

CITY OF READING
HAMILTON COUNTY



REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2021

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Reading
1000 Market Street
Reading, Ohio 45215

We have reviewed the *Independent Auditor's Report* of the City of Reading, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2020 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Reading is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 31, 2022

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CITY OF READING, OHIO
HAMILTON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and the City Council
City of Reading

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading, Ohio (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, 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.

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 and to meet our other 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 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'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 Responsibilities 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'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'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of pension information and other postemployment information to 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, on our consideration of the City's internal control over financial reporting and 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 effectiveness of the City's 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's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 29, 2022

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

The City of Reading's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

Financial Highlights

- The City's total net position increased \$6,352,477. Net position of governmental activities increased \$6,033,654, net position of business-type activities increased by \$318,823.
- The General Fund reported a net change in fund balance of \$1,979,385.
- Business-type operations reflected operating income of \$346,206.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Position and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Government-wide Financial Statements

The analysis of the City as a whole begins with the Government-wide Financial Statements. These reports provide information that will help the reader to determine if the City of Reading is financially better off or worse off as a result of the year's activities. These statements include all assets and deferred outflows, and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

In the Government-wide Financial Statements, the City is divided into two kinds of activities.

- **Governmental Activities** - Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, intergovernmental revenue, charges for services, and interest finance most of these activities.
- **Business-Type Activities** - These services include water. Service fees for these operations are charged based upon the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

Fund Financial Statements

Information about the City's major funds is presented in the Fund Financial Statements. Fund financial statements provide detailed information about the City's major funds - not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the City, with approval of council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City's major funds are General, Streets and Curbs, American Rescue Plan Act, and the Capital Improvement fund.

Governmental Funds - Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds - The City is the fiscal agent for two custodial funds. All of the City's fiduciary activities are reported in a separate Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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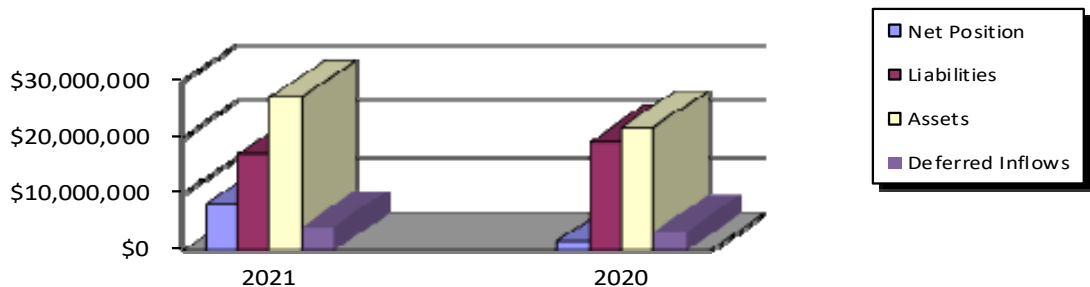
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2021 compared to 2020.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and Other Assets	\$14,034,184	\$10,621,140	\$369,357	\$339,030	\$14,403,541	\$10,960,170
Net OPEB Asset	195,215	0	18,040	0	213,255	0
Capital Assets	11,972,150	10,174,367	469,110	492,936	12,441,260	10,667,303
Total Assets	26,201,549	20,795,507	856,507	831,966	27,058,056	21,627,473
Deferred Outflows of Resources:						
Pension	1,318,709	1,476,416	20,252	35,925	1,338,961	1,512,341
OPEB	800,966	996,090	8,916	27,981	809,882	1,024,071
Total Deferred Outflows of Resources	2,119,675	2,472,506	29,168	63,906	2,148,843	2,536,412
Liabilities:						
Other Liabilities	977,087	630,986	125,126	144,216	1,102,213	775,202
Long-Term Liabilities	14,821,652	16,966,538	1,063,690	1,421,363	15,885,342	18,387,901
Total Liabilities	15,798,739	17,597,524	1,188,816	1,565,579	16,987,555	19,163,103
Deferred Inflows of Resources:						
Property Taxes	604,000	584,000	0	0	604,000	584,000
OPEB	1,318,655	894,688	59,722	24,660	1,378,377	919,348
Pension	2,094,745	1,720,370	66,793	54,112	2,161,538	1,774,482
Total Deferred Inflows of Resources	4,017,400	3,199,058	126,515	78,772	4,143,915	3,277,830
Net Position:						
Net Investment In Capital Assets	8,599,007	7,008,400	469,110	492,936	9,068,117	7,501,336
Restricted	5,843,985	5,178,033	0	0	5,843,985	5,178,033
Unrestricted	(5,937,907)	(9,715,002)	(898,766)	(1,241,415)	(6,836,673)	(10,956,417)
Total Net Position	\$8,505,085	\$2,471,431	(\$429,656)	(\$748,479)	\$8,075,429	\$1,722,952



