%
Short-term	20.0%	20.0%	20.0%	2.5%	2.5%	2.5%
Global	3.0%	3.0%	3.0%	3.9%	3.9%	3.9%
Real estate	5.0%	5.0%	5.0%	8.5%	8.5%	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, 2021, the annual money-weighted rate of return on the PPP, PFPP, and O&E investments, net of investment expenses, was 13.91%, 13.90%, and 14.03%, 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 (asset) of the Plans calculated using the discount rates described previously, as well as what the Plan's net pension liabilities (assets) 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	$ 61,872,274	$ 39,824,700	$ 21,614,251
City of Reading Paid Firemen's Pension Plan	$ 15,510,461	$ 5,328,956	$ (3,158,513)
Officers' and Employees' Pension Plan	$ 10,842,088	$ 1,146,766	$ (6,921,405)

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

For the year ended December 31, 2021, the City recognized pension expense of $1,036,859 ($1,201,458 - governmental activities; ($164,599) - business-type activities). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PPP	PFPP	O&E	Total
Deferred Outflows of Resources:				
Internal change in proportion allocated	$ -	$ -	$ 118,711	$ 118,711
Differences between expected and actual experience	4,934	-	-	4,934
Changes of assumptions	468,796	198,557	1,239,333	1,906,686
Net difference between projected and actual earnings on pension plan investments	2,811,121	1,540,289	1,525,052	5,876,462
Total deferred outflows of resources	$ 3,284,851	$ 1,738,846	$ 2,883,096	$ 7,906,793
Deferred Inflows of Resources:				
Internal change in proportion allocated	$ -	$ -	$ 118,711	$ 118,711
Difference between expected and actual experience	878,038	2,033,927	2,819,807	5,731,772
Net difference between projected and actual earnings on pension plan investments	15,287,628	8,958,728	7,727,180	31,973,536
Total deferred inflows of resources	$ 16,165,666	$ 10,992,655	$ 10,665,698	$ 37,824,019

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:

2022	$ (6,047,852)
2023	(11,667,117)
2024	(7,548,045)
2025	(4,220,222)
2026	(331,823)
Thereafter	(102,167)
Total	$ (29,917,226)

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	$ 778,058	$ 341,143	$ 1,457,958	$ 2,577,159
Investments (at fair value):				
Equities	55,968,737	30,964,327	29,773,383	116,706,447
Fixed income	21,372,642	12,472,106	11,457,105	45,301,853
Exchange traded products/mutual funds	44,036,270	24,050,613	22,411,150	90,498,033
U.S. Government issues	16,208,955	9,176,846	8,523,560	33,909,361
Other	10,195,978	7,781,620	5,806,294	23,783,892
Interfund receivable	-	-	142	142
TOTAL ASSETS	148,560,640	84,786,655	79,429,592	312,776,887
LIABILITIES				
Interfund payable	-	142	-	142
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 148,560,640	$ 84,786,513	$ 79,429,592	$ 312,776,745

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)	$ 11,303,371	$ 3,894,670	$ 3,353,417	$ 18,551,458
Employee	824,451	521,217	423,599	1,769,267
Investment income:				
Interest and dividends	2,664,565	1,555,372	1,426,693	5,646,630
Net appreciation in fair value of investments	15,854,270	8,908,304	8,578,065	33,340,639
Other	735	305	31,475	32,515
TOTAL ADDITIONS	30,647,392	14,879,868	13,813,249	59,340,509
DEDUCTIONS				
Benefits, including tax withheld	11,569,421	5,317,050	5,116,886	22,003,357
Administrative expenses	620,421	347,679	348,834	1,316,934
Refunds paid	115,680	2,193	130,006	247,879
TOTAL DEDUCTIONS	12,305,522	5,666,922	5,595,726	23,568,170
CHANGE IN NET POSITION	18,341,870	9,212,946	8,217,523	35,772,339
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	130,218,770	75,573,567	71,212,069	277,004,406
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	$ 148,560,640	$ 84,786,513	$ 79,429,592	$ 312,776,745

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	$ 3,285,600	$ 2,078,663	$ 2,174,532	$ 7,538,795
Unrealized gain	12,568,670	6,829,641	6,403,533	25,801,844
	$ 15,854,270	$ 8,908,304	$ 8,578,065	$ 33,340,639

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, 2021, $145,979 was contributed to the plan.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Employee Defined Benefit Other Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description

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

Benefits Provided

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

AFSCME First Level

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

AFSCME First Level - continued

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

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

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

AFSCME Rank and File and Non-Fire Management

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

AFSCME Rank and File and Non-Fire Management - continued

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

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

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

Police Officers

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

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

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

Firefighters and Fire Management

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

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

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

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

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Employees Covered by Benefit Terms

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

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

OPEB Liability

Actuarial Assumptions and Other Inputs

The net OPEB liability as of December 31, 2021, was determined by rolling forward the City's total OPEB liability as of January 1, 2020 to December 31, 2021, 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 - 2.25%
- Mortality rates - RP-2014 Table with 50% of the Blue Collar Adjustment, rates are set forward 7 years for disabled members. Incorporated into the table are rates projected using the Long-Range demographic assumptions for the 2015 Social Security Administration's Trustee Report to reflect mortality improvement.
- Healthcare cost trend rates - 5.5% in 2021, 6.5% in 2022, 6.0% in 2023, and to 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of employees are assumed to elect coverage.

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Net OPEB Liability

Total OPEB liability	$ 65,016,839
Plan fiduciary net position	(1,000,000)
Net OPEB liability	$ 64,016,839
Plan fiduciary net position as a percentage of total OPEB liability	1.54%

Changes in Net OPEB Liability

	AFSCME First Level	Management	AFSCME Rank and File	Fire	Police	Total OPEB Liability
Balance at January 1, 2021	$ 119,370	$ 167,472	$ 2,834,782	$ 18,034,958	$ 46,207,449	$ 67,364,031
Changes for the year:						
Service cost	2,090	7,930	21,482	514,293	954,190	1,499,985
Interest	1,995	3,331	51,048	347,224	882,744	1,286,342
Changes of assumptions or other inputs	(32)	390	(48,899)	(276,692)	(720,957)	(1,046,190)
Benefit payments	(33,357)	(5,147)	(390,051)	(1,030,763)	(2,628,011)	(4,087,329)
Net changes	(29,304)	6,504	(366,420)	(445,938)	(1,512,034)	(2,347,192)
Balance at December 31, 2021	$ 90,066	$ 173,976	$ 2,468,362	$ 17,589,020	$ 44,695,415	$ 65,016,839

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

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 1.93% to 2.25%.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in Net OPEB Liability - continued

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.25%) or one-percentage point higher (3.25%) than the current discount rate:

	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
AFSCME First Level	$ 89,641	$ 88,681	$ 87,519
Management	172,676	171,300	168,796
AFSCME Rank and File	2,612,744	2,430,397	2,273,103
Fire	18,502,106	17,318,490	16,237,575
Police	47,404,515	44,007,971	40,966,370
Net OPEB Liability	$ 68,781,682	$ 64,016,839	$ 59,733,363

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

The following presents net OPEB liability of the City, as well as what the City's net 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	$ 83,751	$ 88,681	$ 93,993
Management	159,369	171,300	184,073
AFSCME Rank and File	2,209,292	2,430,397	2,683,286
Fire	15,783,753	17,318,490	19,049,080
Police	40,113,329	44,007,971	48,390,404
Net OPEB Liability	$ 58,349,494	$ 64,016,839	$ 70,400,836

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

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

For the year ended December 31, 2021, the City recognized OPEB expense of $3,538,193 ($3,345,832 - governmental activities; $192,361 - business-type activities). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	AFSCME First Level	Management	AFSCME Rank and File	Fire	Police	Total
Deferred Outflows of Resources:						
Differences between projected and actual experience	$ 2,302	$ -	$ 138,143	$ -	$ -	$ 140,445
Changes of assumptions	3,020	5,273	265,787	1,529,034	3,763,011	5,566,125
Net difference between projected and actual earnings	310	-	3,293	-	-	3,603
Total deferred outflows of resources	$ 5,632	$ 5,273	$ 407,223	$ 1,529,034	$ 3,763,011	$ 5,710,173
Deferred Inflows of Resources:						
Differences between projected and actual experience	$ -	$ 28,403	$ -	$ 1,375	$ 2,086,190	$ 2,115,968
Changes of assumptions	920	1,404	81,449	483,791	1,422,625	1,990,189
Net difference between projected and actual earnings	-	152	-	2,245	1,206	3,603
Total deferred inflows of resources	$ 920	$ 29,959	$ 81,449	$ 487,411	$ 3,510,021	$ 4,109,760

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:

2022	$ 751,866
2023	751,867
2024	305,918
2025	(209,238)
Total	$ 1,600,413

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

Grant Programs

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

Concentration of Labor

The City has in effect four labor agreements, which cover approximately 90% of the total labor force. The collective bargaining agreement with AFSCME - The American Federation of State, County, and Municipal Employees Local 3799 was renewed in 2021 and was effective through December 31, 2022. AFSCME Local 2763 was renewed in 2021 and is effective through December 31, 2022. The Reading Lodge #9 Fraternal Order of Police’s labor agreement was renewed in 2021 and is effective through December 31, 2022. The labor agreement with the International Association of Firefighters, Local 1803 was renewed in 2021 and is effective through December 31, 2022.

NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED

Construction Commitments

The City has entered into contracts for capital improvements. At December 31, 2021, the balance of open contracts was as follows:

Project	Commitment Remaining
9th & Marion Fire Station	$ 8,841,738
River Road Extension	3,756,853
Wastewater Treatment Plant	2,478,982
6th & Canal Pump Station	2,633,562
Municipal ERP Project	794,064
19th Ward Pump Station	515,960
Collection System	351,972
Penn Street Courtyard	564,040
Reading Public Library Demolition	552,750
PennDOT ARLE	415,640
Equipment Purchases	353,949
Gateway Engineering Project	225,508
Southwest Fire Station	138,742
18th Ward Bike Trails	138,730
Total	$ 21,762,490

Subsequent to year end, the City awarded approximately $4,000,000 in contracts for 2022 road work. Open commitments will be funded by cash on hand as well as PennVest loans and additional financing.

United States Department of Justice Consent Decree

In November 2005, the City entered into a consent order with the United States Department of Justice (DOJ), United States Environmental Protection Agency (EPA), and the Pennsylvania Department of Environmental Protection (DEP) 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 City has completed most of the consent decree projects with the final improvements to the 19th Ward Pump Station expected to be completed by the end of 2025. 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; however, the City is optimistic based on discussions with the DOJ, EPA, and DEP that the amount will be increased to $4,500,000 in 2023.

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 2021:

Balance at January 1, 2021	Borrowings	Repayments	Balance at December 31, 2021
$ 5,858,784	$ -	$ 629,335	$ 5,229,449

Included in the above activity is $1,400,000 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.

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

Letters of Credit

The Reading Area Water Authority has a letter of credit of $800,000 available for general RAWA matters. The Water Authority also has letters of credit required by the Commonwealth of Pennsylvania in connection with capital improvement projects in the amount of $77,609. The maximum amount that can be drawn on the letters of credit is $4,500,000. The Water Authority is the beneficiary of a letter of credit of $697,406 in connection with capital improvement projects. At December 31, 2021, 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 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, 2021:

	Limit	Deductible
Property	$ 243,894,944	$ 100,000
Liability	1,000,000	150,000
Crime	1,000,000	10,000
Auto Liability	1,000,000	150,000
Auto Property Damage	Cash value or cost to repair	5,000
Excess Liability	4,000,000	10,000
Law Enforcement	2,000,000	150,000
Employment Practices	1,000,000	150,000
Public Officials	1,000,000	150,000
Excess Workers Comp	1,000,000	650,000
Excess Workers Comp Police/Fir	1,000,000	1,000,000
Pollution Liability	5,000,000	25,000 - 50,000

The City of Reading is recognized and meets the qualifications of the Pennsylvania Department of Labor and Industry as a Self-Insured Workers' Compensation Employer. As part of the qualifications to maintain self-insured status, the City of Reading purchases excess workers' compensation coverage for police and firefighter claims that exceed $1,000,000, and all other claims that exceed $650,000. This insurance policy is underwritten by Safety National Casualty Corporation. The City is also required to maintain a trust for outstanding liabilities for workers' compensation. That trust is in the amount of $2,189,125.

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

NOTE 14 - RISK MANAGEMENT AND SELF-INSURANCE - CONTINUED

The City had an actuarial study performed to estimate the workers' compensation liability. Based on past experience, management of the City believes incurred, but not reported claims, to be immaterial and, therefore, has not established an accrual for such claims at December 31, 2021. An analysis of claims activity is presented below:

	Beginning of Year Liabilities	Estimated Current Year Claims	Actual Claim Payments	Balance at Fiscal Year End
2021	$ 1,516,969	$ 3,469,713	$ 3,242,891	$ 1,743,791
2020	$ 1,548,296	$ 3,829,603	$ 3,860,930	$ 1,516,969
2019	$ 1,752,420	$ 3,210,199	$ 3,414,323	$ 1,548,296

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 - 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, 2021, were as follows:

General Fund: The general fund has a committed fund balance of $219,323 for Library repairs, an assigned fund balance of $7,568,551 consisting of $2,568,551 appropriated for the 2022 budget, $2,000,000 for various capital projects, and $3,000,000 for catastrophic health claims, and an unassigned fund balance of $33,545,018.

Community Development Fund: The community development fund has restricted funds of $2,231,956 consisting primarily of unspent federal and state grant funds restricted by federal or state law.

Grant Fund: The grant fund has restricted funds of $633,800 consisting primarily of unspent funds granted by various parties which are to be used according to the grantor's wishes.

NOTE 15 - FUND BALANCE - CONTINUED

Primary Government - continued

Capital Projects Fund: The capital projects fund has restricted funds of $10,546,880 consisting primarily of unspent tax revenue and committed funds of $6,900,000 consisting of $1,500,000 for street paving, $4,400,000 for facility construction, and $1,000,000 for housing improvements.

Nonmajor Funds:

Shade Tree Fund: The special revenue fund has a deficit in unassigned funds of $59,814 resulting from excess expenditures for contracted services over real estate revenues collected.

Liquid Fuels Fund: The liquid fuels fund has a restricted fund balance of $4,992,352, consisting primarily of unspent state grant funds restricted by state law.

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

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

NOTE 16 - NEW ACCOUNTING STANDARDS

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

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

NOTE 16 - NEW ACCOUNTING STANDARDS - CONTINUED

- Statement No. 91, *Conduit Debt Obligations* - This statement clarifies the existing definition of 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.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF READING

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended December 31, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real estate taxes	$ 24,649,055	$ 24,649,055	$ 26,376,244	$ 1,727,189
Earned income taxes	20,242,120	20,242,120	21,139,108	896,988
Other taxes	7,680,349	7,680,349	12,325,563	4,645,214
Licenses, permits, and fines	5,781,806	5,781,806	4,811,384	(970,422)
Intergovernmental	6,146,301	6,146,301	5,921,501	(224,800)
Charges for services	6,924,621	6,918,121	7,701,433	783,312
Interest and rent	795,300	914,100	2,069,936	1,155,836
Other	2,770,885	2,810,885	3,528,993	718,108
TOTAL REVENUES	74,990,437	75,142,737	83,874,162	8,731,425
EXPENDITURES				
Current:				
General government	7,321,475	7,157,175	6,880,090	277,085
Public safety:				
Police	36,813,347	36,813,347	37,505,115	(691,768)
Fire	15,165,118	15,166,118	15,673,025	(506,907)
Emergency medical services	5,161,419	5,193,919	5,783,872	(589,953)
Public works - highways and streets	1,343,082	1,281,315	1,208,281	73,034
Public works - other	6,722,233	6,784,000	5,962,535	821,465
Community development	4,767,819	5,018,819	4,724,841	293,978
Culture and recreation	817,774	817,774	817,395	379
Other (employee benefits, debt issuance costs)	3,179,714	3,251,814	2,850,091	401,723
Debt service - principal	5,621,630	5,621,630	5,621,630	-
Debt service - interest	3,773,333	3,773,333	3,760,965	12,368
TOTAL EXPENDITURES	90,686,944	90,879,244	90,787,840	91,404
DEFICIENCY OF REVENUES OVER EXPENDITURES	(15,696,507)	(15,736,507)	(6,913,678)	8,822,829
OTHER FINANCING SOURCES (USES)				
Transfers in - lease payments	10,441,372	10,441,372	10,475,098	33,726
Transfers in	3,000,000	3,000,000	3,000,000	-
Transfers out	-	-	(198,270)	(198,270)
TOTAL OTHER FINANCING SOURCES (USES)	13,441,372	13,441,372	13,276,828	(164,544)
NET CHANGE IN FUND BALANCES	$ (2,255,135)	$ (2,295,135)	6,363,150	$ 8,658,285
FUND BALANCE - BEGINNING OF YEAR			34,969,742	
FUND BALANCE - END OF YEAR			$ 41,332,892	