The City saw an increase in Capital Assets for Governmental Activities mainly due to current year additions being greater than current year depreciation expense. Long-Term Liabilities decreased mainly due to paying off debt and net pension liability. Business-Type Activities Capital Assets decreased mainly due to current year depreciation expense being greater than current year additions. Business-Type Activities Long-Term Liabilities decreased mainly due to paying off debt and net pension liability.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2021 to 2020.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for Services	\$1,709,600	\$1,491,360	\$1,922,407	\$1,849,695	\$3,632,007	\$3,341,055
Operating Grants and Contributions	928,051	1,914,409	0	0	928,051	1,914,409
Capital Grants and Contributions	1,211,961	0	0	0	1,211,961	0
Total Program Revenues	3,849,612	3,405,769	1,922,407	1,849,695	5,772,019	5,255,464
General Revenues:						
Income Taxes	8,608,616	7,502,340	0	0	8,608,616	7,502,340
Property Taxes	649,996	589,554	0	0	649,996	589,554
Grants and Entitlements	298,786	208,422	0	0	298,786	208,422
Other Revenues	1,219,765	892,989	814	3,655	1,220,579	896,644
Total General Revenues	10,777,163	9,193,305	814	3,655	10,777,977	9,196,960
Total Revenues	14,626,775	12,599,074	1,923,221	1,853,350	16,549,996	14,452,424
Program Expenses:						
General Government	1,918,165	2,419,393	0	0	1,918,165	2,419,393
Public Safety	4,806,628	6,317,648	0	0	4,806,628	6,317,648
Community Development	136,937	154,643	0	0	136,937	154,643
Leisure Time Activities	372,495	285,846	0	0	372,495	285,846
Transportation and Street Repair	789,694	1,073,608	0	0	789,694	1,073,608
Basic Utility Service	532,085	568,848	0	0	532,085	568,848
Interest and Other Charges	37,117	41,619	0	0	37,117	41,619
Water Utility	0	0	1,604,398	2,595,428	1,604,398	2,595,428
Total Program Expenses	8,593,121	10,861,605	1,604,398	2,595,428	10,197,519	13,457,033
Change in Net Position	6,033,654	1,737,469	318,823	(742,078)	6,352,477	995,391
Net Position - Beginning of Year	2,471,431	733,962	(748,479)	(6,401)	1,722,952	727,561
Net Position - End of Year	\$8,505,085	\$2,471,431	(\$429,656)	(\$748,479)	\$8,075,429	\$1,722,952

Income taxes increased mainly due to an increase in income tax collections in 2021 as compared to 2020. Public Safety expenses decreased mainly due to a decrease in COVID-19 and FEMA related expenses. Transportation and Street Repair expenses decreased due to a decrease in repairs and maintenance to streets. The Business-Type Activities expenses decreased when compared to the prior year due to a decrease in net pension and OPEB liabilities.

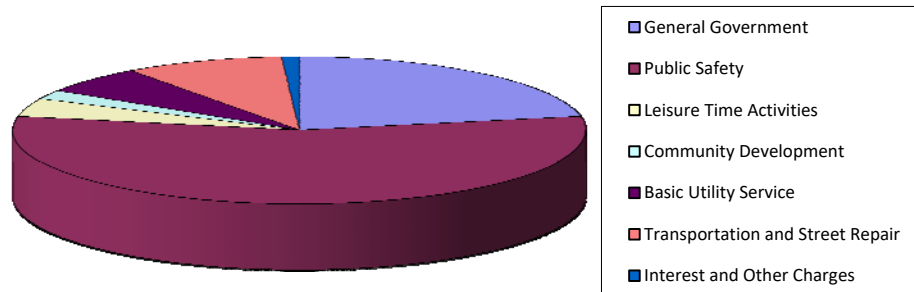
Governmental Activities

The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 80% of the City's governmental activities general revenues.

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

Governmental Activities
Program Expenses for 2021

	Percentage
General Government	22%
Public Safety	56%
Leisure Time Activities	4%
Community Development	2%
Basic Utility Service	6%
Transportation and Street Repair	9%
Interest and Other Charges	1%
Total	100%



General Government includes legislative and executive as well as judicial expenses. Leaf and brush pickup, storm sewer projects, aggressive street resurfacing program, amenities in the parks, and police and fire services all culminate into a full service city.

Business-Type Activities

The City’s business-type activity includes water. This program had operating revenues of \$1,923,221 and operating expenses of \$1,577,015 for fiscal year 2021. Business activities receive no support from tax revenues. The business activities net position at the end of the year was (\$429,656), which increased \$318,823 from 2020. The City had one business-type (enterprise) fund that was a major fund: the Water fund.

The City’s Funds

The City has four major governmental funds: the General Fund, Streets and Curbs, American Rescue Plan Act, and Capital Improvement Fund. Assets of the General fund comprised \$7,308,548 (52%), the Streets and Curbs fund comprised \$1,522,805 (11%), the American Rescue Plan Act fund comprised \$512,055 (4%), and the Capital Improvement fund comprised \$1,042,061 (7%) of the total \$14,034,184 governmental funds’ assets.

General Fund: Fund balance at December 31, 2021 was \$5,302,341 an increase in fund balance of \$1,979,385 from 2020. The general fund had an increase in fund balance mainly due to an increase in income taxes and other revenues received.

Streets and Curbs Fund: Fund balance at December 31, 2021 was \$1,522,805 an increase in fund balance of \$480,782 from 2020. The Streets and Curbs fund had an increase in fund balance mainly due an increase in intergovernmental revenues received.

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

American Rescue Plan Act: Fund balance at December 31, 2021 was \$0 with unearned revenues of \$512,055.

Capital Improvement Fund: Fund balance at December 31, 2021 was \$712,471 an increase in fund balance of \$215,960. The capital improvement fund had an increase in fund balance due to an increase in property taxes received.

General Fund Budgeting Highlights

The City’s General Fund budget is formally adopted at the object level. Financial reports, which compare actual performance with the budget, are prepared quarterly and presented to the Council so the Council is able to review the financial status and measure the effectiveness of the budgetary controls.

As the City completed the year, its General Fund balance reported an actual fund balance of \$1,576,499, on a Non-GAAP Budgetary Basis.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City underestimated the taxes revenue and charges for services revenue amounts. Final budgeted expenditures were slightly overestimated when compared to actual expenditures.

Capital Assets and Debt Administration

Capital Assets

At year end, the City had \$12,441,260 invested in land, construction in progress, buildings and improvements, equipment and infrastructure. Table 3 shows 2021 balances compared to 2020:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$1,311,475	\$1,311,475	\$6,135	\$6,135	\$1,317,610	\$1,317,610
Construction in Progress	1,100,110	96,500	0	0	1,100,110	96,500
Buildings and Improvements	1,614,499	1,614,499	102,532	102,532	1,717,031	1,717,031
Equipment	5,676,969	5,285,338	239,310	239,310	5,916,279	5,524,648
Infrastructure	10,045,965	9,194,965	1,479,654	1,479,654	11,525,619	10,674,619
Accumulated Depreciation	(7,776,868)	(7,328,410)	(1,358,521)	(1,334,695)	(9,135,389)	(8,663,105)
Total Net Capital Assets	<u>\$11,972,150</u>	<u>\$10,174,367</u>	<u>\$469,110</u>	<u>\$492,936</u>	<u>\$12,441,260</u>	<u>\$10,667,303</u>

The increase in capital assets is mainly due to current year additions being greater than current year depreciation expense.

See Note 6 in the notes to the basic financial statements for further details on the City’s capital assets.

Debt

At year-end the City had \$4,287,643 in general obligation bonds, notes, loans and capital leases.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

Table 4
Outstanding Debt at Year End

		2021	2020
Governmental Activities			
<u>Bonds and Notes Payable</u>			
2003 Streetscape Bonds	4.59%	\$100,000	\$150,000
2011 Dump Truck Acquisition Bonds	2.00%-4.50%	0	17,200
2019 Road Projects Bonds	2.74%	665,000	738,000
Subtotal Bonds and Notes		765,000	905,200
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	142,327	149,444
2011 Jefferson Avenue Improvements	0.00%	375,114	392,165
2012 Trillium Court & Krylon Drive Improvements	0.00%	211,288	220,474
2013 Jefferson / Willow / Voorhees Road Improvements	0.00%	207,657	215,643
2014 Julie Terrace improvements	0.00%	70,126	72,723
2015 Leonard Street Improvements	0.00%	72,391	74,804
2015 Brown Street Improvements	0.00%	104,961	108,459
2015 5th Street & Flora Avenue Improvements	0.00%	106,840	110,401
2016 Bolster Drive Improvements	0.00%	178,142	183,709
2016 Alwil Drive Improvements	0.00%	191,000	197,161
2018 Benson Street Improvements	0.00%	127,101	130,632
2018 Galbraith Road Improvements	0.00%	176,243	181,139
2020 Hunt Road Box Culvert Replacement	0.00%	425,500	65,000
2020 Thurnridge Drive Improvements	0.00%	122,935	31,500
Subtotal Loans		2,511,625	2,133,254
<u>Capital Leases Payable</u>			
Snow Plow Truck Lease	1.86%	96,518	127,513
Total Government Activities		<u>\$3,373,143</u>	<u>\$3,165,967</u>
Business-Type Activities			
<u>Bonds Payable</u>			
2019 Water Projects Bonds	2.74%	\$915,000	\$1,016,000
Total Business-Type Activities		<u>\$915,000</u>	<u>\$1,016,000</u>

See Notes 7 - 8 in the notes to the basic financial statements for further details on the City's long-term obligations.

Economic Factors

The City is not immune to economic conditions that have negatively affected many public and private entities. Management has been committed to providing its residents with full disclosure of the financial position of the City.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2021
(Unaudited)

Contacting the City's Financial Department

This 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 any questions about this report or need additional financial information, contact the City Auditor, City of Reading, 1000 Market Street, Reading, Ohio 45215.

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City of Reading, Ohio
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$9,559,795	\$219,096	\$9,778,891
Receivables (Net):			
Taxes	2,552,773	0	2,552,773
Accounts	109,578	146,906	256,484
Intergovernmental	567,963	0	567,963
Land Held for Resale	1,150,483	0	1,150,483
Prepaid Items	93,592	3,355	96,947
Net OPEB Asset	195,215	18,040	213,255
Nondepreciable Capital Assets	2,411,585	6,135	2,417,720
Depreciable Capital Assets, Net	9,560,565	462,975	10,023,540
Total Assets	26,201,549	856,507	27,058,056
Deferred Outflows of Resources:			
Pension	1,318,709	20,252	1,338,961
OPEB	800,966	8,916	809,882
Total Deferred Outflows of Resources	2,119,675	29,168	2,148,843
Liabilities:			
Accounts Payable	113,074	113,557	226,631
Accrued Wages and Benefits	349,370	9,480	358,850
Accrued Interest Payable	1,976	2,089	4,065
Unearned Revenue	512,055	0	512,055
Deposits Held and Due to Others	612	0	612
Long-Term Liabilities:			
Due Within One Year	608,333	105,263	713,596
Due In More Than One Year			
Net Pension Liability	9,505,011	147,427	9,652,438
Net OPEB Liability	1,229,331	0	1,229,331
Other Amounts	3,478,977	811,000	4,289,977
Total Liabilities	15,798,739	1,188,816	16,987,555
Deferred Inflows of Resources:			
Property Taxes	604,000	0	604,000
OPEB	1,318,655	59,722	1,378,377
Pension	2,094,745	66,793	2,161,538
Total Deferred Inflows of Resources	4,017,400	126,515	4,143,915
Net Position:			
Net Investment in Capital Assets	8,599,007	469,110	9,068,117
Restricted for:			
Debt Service	385	0	385
Capital Projects	1,629,899	0	1,629,899
Street Maintenance and Repair	975,327	0	975,327
State Highway	237,619	0	237,619
EPA Brownsfield Grant	1,000,567	0	1,000,567
Streets and Curbs	1,521,287	0	1,521,287
Motor Vehicle Permissive	270,705	0	270,705
Other Purposes	208,196	0	208,196
Unrestricted	(5,937,907)	(898,766)	(6,836,673)
Total Net Position	\$8,505,085	(\$429,656)	\$8,075,429