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 2,130,054	$ 2,341,543	$ 2,235,363	$ 3,007,401	$ 2,957,882	$ 2,878,084	$ 2,741,032	$ 2,714,223
Interest	13,510,108	13,750,945	12,897,122	12,303,991	12,020,675	11,587,287	11,415,541	11,159,506
Differences between expected and actual experience	(1,170,718)	-	19,733	-	1,151,403	-	372,746	-
Changes of assumptions	625,061	-	-	-	7,157,130	-	-	-
Benefit payments, including refunds of employee contributions	(11,685,101)	(11,112,003)	(11,595,232)	(10,959,749)	(11,275,270)	(11,805,479)	(12,194,828)	(9,571,570)
Net change in total pension liability	3,409,404	4,980,485	3,556,986	4,351,643	12,011,820	2,659,892	2,334,491	4,302,159
Total pension liability, beginning	184,975,936	179,995,451	176,438,465	172,086,822	160,075,002	157,415,110	155,080,619	150,778,460
Total pension liability, ending	$ 188,385,340	$ 184,975,936	$ 179,995,451	$ 176,438,465	$ 172,086,822	$ 160,075,002	$ 157,415,110	$ 155,080,619
Plan Fiduciary Net Position								
Contributions - employer	$ 11,303,371	$ 11,337,885	$ 11,575,020	$ 11,453,968	$ 9,996,690	$ 9,729,933	$ 8,398,475	$ 6,052,629
Contributions - employee	824,451	967,487	919,638	718,724	892,168	875,026	740,779	665,036
Net investment income	17,902,724	16,057,436	16,558,784	(6,632,149)	13,536,087	6,268,079	(1,183,711)	4,329,423
Benefit payments, including refunds of employee contributions	(11,685,101)	(11,112,003)	(11,595,232)	(10,959,749)	(11,275,270)	(11,805,479)	(12,194,828)	(9,571,570)
Administrative expenses	(3,575)	(66,169)	(59,182)	(468,345)	(425,728)	(400,163)	(484,484)	(295,053)
Net change in plan fiduciary net position	18,341,870	17,184,636	17,399,028	(5,887,551)	12,723,947	4,667,396	(4,723,769)	1,180,465
Plan fiduciary net position, beginning	130,218,770	113,034,134	95,635,106	101,522,657	88,798,710	84,131,314	88,855,083	87,674,618
Plan fiduciary net position, ending	$ 148,560,640	$ 130,218,770	$ 113,034,134	$ 95,635,106	$ 101,522,657	$ 88,798,710	$ 84,131,314	$ 88,855,083
Net Pension Liability	$ 39,824,700	$ 54,757,166	$ 66,961,317	$ 80,803,359	$ 70,564,165	$ 71,276,292	$ 73,283,796	$ 66,225,536
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.86%	70.40%	62.80%	54.20%	59.00%	55.47%	53.45%	57.30%
Covered Payroll	$ 10,713,580	$ 10,602,424	$ 10,110,784	$ 12,237,673	$ 11,537,808	$ 11,472,383	$ 10,745,475	$ 10,995,148
Net Pension Liability as a Percentage of Covered Payroll	371.72%	516.46%	662.28%	660.28%	611.59%	621.29%	682.00%	602.32%

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

CITY OF READING

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 1,454,657	$ 1,474,679	$ 1,401,120	$ 1,583,339	$ 1,537,256	$ 1,545,376	$ 1,494,096	$ 1,606,792
Interest	6,391,984	6,365,191	6,553,907	5,966,533	5,784,370	5,534,661	5,346,065	5,377,405
Differences between expected and actual experience	(1,895,415)	-	(2,021,076)	-	(628,536)	-	(3,239,956)	-
Changes of assumptions	154,877	-	-	-	3,807,415	-	-	-
Benefit payments, including refunds of employee contributions	(5,319,243)	(4,935,167)	(4,999,032)	(5,453,682)	(4,277,152)	(4,244,639)	(4,504,335)	(3,610,654)
Net change in total pension liability	786,860	2,904,703	934,919	2,096,190	6,223,353	2,835,398	(904,130)	3,373,543
Total pension liability, beginning	89,328,609	86,423,906	85,488,987	83,392,797	77,169,444	74,334,046	75,238,176	71,864,633
Total pension liability, ending	$ 90,115,469	$ 89,328,609	$ 86,423,906	$ 85,488,987	$ 83,392,797	$ 77,169,444	$ 74,334,046	$ 75,238,176
Plan Fiduciary Net Position								
Contributions - employer	$ 3,894,670	$ 3,526,477	$ 3,567,944	$ 3,536,370	$ 3,025,070	$ 2,811,430	$ 2,957,060	$ 2,282,336
Contributions - employee	521,217	489,210	463,727	460,023	480,346	466,719	463,696	456,196
Net investment income	10,120,202	8,966,368	11,031,604	(3,224,441)	7,856,603	3,427,585	(116,829)	2,495,024
Other additions	-	-	-	-	-	-	-	6,732
Benefit payments, including refunds of employee contributions	(5,319,243)	(4,935,167)	(4,999,032)	(5,453,682)	(4,277,152)	(4,244,639)	(4,504,335)	(3,610,654)
Administrative expenses	(3,900)	(42,825)	(66,973)	(110,122)	(112,983)	(114,338)	(129,985)	(85,450)
Net change in plan fiduciary net position	9,212,946	8,004,063	9,997,270	(4,791,852)	6,971,884	2,346,757	(1,330,393)	1,544,184
Plan fiduciary net position, beginning	75,573,567	67,569,504	57,572,234	62,364,086	55,392,202	53,045,445	54,375,838	52,831,654
Plan fiduciary net position, ending	$ 84,786,513	$ 75,573,567	$ 67,569,504	$ 57,572,234	$ 62,364,086	$ 55,392,202	$ 53,045,445	$ 54,375,838
Net Pension Liability	$ 5,328,956	$ 13,755,042	$ 18,854,402	$ 27,916,753	$ 21,028,711	$ 21,777,242	$ 21,288,601	$ 20,862,338
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.09%	84.60%	78.18%	67.34%	74.78%	71.78%	71.36%	72.27%
Covered Payroll	$ 8,290,663	$ 7,921,095	$ 8,931,512	$ 8,641,768	$ 8,265,535	$ 7,959,803	$ 8,126,767	$ 7,197,001
Net Pension Liability as a Percentage of Covered Payroll	64.28%	173.65%	211.10%	323.04%	254.41%	273.59%	261.96%	289.88%