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2021

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,918,165	\$879,189	\$45,703	\$0
Public Safety	4,806,628	203,423	94,596	0
Community Development	136,937	80,564	0	0
Leisure Time Activities	372,495	56,424	0	0
Transportation and Street Repair	789,694	490,000	787,752	1,211,961
Basic Utility Service	532,085	0	0	0
Interest and Other Charges	37,117	0	0	0
Total Governmental Activities	8,593,121	1,709,600	928,051	1,211,961
Business-Type Activities:				
Water Utility	1,604,398	1,922,407	0	0
Total Business-Type Activities	1,604,398	1,922,407	0	0
Totals	\$10,197,519	\$3,632,007	\$928,051	\$1,211,961

General Revenues:
Income Taxes
Property Taxes Levied for:
General Purposes
Capital Projects Purposes
Grants and Entitlements, Not Restricted
Other Revenues

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$993,273)	\$0	(\$993,273)
(4,508,609)	0	(4,508,609)
(56,373)	0	(56,373)
(316,071)	0	(316,071)
1,700,019	0	1,700,019
(532,085)	0	(532,085)
(37,117)	0	(37,117)
(4,743,509)	0	(4,743,509)
0	318,009	318,009
0	318,009	318,009
(4,743,509)	318,009	(4,425,500)
8,608,616	0	8,608,616
324,998	0	324,998
324,998	0	324,998
298,786	0	298,786
1,219,765	814	1,220,579
10,777,163	814	10,777,977
6,033,654	318,823	6,352,477
2,471,431	(748,479)	1,722,952
\$8,505,085	(\$429,656)	\$8,075,429

City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2021

	General	Streets and Curbs	American Rescue Plan Act	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	\$4,788,961	\$1,522,805	\$512,055	\$484,733	\$2,251,241	\$9,559,795
Receivables (Net):						
Taxes	2,241,510	0	0	311,263	0	2,552,773
Accounts	79,898	0	0	0	29,680	109,578
Intergovernmental	108,748	0	0	18,327	440,888	567,963
Land Held for Resale	0	0	0	227,738	922,745	1,150,483
Prepaid Items	89,431	0	0	0	4,161	93,592
Total Assets	7,308,548	1,522,805	512,055	1,042,061	3,648,715	14,034,184
Liabilities:						
Accounts Payable	109,940	0	0	0	3,134	113,074
Accrued Wages and Benefits	337,610	0	0	0	11,760	349,370
Unearned Revenue	0	0	512,055	0	0	512,055
Deposits Held and Due to Others	612	0	0	0	0	612
Total Liabilities	448,162	0	512,055	0	14,894	975,111
Deferred Inflows of Resources:						
Property Taxes	345,263	0	0	311,263	0	656,526
Income Taxes	1,119,176	0	0	0	0	1,119,176
Grants and Other Taxes	93,606	0	0	18,327	377,660	489,593
Total Deferred Inflows of Resources	1,558,045	0	0	329,590	377,660	2,265,295
Fund Balances:						
Nonspendable	89,431	0	0	0	4,161	93,592
Restricted	0	1,522,805	0	712,471	3,246,896	5,482,172
Assigned	394,000	0	0	0	5,104	399,104
Unassigned	4,818,910	0	0	0	0	4,818,910
Total Fund Balances	5,302,341	1,522,805	0	712,471	3,256,161	10,793,778
Total Liabilities, Deferred Inflows and Fun	\$7,308,548	\$1,522,805	\$512,055	\$1,042,061	\$3,648,715	\$14,034,184

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2021

Total Governmental Fund Balance		\$10,793,778
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		11,972,150
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Income Taxes	\$1,119,176	
Delinquent Property Taxes	52,526	
Intergovernmental	489,593	
		<u>1,661,295</u>
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(1,976)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(714,167)
Deferred outflows and inflows or resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,318,709	
Deferred inflows of resources related to pensions	(2,094,745)	
Deferred outflows of resources related to OPEB	800,966	
Deferred inflows of resources related to OPEB	(1,318,655)	
		<u>(1,293,725)</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	195,215	
Net Pension Liability	(9,505,011)	
Net OPEB Liability	(1,229,331)	
Other Amounts	(3,373,143)	
		<u>(13,912,270)</u>
Net Position of Governmental Activities		<u>\$8,505,085</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2021