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

CITY OF READING

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 1,210,713	$ 1,242,592	$ 1,186,245	$ 1,287,800	$ 1,249,541	$ 1,165,580	$ 1,135,512	$ 1,218,457
Interest	5,624,229	5,541,420	5,431,165	5,486,219	5,375,550	5,219,129	5,126,628	5,110,331
Differences between expected and actual experience	(1,469,505)	-	(2,245,913)	-	(2,301,879)	-	(1,054,281)	-
Changes of assumptions	1,060,840	-	-	-	5,496,078	-	-	-
Benefit payments, including refunds of employee contributions	(5,246,892)	(5,155,644)	(5,150,351)	(5,131,721)	(5,141,823)	(5,068,045)	(5,049,970)	(4,901,267)
Net change in total pension liability	1,179,385	1,628,368	(778,854)	1,642,298	4,677,467	1,316,664	157,889	1,427,521
Total pension liability, beginning	79,396,973	77,768,605	78,547,459	76,905,161	72,227,694	70,911,030	70,753,141	69,325,620
Total pension liability, ending	$ 80,576,358	$ 79,396,973	$ 77,768,605	$ 78,547,459	$ 76,905,161	$ 72,227,694	$ 70,911,030	$ 70,753,141
Plan Fiduciary Net Position								
Contributions - employer	$ 3,353,417	$ 3,500,466	$ 3,476,030	$ 3,532,555	$ 3,135,808	$ 3,005,282	$ 3,179,616	$ 2,780,193
Contributions - employee	423,599	443,026	408,664	411,457	391,888	412,951	416,374	422,154
Net investment income	9,690,974	8,617,267	8,189,937	(3,191,004)	8,051,525	4,112,997	598,813	2,806,966
Other additions	-	-	-	-	-	-	-	3,686
Benefit payments, including refunds of employee contributions	(5,246,892)	(5,155,644)	(5,150,351)	(5,131,721)	(5,141,823)	(5,068,045)	(5,049,970)	(4,901,267)
Administrative expenses	(3,575)	(60,560)	(55,711)	(455,561)	(428,049)	(392,538)	(448,751)	(402,879)
Net change in plan fiduciary net position	8,217,523	7,344,555	6,868,569	(4,834,274)	6,009,349	2,070,647	(1,303,918)	708,853
Plan fiduciary net position, beginning	71,212,069	63,867,514	56,998,945	61,833,219	55,823,870	53,753,223	55,057,141	54,348,288
Plan fiduciary net position, ending	$ 79,429,592	$ 71,212,069	$ 63,867,514	$ 56,998,945	$ 61,833,219	$ 55,823,870	$ 53,753,223	$ 55,057,141
Net Pension Liability	$ 1,146,766	$ 8,184,904	$ 13,901,091	$ 21,548,514	$ 15,071,942	$ 16,403,824	$ 17,157,807	$ 15,696,000
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.58%	89.69%	82.13%	72.57%	80.40%	77.29%	75.80%	77.82%
Covered Payroll	$ 13,318,635	$ 13,284,117	$ 12,522,275	$ 13,931,821	$ 13,832,568	$ 14,240,701	$ 14,403,603	$ 14,233,277
Net Pension Liability as a Percentage of Covered Payroll	8.61%	61.61%	111.01%	154.67%	108.96%	115.19%	119.12%	109.02%

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

CITY OF READING

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
POLICE PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 11,303,371	$ 11,337,885	$ 11,508,252	$ 11,453,968	$ 9,820,271	$ 9,678,338	$ 8,398,280	$ 6,051,235	$ 6,057,188	$ 3,663,429
Contributions in relation to the actuarially determined contribution	11,303,371	11,337,885	11,575,020	11,453,968	9,996,690	9,729,933	8,398,475	6,052,629	6,057,188	3,663,442
Contribution deficiency (excess)	$ -	$ -	$ (66,768)	$ -	$ (176,419)	$ (51,595)	$ (195)	$ (1,394)	$ -	$ (13)
Covered payroll	$ 10,713,580	$ 10,602,424	$ 10,110,784	$ 12,237,673	$ 11,537,808	$ 11,472,383	$ 10,745,475	$ 10,995,148	$ 10,948,012	$ 10,104,676
Contributions as a percentage of covered payroll	105.51%	106.94%	114.48%	93.60%	86.64%	84.81%	78.16%	55.05%	55.33%	36.25%
Investment Returns										
Annual money-weighted rate of return, net investment expense	13.91%	14.16%	16.32%	(4.99%)	16.27%	8.61%	(1.52%)	5.39%		
PAID FIREMEN'S PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 3,894,670	$ 3,526,477	$ 3,567,944	$ 3,533,964	$ 2,891,616	$ 2,811,430	$ 2,956,620	$ 2,282,337	$ 2,286,857	$ 1,903,883
Contributions in relation to the actuarially determined contribution	3,894,670	3,526,477	3,567,944	3,536,370	3,025,070	2,811,430	2,957,060	2,282,336	2,286,857	1,903,873
Contribution deficiency (excess)	$ -	$ -	$ -	$ (2,406)	$ (133,454)	$ -	$ (440)	$ 1	$ -	$ 10
Covered payroll	$ 8,290,663	$ 7,921,095	$ 8,931,512	$ 8,641,768	$ 8,265,535	$ 7,959,803	$ 8,126,767	$ 7,197,001	$ 7,216,688	$ 8,031,312
Contributions as a percentage of covered payroll	46.98%	44.52%	39.95%	40.92%	36.60%	35.32%	36.39%	31.71%	31.69%	23.71%
Investment Returns										
Annual money-weighted rate of return, net investment expense	13.90%	13.72%	17.49%	(5.57%)	15.46%	7.12%	(0.28%)	5.49%		
OFFICERS' AND EMPLOYEES' PENSION PLAN										
Schedule of City Contributions										
Actuarial determined contributions	$ 3,353,417	$ 3,500,466	$ 3,446,705	$ 3,532,555	$ 3,033,047	$ 3,005,282	$ 3,173,811	$ 2,769,963	$ 2,836,234	$ 1,488,269
Contributions in relation to the actuarially determined contribution	3,353,417	3,500,466	3,476,030	3,532,555	3,135,808	3,005,282	3,179,616	2,780,193	2,860,603	1,510,837
Contribution deficiency (excess)	$ -	$ -	$ (29,325)	$ -	$ (102,761)	$ -	$ (5,805)	$ (10,230)	$ (24,369)	$ (22,568)
Covered payroll	$ 13,318,635	$ 13,284,117	$ 12,522,275	$ 13,931,821	$ 13,832,568	$ 14,240,701	$ 14,403,603	$ 14,233,277	$ 14,888,776	$ 15,498,759
Contributions as a percentage of covered payroll	25.18%	26.35%	27.76%	25.36%	22.67%	21.10%	22.08%	19.53%	19.21%	9.75%
Investment Returns										
Annual money-weighted rate of return, net investment expense	14.03%	13.67%	13.38%	(5.34%)	15.19%	8.11%	1.08%	5.93%		

Other Information:

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

CITY OF READING

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	$ 1,499,985	$ 2,449,051	$ 1,227,102	$ 1,061,045
Interest	1,286,342	4,357,120	2,109,469	2,424,195
Differences between expected and actual experience	-	(3,292,537)	-	-
Changes of assumptions	(1,046,190)	7,790,386	(2,306,473)	2,675,677
Benefit payments	(4,087,329)	(8,509,298)	(4,340,011)	(5,592,000)
Net change in total OPEB liability	(2,347,192)	2,794,722	(3,309,913)	568,917
Total OPEB liability, beginning	67,364,031	64,569,309	67,879,222	67,310,305
Total OPEB liability, ending	$ 65,016,839	$ 67,364,031	$ 64,569,309	$ 67,879,222
Plan Fiduciary Net Position:				
Contributions - employer	$ -	$ 1,000,000	$ -	$ -
Plan fiduciary net position, beginning	1,000,000	-	-	-
Plan fiduciary net position, ending	$ 1,000,000	$ 1,000,000	$ -	$ -
Net OPEB Liability	$ 64,016,839	$ 66,364,031	$ 64,569,309	$ 67,879,222
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.54%	1.48%	0.00%	0.00%
Covered Employee Payroll	$ 15,439,848	$ 15,439,848	$ 18,072,245	$ 18,072,245
Net OPEB Liability as a Percentage of Covered Employee Payroll	414.62%	429.82%	357.28%	375.60%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the December 31, 2021 measurement date are as follows:

- The discount rate changed from 1.39% to 2.25%.

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, 2021

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, Grant, and American Rescue Plan 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	01/01/19	01/01/19	01/01/19
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	9 years	7 years	10 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
None noted.