	General	Streets and Curbs	American Rescue Plan Act	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Taxes	\$324,922	\$0	\$0	\$324,860	\$0	\$649,782
Income Taxes	8,263,289	0	0	0	0	8,263,289
Charges for Services	1,468,907	0	0	0	408,469	1,877,376
Intergovernmental	229,909	1,211,961	27,203	36,617	886,191	2,391,881
Fines, Licenses & Permits	194,650	0	0	0	31,349	225,999
Other Revenues	816,377	0	0	0	0	816,377
Total Revenues	11,298,054	1,211,961	27,203	361,477	1,326,009	14,224,704
Expenditures:						
Current:						
General Government	2,057,349	0	27,203	0	17,796	2,102,348
Public Safety	5,801,209	0	0	0	166,801	5,968,010
Community Development	143,705	0	0	0	0	143,705
Leisure Time Activities	357,597	0	0	0	0	357,597
Transportation and Street Repair	0	223,093	0	0	689,332	912,425
Basic Utility Service	532,085	0	0	0	0	532,085
Capital Outlay	0	1,201,427	0	82,983	449,311	1,733,721
Debt Service:						
Principal	0	146,564	0	50,000	48,195	244,759
Interest and Other Charges	0	20,222	0	12,534	5,252	38,008
Total Expenditures	8,891,945	1,591,306	27,203	145,517	1,376,687	12,032,658
Excess of Revenues Over (Under) Expenditures:	2,406,109	(379,345)	0	215,960	(50,678)	2,192,046
Other Financing Sources (Uses):						
Issuance of Long-Term Capital-Related Debt	0	451,935	0	0	0	451,935
Transfers In	0	408,192	0	0	18,532	426,724
Transfers (Out)	(426,724)	0	0	0	0	(426,724)
Total Other Financing Sources (Uses)	(426,724)	860,127	0	0	18,532	451,935
Net Change in Fund Balance	1,979,385	480,782	0	215,960	(32,146)	2,643,981
Fund Balance - Beginning of Year	3,322,956	1,042,023	0	496,511	3,288,307	8,149,797
Fund Balance - End of Year	\$5,302,341	\$1,522,805	\$0	\$712,471	\$3,256,161	\$10,793,778

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2021

Net Change in Fund Balance - Total Governmental Funds \$2,643,981

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$2,272,523	
Depreciation Expense	(474,740)	
	1,797,783	1,797,783

Governmental funds report City pension/OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension/OPEB benefits earned net of employee contributions is reported as pension/OPEB expense.

City pension contributions	843,540	
Cost of benefits earned net of employee contributions - Pension	(448,427)	
City OPEB contributions	14,927	
Cost of benefits earned net of employee contributions - OPEB	1,121,260	
	1,531,300	1,531,300

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

Income Taxes	\$345,327	
Delinquent Property Taxes	276	
Intergovernmental	56,468	
	402,071	402,071

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 244,759

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 891

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(135,196)
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Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (451,935)

Change in Net Position of Governmental Activities	\$6,033,654
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See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2021

	<u>Water</u>
Current Assets:	
Equity in Pooled Cash and Investments	\$219,096
Receivables (Net):	
Accounts	146,906
Prepaid Items	<u>3,355</u>
Total Current Assets	<u>369,357</u>
Noncurrent Assets:	
Net OPEB Asset	18,040
Capital Assets:	
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>462,975</u>
Total Noncurrent Assets	<u>487,150</u>
Total Assets	<u>856,507</u>
Deferred Outflows of Resources:	
Pension	20,252
OPEB	<u>8,916</u>
Total Deferred Outflows of Resources	<u>29,168</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	113,557
Accrued Wages and Benefits	9,480
Compensated Absences	1,263
Accrued Interest Payable	2,089
Long-Term Liabilities Due Within One Year	<u>104,000</u>
Total Current Liabilities	<u>230,389</u>
Long-Term Liabilities:	
Bonds, Notes & Loans Payable	811,000
Net Pension Liability	<u>147,427</u>
Total Noncurrent Liabilities	<u>958,427</u>
Total Liabilities	<u>1,188,816</u>
Deferred Inflows of Resources:	
OPEB	59,722
Pension	<u>66,793</u>
Total Deferred Inflows of Resources	<u>126,515</u>
Net Position:	
Net Investment in Capital Assets	469,110
Unrestricted	<u>(898,766)</u>
Total Net Position	<u>(\$429,656)</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2021

	<u>Water</u>
Operating Revenues:	
Charges for Services	\$1,922,407
Other Revenues	<u>814</u>
Total Operating Revenues	<u>1,923,221</u>
Operating Expenses:	
Personal Services	75,419
Contractual Services	123,747
Supplies and Materials	1,333,930
Depreciation	23,826
Other Expense	<u>20,093</u>
Total Operating Expenses	<u>1,577,015</u>
Operating Income (Loss)	<u>346,206</u>
Non-Operating Revenues (Expenses):	
Interest (Expense)	<u>(27,383)</u>
Total Non-Operating Revenues (Expenses)	<u>(27,383)</u>
Change in Net Position	318,823
Net Position - Beginning of Year	<u>(748,479)</u>
Net Position - End of Year	<u><u>(\$429,656)</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2021

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,921,560
Cash Payments to Employees	(262,655)
Cash Payments to Suppliers	<u>(1,501,362)</u>
Net Cash Provided (Used) by Operating Activities	<u>157,543</u>
Cash Flows from Capital and Related Financing Activities:	
Debt Principal Payments	(101,000)
Debt Interest Payments	<u>(27,838)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(128,838)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,705
Cash and Cash Equivalents - Beginning of Year	<u>190,391</u>
Cash and Cash Equivalents - End of Year	<u><u>219,096</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	346,206
Adjustments:	
Depreciation	23,826
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(1,661)
(Increase) Decrease in Inventory	39
(Increase) Decrease in Net OPEB Asset	(18,040)
(Increase) Decrease in Deferred Outflows of Resources	34,738
Increase (Decrease) in Net OPEB Liability	(171,534)
Increase (Decrease) in Payables	(20,302)
Increase (Decrease) in Accrued Liabilities	846
Increase (Decrease) in Deferred Inflows of Resources	47,743
Increase (Decrease) in Net Pension Liability	<u>(84,318)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$157,543</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$1,083,155
Receivables (Net):	
Accounts	<u>232,764</u>
Total Assets	<u>1,315,919</u>
Liabilities:	
Accounts Payable	<u>0</u>
Total Liabilities	<u>0</u>
Net Position:	
Restricted for Individuals, Organizations, and Other Governments	<u>1,315,919</u>
Total Net Position	<u><u>\$1,315,919</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended December 31, 2021