SUPPLEMENTARY INFORMATION

CITY OF READING

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES				
TAXES:				
Real estate taxes	$ 24,649,055	$ 24,649,055	$ 26,376,244	$ 1,727,189
Earned income taxes	20,242,120	20,242,120	21,139,108	896,988
Other taxes:				
Per capita tax	250,000	250,000	295,887	45,887
Per capita tax - prior years	200,000	200,000	265,489	65,489
Real estate transfer tax	4,700,000	4,700,000	8,792,036	4,092,036
Occupation tax	863,949	863,949	1,006,933	142,984
Occupation tax - prior years	200,000	200,000	88,814	(111,186)
Business privilege tax	1,385,600	1,385,600	1,794,755	409,155
Business privilege tax - prior years	80,800	80,800	81,649	849
Total Other Taxes	7,680,349	7,680,349	12,325,563	4,645,214
TOTAL TAXES	52,571,524	52,571,524	59,840,915	7,269,391
LICENSES, PERMITS, AND FINES:				
Food permits	143,270	143,270	174,495	31,225
Building and electrical	1,074,500	1,074,500	1,122,556	48,056
Trades licenses	110,000	110,000	112,910	2,910
Business privilege	280,000	280,000	286,164	6,164
Street and pavement	500,000	500,000	154,168	(345,832)
Zoning and land development	74,000	74,000	105,205	31,205
Housing	1,644,500	1,644,500	1,474,668	(169,832)
Tax administration licenses	13,600	13,600	19,450	5,850
Franchise fees	825,000	825,000	800,926	(24,074)
No parking signs	300	300	1,200	900
Traffic fines	330,106	330,106	24,049	(306,057)
Penalties and interest	78,380	78,380	27,501	(50,879)
District court	361,000	361,000	286,179	(74,821)
Other	347,150	347,150	221,913	(125,237)
TOTAL LICENSES, PERMITS, AND FINES	5,781,806	5,781,806	4,811,384	(970,422)
INTERGOVERNMENTAL:				
Payments in lieu of taxes	126,824	126,824	143,867	17,043
Malt and liquor tax	34,000	34,000	4,050	(29,950)
Public utility tax	55,000	55,000	54,538	(462)
Snow and ice control	60,000	60,000	130,974	70,974
Reading Public Library	927,086	927,086	750,751	(176,335)
School guard	140,000	140,000	79,788	(60,212)
Pension - state aid	3,771,656	3,771,656	3,674,718	(96,938)
Police training	415,110	415,110	379,794	(35,316)
Grant reimbursement - code enforcement	341,625	341,625	247,006	(94,619)
Grant reimbursement - police	275,000	275,000	456,015	181,015
TOTAL INTERGOVERNMENTAL	6,146,301	6,146,301	5,921,501	(224,800)

CITY OF READING

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES - CONTINUED				
CHARGES FOR SERVICES:				
School district tax collection	6,110	6,110	2,644	(3,466)
Admissions fee/tax	200,500	200,500	293,471	92,971
Police services	1,039,311	1,039,311	1,171,752	132,441
Fire services	254,400	254,400	415,932	161,532
Ambulance services	3,157,000	3,190,500	3,400,171	209,671
Housing Authority	250,000	250,000	255,882	5,882
Public works	161,500	161,500	204,800	43,300
Meter surcharge	1,700,000	1,700,000	1,700,000	-
Other	155,800	115,800	256,781	140,981
TOTAL CHARGES FOR SERVICES	6,924,621	6,918,121	7,701,433	783,312
INTEREST AND RENT:				
Interest	20,300	20,300	24,167	3,867
Stadium rental	300,000	300,000	350,000	50,000
Building rental	75,000	75,000	84,720	9,720
Parking Authority	400,000	518,800	1,534,167	1,015,367
Loan repayments	-	-	76,882	76,882
TOTAL INTEREST AND RENT	795,300	914,100	2,069,936	1,155,836
OTHER:				
Sale of city property	22,000	22,000	25,104	3,104
Indirect cost reimbursement:				
Community development	203,634	203,634	17,796	(185,838)
Recycling	203,889	203,889	203,889	-
Sewer	1,226,236	1,226,236	1,226,236	-
Water	-	-	128,372	128,372
Solid waste	182,723	182,723	182,723	-
Direct cost reimbursement:				
Pension	63,050	63,050	34,593	(28,457)
Sewer	125,000	125,000	27,805	(97,195)
Grants and gifts	225,700	225,700	196,316	(29,384)
Other shared revenues	25,000	25,000	18,575	(6,425)
Miscellaneous	493,653	533,653	1,467,584	933,931
TOTAL OTHER	2,770,885	2,810,885	3,528,993	718,108
TOTAL REVENUES	74,990,437	75,142,737	83,874,162	8,731,425
OTHER FINANCING SOURCES				
Transfers in:				
Water Fund - lease payments	10,441,372	10,441,372	10,475,098	33,726
Sewer Fund	3,000,000	3,000,000	3,000,000	-
TOTAL OTHER FINANCING SOURCES	13,441,372	13,441,372	13,475,098	33,726
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 88,431,809	$ 88,584,109	$ 97,349,260	$ 8,765,151

CITY OF READING

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES				
GENERAL GOVERNMENT:				
Office of the Mayor:				
Personnel	$ 373,424	$ 373,424	$ 404,669	$ (31,245)
Other operating expenditures	15,500	32,500	18,340	14,160
City Council:				
Personnel	302,933	302,933	342,331	(39,398)
Other operating expenditures	127,200	127,200	49,944	77,256
City Auditor:				
Personnel	175,434	175,434	186,125	(10,691)
Other operating expenditures	1,500	1,500	1,165	335
Office of the Managing Director:				
Personnel	364,759	374,659	385,286	(10,627)
Other operating expenditures	48,050	51,050	39,619	11,431
Department of Finance:				
Office of the Director:				
Personnel	445,037	445,037	424,472	20,565
Other operating expenditures	11,980	19,980	16,590	3,390
Purchasing:				
Personnel	195,300	195,300	170,731	24,569
Other operating expenditures	165,400	175,300	175,711	(411)
Accounting:				
Personnel	457,785	457,785	434,611	23,174
Other operating expenditures	102,500	111,402	4,549	106,853
Information Technology:				
Personnel	785,876	785,876	868,675	(82,799)
Other operating expenditures	1,306,500	1,115,498	696,030	419,468
Department of Human Resources:				
Personnel	254,010	254,010	526,263	(272,253)
Other operating expenditures	354,300	354,300	305,528	48,772
Citizens Service Center:				
Personnel	790,999	790,999	810,515	(19,516)
Other operating expenditures	145,550	145,550	139,141	6,409
Department of Law:				
Personnel	468,438	468,438	443,276	25,162
Other operating expenditures	429,000	399,000	436,519	(37,519)
TOTAL GENERAL GOVERNMENT	7,321,475	7,157,175	6,880,090	277,085

CITY OF READING

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES - CONTINUED				
PUBLIC SAFETY:				
Police:				
Police - Criminal Investigation:				
Personnel	6,880,572	6,880,572	7,593,153	(712,581)
Other operating expenditures	132,940	132,940	112,437	20,503
Police - Special Services:				
Personnel	3,610,771	3,610,771	4,149,036	(538,265)
Other operating expenditures	1,082,706	1,082,706	701,381	381,325
Police - Patrol:				
Personnel	23,539,047	23,539,047	23,408,641	130,406
Other operating expenditures	449,635	449,635	472,127	(22,492)
Police - Administration:				
Personnel	927,400	927,400	978,572	(51,172)
Other operating expenditures	190,276	190,276	89,768	100,508
Fire:				
Fire Administration:				
Personnel	1,096,084	1,096,084	1,205,306	(109,222)
Other operating expenditures	204,579	203,079	197,051	6,028
Fire Special Services:				
Personnel	627,560	627,560	608,647	18,913
Other operating expenditures	260,800	260,800	203,525	57,275
Fire Suppression:				
Personnel	12,510,621	12,502,621	13,000,228	(497,607)
Other operating expenditures	465,474	475,974	458,268	17,706
Fire Emergency Medical Services:				
Personnel	4,621,696	4,607,703	5,206,848	(599,145)
Other operating expenditures	539,723	586,216	577,024	9,192
TOTAL PUBLIC SAFETY	57,139,884	57,173,384	58,962,012	(1,788,628)
PUBLIC WORKS:				
Department of Public Works:				
Fleet Management:				
Personnel	797,254	797,254	830,967	(33,713)
Other operating expenditures	573,400	573,400	528,630	44,770
Traffic Engineering:				
Other operating expenditures	1,273,000	1,313,000	1,229,164	83,836
Public Works Administration:				
Personnel	638,972	638,972	385,955	253,017
Other operating expenditures	439,050	349,050	107,343	241,707
Engineering:				
Personnel	14,140	14,140	-	14,140
Streets:				
Personnel	988,682	988,682	1,026,803	(38,121)
Other operating expenditures	354,400	292,633	181,478	111,155
Parks:				
Personnel	652,581	652,581	699,857	(47,276)
Other operating expenditures	131,475	131,475	93,811	37,664
Recreation:				
Personnel	22,622	22,622	-	22,622
Public Property:				
Personnel	782,989	782,989	776,840	6,149
Other operating expenditures	1,396,750	1,508,517	1,309,968	198,549
TOTAL PUBLIC WORKS	8,065,315	8,065,315	7,170,816	894,499