	Custodial Funds
Additions:	
Charges for Services	\$2,983,822
Municipal Court Receipts	<u>248,037</u>
Total Additions	<u>3,231,859</u>
Deductions:	
Utility Disbursements	2,874,831
Municipal Court Disbursements	<u>247,240</u>
Total Deductions	<u>3,122,071</u>
Change in Net Position	109,788
Net Position - Beginning of Year	<u>1,206,131</u>
Net Position - End of Year	<u><u>\$1,315,919</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Note 1 – Description of the City and Reporting Entity

The City of Reading, Ohio (the “City”) operates under a seven-member council. An elected City Auditor is responsible for fiscal control of the City’s resources. Services provided by the City include public service, public safety, recreation and development.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. The City operates under a seven-member council. An elected City Auditor is responsible for fiscal control of the resources of the City. Services provided by the City include public services, public safety, recreation, and development.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental and proprietary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the full accrual measurement focus. All assets, liabilities and deferred outflows/inflows associated with the operation of the City are included on the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflow, and liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Streets and Curbs Fund – This special revenue fund accounts for financial resources used for various street and curb improvements in the City.

American Rescue Plan Act Fund – This fund accounts for grants received through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), a part of the American Rescue Plan. Grants are restricted for various purposes designated by the Department of the Treasury.

Capital Improvement Fund – This capital projects fund accounts for financial resources used for various capital improvements for the City.

The other governmental funds of the City account for grants and other resources that are generally restricted to use for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have an internal service fund.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

Water Fund - This fund accounts for provision of water treatment and distribution to the residents and commercial users of the water system.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Fiduciary Funds

The Custodial Fiduciary Funds are used to account for the collection and disbursement of monies by the City on behalf of other individuals, organizations or other governmental entities. The following are the City's custodial fiduciary funds, the Sewer Disposal Trust Fund and the Mayor's Court Cash Fund. The Sewer Disposal Trust Fund accounts for money collected for sewer services to be paid to the Metropolitan Sewer District for services provided. The Mayor's Court Cash Fund accounts for activity relating to the City's Municipal Court.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants and fees.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, income taxes, grants and other taxes, OPEB and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance year 2022 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 9 and 10.)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Equity in Pooled Cash

To improve cash management the City's cash and investments are pooled. Monies for all funds, except cash and investments held in segregated accounts, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash" on the balance sheet.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

For purposes of the statement of cash flows and for presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. The City received no investment earnings in 2021.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The City uses a \$5,000 capitalization threshold.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15-40 years
Equipment	5-20 years
Infrastructure	50 years

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Compensated absences are reported in governmental funds only if they have matured. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, City Council.

Assigned – resources that are intended to be used for specific purposes as approved through the City's formal purchasing procedure by the City Auditor.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$5,843,985 in restricted net position, none were restricted by enabling legislation.

Operating Revenues and Expenses

The City, in its proprietary fund, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes 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.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated through the process of consolidation.

Prepaid Items

Payments made for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense in the year in which services are consumed.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Equity in Pooled Cash

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash." State statute requires the classification of monies held by the City into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2021, \$10,452,350 of the City's bank balance of \$10,952,350 was exposed to custodial credit risk because it was uninsured and collateralized.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

At year end the City held no investments.

Note 4 – Receivables

Receivables at year end, consisted primarily of taxes (income taxes, property and other taxes), accounts, and intergovernmental arising from grants and entitlements.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of the 2020 taxes.

2021 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes became a lien December 31, 2021, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The assessed values of real and public utility property upon which current year property tax receipts were based are as follows:

	<u>Amount</u>
Real Property	\$192,311,390
Public Utility	<u>12,608,330</u>
Total	<u><u>\$204,919,720</u></u>

Real property taxes are payable annually or semi-annually. The first payment is due January 20 with the remainder payable by June 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of year end for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at year end, nor were they levied to finance current year operations. The receivable is therefore offset by deferred revenue.

Income Taxes

The City levies a two percent income tax on wages, salaries, commissions and other compensation in addition to net profits of business activity. The tax applies to all income earned within the City plus income earned by residents who earned income outside the City. A credit up to two percent is allowed if an individual pays income taxes to another municipality.

Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly based on an annual declaration and file an annual tax return.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Note 5 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and accident insurance. Employee health insurance is provided by a self-insured risk sharing pool. See Note 14.

There have been no significant reductions in insurance coverage from that of prior years and settlements have not exceeded insurance coverage for any of the past three fiscal years.