CITY OF READING

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

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES - CONTINUED				
COMMUNITY DEVELOPMENT:				
Administration:				
Personnel	285,252	285,252	235,593	49,659
Other operating expenditures	302,600	302,600	262,364	40,236
Zoning:				
Personnel	625,919	625,919	522,265	103,654
Other operating expenditures	71,375	170,375	107,006	63,369
Trades:				
Personnel	811,163	811,163	836,226	(25,063)
Other operating expenditures	309,960	471,460	463,466	7,994
Codes:				
Personnel	2,207,490	2,197,990	2,152,051	45,939
Other operating expenditures	154,060	154,060	145,870	8,190
TOTAL COMMUNITY DEVELOPMENT	4,767,819	5,018,819	4,724,841	293,978
CULTURE AND RECREATION:				
Library:				
Personnel	817,774	817,774	817,395	379
TOTAL CULTURE AND RECREATION	817,774	817,774	817,395	379
NONDEPARTMENTAL:				
Payroll and benefits	260,650	260,650	273,984	(13,334)
Risk management	2,322,393	2,322,393	2,322,393	-
Other	596,671	668,771	253,714	415,057
TOTAL NONDEPARTMENTAL	3,179,714	3,251,814	2,850,091	401,723
DEBT SERVICE:				
Principal	5,621,630	5,621,630	5,621,630	-
Interest	3,773,333	3,773,333	3,760,965	12,368
TOTAL DEBT SERVICE	9,394,963	9,394,963	9,382,595	12,368
TOTAL EXPENDITURES	90,686,944	90,879,244	90,787,840	91,404
OTHER FINANCING USES				
Transfers out	-	-	198,270	(198,270)
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 90,686,944	$ 90,879,244	$ 90,986,110	$ (106,866)

CITY OF READING

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2021

	Shade Tree	Liquid Fuels	Totals
ASSETS			
Cash	$ (45,203)	$ 7,176,219	$ 7,131,016
Taxes receivable, net	53,164	-	53,164
TOTAL ASSETS	$ 7,961	$ 7,176,219	$ 7,184,180
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 18,068	$ 2,102,167	$ 2,120,235
Interfund payables	-	81,700	81,700
TOTAL LIABILITIES	18,068	2,183,867	2,201,935
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	49,707	-	49,707
FUND BALANCES			
Restricted for:			
Liquid Fuels	-	4,992,352	4,992,352
Unassigned	(59,814)	-	(59,814)
TOTAL FUND BALANCES	(59,814)	4,992,352	4,932,538
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,961	$ 7,176,219	$ 7,184,180

CITY OF READING

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

Year Ended December 31, 2021

	Shade Tree	Liquid Fuels	Totals
REVENUES			
Real estate taxes	$ 294,527	$ -	$ 294,527
Intergovernmental	-	1,976,408	1,976,408
Interest and rent	-	4,485	4,485
Other	7,622	-	7,622
TOTAL REVENUES	302,149	1,980,893	2,283,042
EXPENDITURES			
Current:			
Public works - highways and streets	-	3,343,141	3,343,141
Culture and recreation	351,125	-	351,125
TOTAL EXPENDITURES	351,125	3,343,141	3,694,266
NET CHANGE IN FUND BALANCES	(48,976)	(1,362,248)	(1,411,224)
FUND BALANCES - BEGINNING OF YEAR	(10,838)	6,354,600	6,343,762
FUND BALANCES - END OF YEAR	$ (59,814)	$ 4,992,352	$ 4,932,538

CITY OF READING

COMBINING SCHEDULE OF NET POSITION - WATER FUNDS

December 31, 2021

	City Water Fund	Reading Area Water Authority	Eliminations	Total Water Fund
ASSETS				
Current assets:				
Cash	$ 267,229	$ 17,689,072	$ -	$ 17,956,301
Investments	119,763	-	-	119,763
Accounts receivable, net	2,292	5,014,230	6,634	5,023,156
Interfund receivables	146,587	-	(143,924)	2,663
Inventory	-	146,694	-	146,694
Total current assets	535,871	22,849,996	(137,290)	23,248,577
Restricted assets - cash and investments	-	2,583,576	-	2,583,576
Noncurrent assets:				
Capital assets not being depreciated	2,091,773	81,951	-	2,173,724
Capital assets, net of accumulated depreciation	7,293,271	60,966,780	-	68,260,051
Total capital assets, net	9,385,044	61,048,731	-	70,433,775
Rights to leased land	-	849,525	-	849,525
Total noncurrent assets	9,385,044	61,898,256	-	71,283,300
TOTAL ASSETS	9,920,915	87,331,828	(137,290)	97,115,453
DEFERRED OUTFLOWS				
Deferred charge on bond refunding	402,043	5,100,539	-	5,502,582
Deferred outflows of resources for pension	178,602	-	-	178,602
Deferred outflows of resources for other postemployment benefits	5,633	-	-	5,633
TOTAL DEFERRED OUTFLOWS	586,278	5,100,539	-	5,686,817
LIABILITIES				
Current liabilities:				
Accounts payable	3,094	81,489	-	84,583
Interfund payables	484,907	137,290	(137,290)	484,907
Accrued interest	-	182,632	-	182,632
Accrued payroll and compensated absences	-	700,950	-	700,950
Escrow deposits	-	74,811	-	74,811
Current portion notes and bonds payable	171,420	4,044,093	-	4,215,513
Total current liabilities	659,421	5,221,265	(137,290)	5,743,396
Noncurrent liabilities:				
Notes and Bonds payable, net	3,184,332	69,475,994	-	72,660,326
Net pension liability	102,636	-	-	102,636
Other postemployment benefits	59,141	-	-	59,141
Total noncurrent liabilities	3,346,109	69,475,994	-	72,822,103
TOTAL LIABILITIES	4,005,530	74,697,259	(137,290)	78,565,499
DEFERRED INFLOWS				
Deferred inflows of resources for pension	796,542	-	-	796,542
Deferred inflows of resources for other postemployment benefits	35,273	-	-	35,273
TOTAL DEFERRED INFLOWS	831,815	-	-	831,815
NET POSITION				
Net investment in capital assets	6,431,335	(7,370,817)	-	(939,482)
Restricted for debt service	-	2,511,972	-	2,511,972
Unrestricted	(761,487)	22,593,953	-	21,832,466
TOTAL NET POSITION	$ 5,669,848	$ 17,735,108	$ -	$ 23,404,956

See note to supplementary information.

CITY OF READING

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

Year Ended December 31, 2021

	City Water Fund	Reading Area Water Authority	Eliminations	Total Water Fund
OPERATING REVENUES				
Charges for services	$ 12,506,564	$ 33,002,946	$ (12,506,564)	$ 33,002,946
Other	494,539	17,604	-	512,143
TOTAL OPERATING REVENUES	13,001,103	33,020,550	(12,506,564)	33,515,089
OPERATING EXPENSES				
Lease payments	-	12,538,372	(12,538,372)	-
Personnel	127,455	6,299,337	-	6,426,792
Depreciation and amortization	674,509	4,417,699	-	5,092,208
Risk management	65,800	-	-	65,800
Contracted Services	-	1,038,313	-	1,038,313
Chemicals and supplies	-	1,197,734	-	1,197,734
Utilities	-	644,695	-	644,695
Other	1,858,413	2,941,437	31,808	4,831,658
TOTAL OPERATING EXPENSES	2,726,177	29,077,587	(12,506,564)	19,297,200
OPERATING INCOME	10,274,926	3,942,963	-	14,217,889
NONOPERATING REVENUES (EXPENSES)				
Interest income	111	15,573	-	15,684
Loss on disposal of assets	(50,548)	-	-	(50,548)
Other	-	(525,508)	-	(525,508)
Gain on sale of solid waste accounts receivable	-	123,405	-	123,405
Interest expense	(124,781)	(2,257,966)	-	(2,382,747)
NET NONOPERATING REVENUES (EXPENSES)	(175,218)	(2,644,496)	-	(2,819,714)
INCOME BEFORE TRANSFERS	10,099,708	1,298,467	-	11,398,175
Transfers in	157,636	-	-	157,636
Transfers out - lease payments	(10,475,098)	-	-	(10,475,098)
CHANGE IN NET POSITION	(217,754)	1,298,467	-	1,080,713
NET POSITION - BEGINNING OF YEAR	5,887,602	16,436,641	-	22,324,243
NET POSITION - END OF YEAR	$ 5,669,848	$ 17,735,108	$ -	$ 23,404,956

CITY OF READING

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2021

	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	$ 778,058	$ 341,143	$ 1,457,958	$ 2,577,159	$ 1,000,000	$ 3,577,159
Investments	147,782,582	84,445,512	77,971,492	310,199,586	-	310,199,586
Interfund receivable	-	-	142	142	-	142
TOTAL ASSETS	148,560,640	84,786,655	79,429,592	312,776,887	1,000,000	313,776,887
LIABILITIES						
Interfund payable	-	142	-	142	-	142
NET POSITION						
Held in trust for pension benefits	148,560,640	84,786,513	79,429,592	312,776,745	-	312,776,745
Held in trust for other postemployment benefits	-	-	-	-	1,000,000	1,000,000
TOTAL NET POSITION	$ 148,560,640	$ 84,786,513	$ 79,429,592	$ 312,776,745	$ 1,000,000	$ 313,776,745

CITY OF READING

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

Year Ended December 31, 2021

	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)	$ 11,303,371	$ 3,894,670	$ 3,353,417	$ 18,551,458	$ -	$ 18,551,458
Employee	824,451	521,217	423,599	1,769,267	-	1,769,267
Investment income:						
Interest and dividends	2,664,565	1,555,372	1,426,693	5,646,630	-	5,646,630
Net appreciation in fair value of investments	15,854,270	8,908,304	8,578,065	33,340,639	-	33,340,639
Other	735	305	31,475	32,515	-	32,515
TOTAL ADDITIONS	30,647,392	14,879,868	13,813,249	59,340,509	-	59,340,509
DEDUCTIONS						
Benefits, including tax withheld	11,569,421	5,317,050	5,116,886	22,003,357	-	22,003,357
Administrative expenses	620,421	347,679	348,834	1,316,934	-	1,316,934
Refunds paid	115,680	2,193	130,006	247,879	-	247,879
TOTAL DEDUCTIONS	12,305,522	5,666,922	5,595,726	23,568,170	-	23,568,170
CHANGE IN NET POSITION	18,341,870	9,212,946	8,217,523	35,772,339	-	35,772,339
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	130,218,770	75,573,567	71,212,069	277,004,406	1,000,000	278,004,406
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	$ 148,560,640	$ 84,786,513	$ 79,429,592	$ 312,776,745	$ 1,000,000	$ 313,776,745

CITY OF READING

NOTE TO SUPPLEMENTARY INFORMATION

December 31, 2021

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, 2021, was $12,538,372.

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 ($1,700,000 per year).

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:

2022	$ 10,090,493
2023	10,241,850
2024	10,395,478
2025	10,551,410
2026	10,709,681
Thereafter	251,361,819
	$ 303,350,731

RAWA is reported as a blended component unit within the water fund. The lease revenue and expense are eliminated with this presentation. A transfer was reported for the financing fee paid to the general fund in 2021 totaling $10,505,138, which includes a base fee of $9,941,372 and additional payments from new commercial customers and past lease payments received totaling $563,766.

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2021

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/20	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/21	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING										
Community Development Block Grant/Entitlement Grant	D	14.218		B-17-MC-42-0013	$ 2,419,585	$ 20,271	$ 27,226	$ 27,069	$ 20,114	$ -
Community Development Block Grant/Entitlement Grant	D	14.218		B-18-MC-42-0013	2,604,014	25,149	241,705	249,578	33,022	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-19-MC-42-0013	2,553,505	269,919	581,094	376,202	65,027	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-20-MC-42-0013	2,560,654	323,943	1,642,860	1,380,914	61,997	-
Community Development Block Grant/Entitlement Grant	D	14.218		B-21-MC-42-0013	2,576,835	-	558,762	841,601	282,839	-
COVID-19 - Community Development Block Grant/Entitlement Grant	D	14.218		B-20-MW-42-0013	2,082,307	9,329	109,123	107,859	8,065	-
Subtotal - ALN 14.218						648,611	3,160,770	2,983,223	471,064	36,276
Community Development Block Grant - Section 108 Loan Guarantee	D	14.248			N/A	(1,500,000)	-	3,358,784	(1,400,000)	-
Emergency Shelter Grant	D	14.231		E-18-MC-42-0013	217,817	334	334	-	-	-
Emergency Shelter Grant	D	14.231		E-19-MC-42-0013	220,956	34,395	89,434	55,039	-	-
Emergency Shelter Grant	D	14.231		E-20-MC-42-0013	224,371	-	159,876	177,775	17,899	-
COVID-19 Emergency Shelter Grant	D	14.231		E-20-MW-42-0013	2,200,060	339,525	973,886	687,776	53,415	-
Subtotal - ALN 14.231						374,254	1,223,530	920,590	71,314	119,573
HOME Investment Partnership Program	D	14.239		M-15-MC-42-0204	756,936	-	83,777	83,777	-	-
HOME Investment Partnership Program	D	14.239		M-16-MC-42-0204	761,698	-	171,453	171,453	-	-
HOME Investment Partnership Program	D	14.239		M-17-MC-42-0204	745,445	63	92,497	92,434	-	-
HOME Investment Partnership Program	D	14.239		M-18-MC-42-0204	1,027,240	952	952	-	-	-
HOME Investment Partnership Program	D	14.239		M-19-MC-42-0204	937,491	4,520	52,567	48,047	-	-
HOME Investment Partnership Program	D	14.239		M-20-MC-42-0204	981,498	18,079	18,079	5,220	5,220	-
HOME Investment Partnership Program	D	14.239		M-21-MC-42-0204	988,013	-	83,397	98,801	15,404	-
Subtotal - ALN 14.239						23,614	502,722	499,732	20,624	255,711
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	10/01/14-09/30/15	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 - ALN 14.401						(60,990) *	-	-	(60,990)	-
TOTAL U.S. DEPARTMENT OF HOUSING						(514,511)	4,887,022	7,762,329	(897,988)	411,560

See notes to schedule of expenditures of federal awards.

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2021

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/20	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/21	Passed Through to Subrecipients
U.S. DEPARTMENT OF JUSTICE										
COVID-19 - Coronavirus Emergency Supplemental Funding Program	D	16.034	01/20/20-01/31/22	2020-VD-BX-0608	199,104	50,303	50,303	80,880	80,880	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/16-09/30/20	2017-DJ-BX-0226	88,700	60,318	60,318	-	-	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/17-09/30/21	2018-DJ-BX-0849	86,389	(16,050)	51,625	67,675	-	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/18-09/30/22	2019-DJ-BX-0578	76,892	-	-	16,497	16,497	-
Edward Byrne Memorial Justice Assistance Program	D	16.738	10/01/19-09/30/23	2020-DJ-BX-0233	65,564	-	-	31,907	31,907	-
Subtotal - ALN 16.738						44,268	111,943	116,079	48,404	-
Bulletproof Vest Partnership Program	D	16.607		BJA01004208		-	7,777	7,777	-	-
Body Worn Camera Policy and Implementation	D	16.835		2018-BC-BX-0002		187,500	187,500	-	-	-
DEA (DEA Admin reimbursement)	D	16.999				-	14,917	17,339	2,422	-
CBP JOPREIM (US Treasury Dept Joint Ops Reimb)	D	16.999				-	10,075	10,075	-	-
US Department of Justice - Drug Forfeiture	D	16.999				(27,545)	1,404	41,704	12,755	-
US Department of Justice - Joint Law Enforcement Operations	D	16.999				-	5,939	5,939	-	-
US Department of Justice - Operation Chuck Wagon	D	16.999		MA-PAE-0470		-	1,271	1,271	-	-
US Department of Justice	D	16.999				-	2,800	-	(2,800)	-
Subtotal - ALN 16.999						(27,545)	36,406	76,328	12,377	-
TOTAL U.S. DEPARTMENT OF JUSTICE						254,526	393,929	281,064	141,661	-
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION										
Equal Employment Opportunity Commission	D	30.001		EECCN110067	21,700	(11,822)	-	-	(11,822)	-
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		057342	8,021,601	348,898	2,307,854	2,107,483	148,527	-
Transportation Enhancement Funds	I	20.205		R17050007	440,712	-	439,820	439,820	-	-
Transportation Enhancement Funds	I	20.205		R18050013	903,099	-	-	-	-	-
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER AND U.S. DEPARTMENT OF TRANSPORTATION						348,898	2,747,674	2,547,303	148,527	-
U.S. DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE										
Passed through the Commonwealth of Pennsylvania										
Department of Conservation and Natural Resources										
Community Conservation Partnerships Program, Federal Land and Water Conservation Fund	I	15.916	10/01/15-09/30/20	LWCF 42-01585	250,000	250,000	250,000	-	-	-