Note 6 – Capital Assets

Capital asset activity for the current year end was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,311,475	\$0	\$0	\$1,311,475
Construction in Progress	96,500	1,854,610	851,000	1,100,110
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	1,614,499	0	0	1,614,499
Equipment	5,285,339	417,913	26,283	5,676,969
Infrastructure	9,194,965	851,000	0	10,045,965
Total Capital Assets, being depreciated	<u>16,094,803</u>	<u>1,268,913</u>	<u>26,283</u>	<u>17,337,433</u>
Totals at Historical Cost	<u>17,502,778</u>	<u>3,123,523</u>	<u>877,283</u>	<u>19,749,018</u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,557,206	24,248	0	1,581,454
Equipment	4,176,576	249,573	26,283	4,399,866
Infrastructure	1,594,629	200,919	0	1,795,548
Total Accumulated Depreciation	<u>7,328,411</u>	<u>474,740</u>	<u>26,283</u>	<u>7,776,868</u>
Governmental Activities Capital Assets, Net	<u>\$10,174,367</u>	<u>\$2,648,783</u>	<u>\$851,000</u>	<u>\$11,972,150</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$84,806
Public Safety	169,288
Leisure Time Activities	40,393
Transportation and Street Repair	180,253
Total Depreciation Expense	<u>\$474,740</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital Assets, not being depreciated:				
Land	\$6,135	\$0	\$0	\$6,135
Capital Assets, being depreciated:				
Building and Improvements	102,532	0	0	102,532
Equipment	239,310	0	0	239,310
Infrastructure	1,479,654	0	0	1,479,654
Total Capital Assets, being depreciated	<u>1,821,496</u>	<u>0</u>	<u>0</u>	<u>1,821,496</u>
Totals at Historical Cost	<u>1,827,631</u>	<u>0</u>	<u>0</u>	<u>1,827,631</u>
Less Accumulated Depreciation:				
Building and Improvements	68,170	1,494	0	69,664
Equipment	203,525	4,473	0	207,998
Infrastructure	1,063,000	17,859	0	1,080,859
Total Accumulated Depreciation	<u>1,334,695</u>	<u>23,826</u>	<u>0</u>	<u>1,358,521</u>
Business-Type Activities Capital Assets, Net	<u>\$492,936</u>	<u>(\$23,826)</u>	<u>\$0</u>	<u>\$469,110</u>

Note 7 – Long-Term Debt

A schedule of changes in bonds, notes and other long-term obligations of the City during the current year follows:

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds and Notes:</u>						
2003 Streetscape Bonds	4.59%	\$150,000	\$0	(\$50,000)	\$100,000	\$50,000
2011 Dump Truck Acquisition Bonds	2.00-4.50%	17,200	0	(17,200)	0	0
2019 Road Project Bonds	2.74%	738,000	0	(73,000)	665,000	75,000
Total General Obligation Bonds and Notes		905,200	0	(140,200)	765,000	125,000
<u>OPWC Loans from Direct Borrowings:</u>						
Waxwing Drive Improvement	0.00%	149,444	0	(7,117)	142,327	14,233
Jefferson Avenue Improvements	0.00%	392,165	0	(17,051)	375,114	34,100
Trillium Court & Krylon Drive Improvements	0.00%	220,474	0	(9,186)	211,288	18,373
Jefferson/Willow/Voorhees Improvements	0.00%	215,643	0	(7,986)	207,657	15,973
Julie Terrace Improvements	0.00%	72,723	0	(2,597)	70,126	5,194
Leonard Street Improvements	0.00%	74,804	0	(2,413)	72,391	4,826
Brown Street Improvements	0.00%	108,459	0	(3,498)	104,961	6,998
5th Street & Flora Avenue Improvements	0.00%	110,401	0	(3,561)	106,840	7,122
Bolser Drive Improvements	0.00%	183,709	0	(5,567)	178,142	11,133
Alwil Drive Improvements	0.00%	197,161	0	(6,161)	191,000	12,322
Benson Street Stormwater Replacement	0.00%	130,632	0	(3,531)	127,101	7,062
Galbraith Road Phase II Improvements	0.00%	181,139	0	(4,896)	176,243	9,791
Hunt Road Box Culvert Replacement	0.00%	65,000	360,500	0	425,500	10,638
Thurnridge Drive Improvements	0.00%	31,500	91,435	0	122,935	0
Total OPWC Loans		2,133,254	451,935	(73,564)	2,511,625	157,765
<u>Capital Leases:</u>						
2020 Snow Plow Truck	1.86%	127,513	0	(30,995)	96,518	31,576
Total Capital Leases		127,513	0	(30,995)	96,518	31,576
<u>Net Pension Liability:</u>						
OPERS	0.00%	2,122,348	0	(527,042)	1,595,306	0
OP&F	0.00%	8,309,858	0	(400,153)	7,909,705	0
Total Net Pension Liability		10,432,206	0	(927,195)	9,505,011	0
<u>Net OPEB Liability:</u>						
OPERS	0.00%	1,570,926	0	(1,570,926)	0	0
OP&F	0.00%	1,218,468	10,863	0	1,229,331	0
Total Net OPEB Liability		2,789,394	10,863	(1,570,926)	1,229,331	0
Total Long-Term Debt		16,387,567	462,798	(2,742,880)	14,107,485	314,341
Compensated Absences		578,971	446,338	(311,142)	714,167	293,992
Total Long-Term Liabilities		\$16,966,538	\$909,136	(\$3,054,022)	\$14,821,652	\$608,333
Business-Type Activities						
<u>General Obligation Bonds:</u>						
2019 Water Projects Bonds	2.74%	\$1,016,000	\$0	(\$101,000)	\$915,000	\$104,000
<u>Net Pension Liability:</u>						
OPERS		231,745	0	(84,318)	147,427	0
<u>Net OPEB Liability:</u>						
OPERS		171,534	0	(171,534)	0	0
Compensated Absences		2,084	1,263	(2,084)	1,263	1,263
Total Long-Term Liabilities		\$1,421,363	\$1,263	(\$358,936)	\$1,063,690	\$105,263

In 2021, the City continued to issue an Ohio Public Works Commission (OPWC) Loans in the amount of \$91,435 to finance Thurnridge Drive Road Improvements. The full amount of the loan for was not disbursed as of year end.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

In 2021, the City continued to issue an Ohio Public Works Commission (OPWC) Loans in the amount of \$360,500 to finance the Hunt Road Box Culvert Replacement. The full amount of the loan was for \$425,550 and this is an interest free loan that will be paid off in 2042.