CITY OF READING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2021

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Grant Period	Grant Contract	Total Award	Accrued (Unearned) 12/31/20	Amount Received	Revenue/ Expenditures	Accrued (Unearned) 12/31/21	Passed Through to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed through Pennsylvania Department of Health										
Community Programs to Improve Minority Health	I	93.137	07/01/21-06/30/23	1 CPIMP211290-01-00	3,999,382	-	-	39,788	39,788	39,788
Passed through Pennsylvania Downtown Center										
WalkWorks subaward	I	93.439	10/01/21-09/30/22	4100089047	20,000	-	-	-	-	-
COVID-19 Provider Relief Fund	D	93.498				-	225,831	225,831	-	-
TOTAL U.S. HEALTH AND HUMAN SERVICES						-	225,831	265,619	39,788	39,788
FEDERAL EMERGENCY MANAGEMENT AGENCY										
Assistance to Firefighters Grant	D	97.044	07/27/20-07/26/21	EMW-2019-FG-08141	74,545	74,545	74,545	-	-	-
Assistance to Firefighters Grant	D	97.044	08/03/21-08/02/23	EMW-2020-FG-14022	983,672	-	983,672	983,672	-	503,195
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY						74,545	1,058,217	983,672	-	503,195
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	12/01/16-12/01/35	71419	108,161,309	6,114,758	5,035,870	435,171	1,514,059	-
Capitalization Grants for Clean Water State Revolving Funds	I	66.458	12/01/16-09/01/40	71420	40,747,008	1,934,102	1,505,242	756,961	1,185,821	-
TOTAL CLEAN WATER STATE REVOLVING FUND CLUSTER AND ENVIRONMENTAL PROTECTION AGENCY						8,048,860	6,541,112	1,192,132	2,699,880	-
U.S. DEPARTMENT OF THE TREASURY										
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	D	21.027	03/03/21-12/31/24		61,134,970	-	30,567,485	3,000,000	(27,567,485)	-
TOTAL FEDERAL AWARDS						$ 8,450,496	$ 46,671,270	$ 16,032,119	$ (25,447,439)	$ 954,543

Source Codes - I = Indirect; D = Direct

* Corrections made to accrued (unearned) balances as of 12/31/2020.

CITY OF READING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2021

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, 2021. 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, 2021, the City had the following Section 108 loan activity:

Outstanding Loans At 12/31/2020	Proceeds	Payments	Outstanding Loans at 12/31/2021
$ 3,358,785	$ -	$ (329,336)	$ 3,029,449

Herbein + Company Inc.
2763 Century Boulevard
Reading, PA 19610
www.herbein.com I 610.378.1175

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, Pennsylvania
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, Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Reading, Pennsylvania's basic financial statements, and have issued our report thereon dated September 26, 2022. We did not audit the financial statements of the Reading Area Water Authority, a component unit of the City of Reading, Pennsylvania. Those statements were audited by other auditors whose report has been furnished to us. The financial statements of the Reading Area Water Authority were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Herbein
CPAs + Advisors

Report on Compliance and Other Matters

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

City of Reading, Pennsylvania's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Reading, Pennsylvania's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Reading, Pennsylvania's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
September 26, 2022

Herbein
CPAs + Advisors

Herbein + Company Inc.
2763 Century Boulevard
Reading, PA 19610
www.herbein.com I 610.378.1175

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, Pennsylvania
Reading, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Reading, Pennsylvania's compliance with the types of compliance requirements identified as subject to audit 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, 2021. The 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Reading, Pennsylvania and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Reading, Pennsylvania's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Reading, Pennsylvania's federal programs.

Herbein
CPAs + Advisors

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Reading, Pennsylvania's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Reading, Pennsylvania's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Reading, Pennsylvania's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Reading, Pennsylvania's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Reading, Pennsylvania's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Reading, Pennsylvania's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Reading, Pennsylvania's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Herbein
CPAs + Advisors

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Reading, Pennsylvania's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Reading, Pennsylvania's response was not subjected to the other 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
September 26, 2022

CITY OF READING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(s) identified not considered to be material weaknesses?	X yes	___ 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:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.231	Emergency Shelter Grant
14.239	HOME Investment Partnership Program
14.248	Section 108 Loan Guarantee Program
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
97.044	Assistance to Firefighters Grant

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

Section II - Financial Statement Findings

2021-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Criteria

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

Condition

Material audit adjustments were proposed during the audit and recorded to properly reflect accounts within various funds. Specifically, there were three areas where material adjustments were required: (1) accurate accounts receivable accruals including grant activity, (2) proper reporting of self-insurance fund activity, and (3) accurate accounts payable accruals.

Cause

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

Effect

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

Recommendation

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

Management Response

See corrective action plan included in this report package.

Section III - Federal Award Findings and Questioned Costs

2021-002 SUBRECEIPIENT MONITORING - SIGNIFICANT DEFICIENCY

Federal Program
Home Investment Partnership Program - 14.239, Contracts M-15-MC-42-0204, M-16-MC-42-0204, M-17-MC-42-0204, M-19-MC-42-0204, M-20-MC-42-0204, and M-21-MC-42-0204; Community Development Block Grant - Section 108 Loan Guarantee - 14.248

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 and monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes per 2 CFR, Section 200.332(d). Additionally, regular monitoring of rental activities funded with Section 108 loans are required to be performed. For one of the outstanding Section 108 loans, this includes HOME program monitoring for the project that was funded.

Condition
The City did not perform a risk assessment or document subrecipient monitoring activities under the HOME program as required.

Cause
Turnover and vacancy in positions within the Community Development department throughout the year did not allow for subrecipient monitoring procedures to be performed.

Effect
If subrecipient monitoring procedures were performed, the City would be able to ensure that funds were used to carry out the subaward for the intended purpose.

Questioned Costs
None.

Context
The Section 108 continuing monitoring requirements relate to 4 outstanding Section 108 loans. The City properly monitored 3 of the 4 loans, which related to job creation, but failed to monitor 1 of the 4 loans related to the HOME monitoring program.

Repeat Finding
No.

Recommendation
We recommend that the City continue developing standard operating procedures for subrecipient monitoring of grant activities. 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.

815 WASHINGTON STREET
READING, PA 19601-3690

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2021

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

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

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

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

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

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

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

Current Status of Corrective Action Plan
See corrective action plan included in this report package related to finding 2021-001.

CITY OF READING, PENNSYLVANIA

815 WASHINGTON STREET
READING, PA 19601-3690

CORRECTIVE ACTION PLAN
December 31, 2021

The City of Reading respectfully submits the following corrective action plan for the year ended December 31, 2021.

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

Audit period: December 31, 2021

The findings from the December 31, 2021 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

2021-001 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 three areas where material adjustments were required: (1) accurate accounts receivable accruals including grant activity, (2) proper reporting of self-insurance fund activity, and (3) accurate accounts payable accruals.

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

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

Management Response

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

Anticipated Completion Date - Ongoing

CITY OF READING, PENNSYLVANIA

815 WASHINGTON STREET
READING, PA 19601-3690

Section III - Federal Award Findings and Questioned Costs

2021-002 SUBRECIPIENT MONITORING - SIGNIFICANT DEFICIENCY

Condition
The City did not perform a risk assessment or document subrecipient monitoring activities under the HOME program as required.

Cause
Turnover and vacancy in positions within the Community Development department throughout the year did not allow for subrecipient monitoring procedures to be performed.

Recommendation
We recommend that the City continue developing standard operating procedures for subrecipient monitoring of grant activities. 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 City recently has a new vacancy in its Community Development department and will strive to fill this vacancy in a reasonable time. The City aims to develop internal policies and procedures with respect to subrecipient monitoring and provide relevant training for its Community Development department professionals.

Anticipated Completion Date - Ongoing

Sincerely,

Michael R. Oppenheimer

Michael R. Oppenheimer
City Controller
City of Reading