In 2019, the City issued a new General Obligation Bond in the amount of \$1,923,000 to finance road improvements and water projects. The bond has a 2.74 percent interest rate and will be paid off in 2029.

In 2018, the City issued two Ohio Public Works Commission (OPWC) loans. One was in the amount of \$195,826 to finance road improvements on Galbraith Road. The second was in the amount of \$141,225 to finance stormwater replacement lines on Benson Street. These loans are interest free and will be paid off in 2038.

In 2016, the City issued one Ohio Public Works Commission (OPWC) Loans in the amount of \$469,127 to finance the various improvements to Bolser Drive and Alwil Drive. This loan is interest free and will be paid off in 2036.

In 2015, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$370,131 to finance the various improvements to Leonard Street, Brown Street, and 5th Street. This loan is interest free and will be paid off in 2036.

In 2014, the City issued one Ohio Publics Works Commission (OPWC) Loan in the amount of \$103,887 to finance the various improvements to Julie Terrace. This loan is interest free and will be paid off in 2034.

In 2013, the City issued two Ohio Public Works Commission (OPWC) Loans in the amount of \$352,574 to finance the various improvements to Jefferson, Willow, Voorhees and Harmes Avenue. These loans are interest free and will be paid off in 2033.

In 2012, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$375,465 to finance the various improvements to Knollcrest Drive, Trillium Court and Krylon Drive. This loans is interest free and will be paid off in 2032.

In 2011, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$682,030 to finance the various improvements to Jefferson Avenue. This loan is interest free and will be paid off in 2031.

In 2010, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$284,662 to finance the various improvements to Waxwing Drive. This loan is interest free and will be paid off in 2030.

The City's bonds and capital leases will be paid from the Capital Improvement Fund and the Fire/EMS Capital Improvement Fund. The Real Estate Acquisition Bonds are paid from the General Fund. The OPWC loans will be paid out of the streets and curbs fund. Compensated Absences will be paid from the fund from which the person is paid. Historically, this is the General Fund or a Special Revenue Fund.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Year Ending December 31	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2022	\$229,000	\$47,882	\$157,765
2023	235,000	40,682	168,407
2024	190,000	33,318	168,406
2025	194,000	28,112	168,407
2026	200,000	22,797	168,407
2027-2031	632,000	34,935	842,040
2032-2036	0	0	530,417
2037-2041	0	0	174,204
2042	0	0	10,637
Total	<u>\$1,680,000</u>	<u>\$207,726</u>	<u>\$2,388,690</u>

OWDA Loans from Direct Borrowings

The City's outstanding OWDA loans from direct borrowings of \$2,511,625 contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate equal to the Contract Interest Rate plus three percentage points annum until the date of payment, and outstanding amounts become immediately due.

Note 8 – Leases

Lessee

In 2019, the City entered into a capital lease for a 2020 Chassis with an attached front Snow Dogg Snow Plow and Swenson Electric Spray/Spreader System.

The lease meets the criteria of capital lease which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee.

General capital assets consisting of equipment have been capitalized in the amount of \$147,588. Accumulated depreciation as of December 31, 2021 was \$44,277 leaving a current book value of \$103,311.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending December 31,	Long-Term Debt
2022	\$33,104
2023	33,103
2024	33,103
Total Minimum Lease Payments	99,310
Less: Amount Representing Interest	(2,792)
Present Value of Minimum Lease Payments	<u>\$96,518</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2021

Note 9 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees may pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a

City of Reading, Ohio
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defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. While employees may elect the member-directed plan or the combined plan, substantially all employees are in the traditional plan; therefore, the following disclosure focuses on the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<u>Group A</u>	<u>Group B</u>	<u>Group C</u>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

City of Reading, Ohio
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Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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	State and Local	Public Safety	Law Enforcement
2021 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2021 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

- * Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- ** This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- *** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- **** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2021, the City's contractually required contribution was \$239,402, of this amount \$28,498 is reported in accrued wages and benefits.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Funding Policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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	<u>Police</u>	<u>Firefighters</u>
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$624,390 for 2021, of this amount \$84,867 is reported as accrued wages and benefits.

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

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the:			
Net Pension Liability	\$1,742,733	\$7,909,705	\$9,652,438
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01176900%	0.11602760%	
Prior Measurement Date	<u>0.01191000%</u>	<u>0.12335510%</u>	
Change in Proportionate Share	<u>-0.00014100%</u>	<u>-0.00732750%</u>	
Pension Expense	(\$6,552)	\$419,267	\$412,715

At December 31 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	OPERS		
	Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$330,652	\$330,652
Changes in assumptions	0	132,650	132,650
Changes in employer proportionate share of net pension liability	0	11,867	11,867
Contributions subsequent to the measurement date	239,402	624,390	863,792
Total Deferred Outflows of Resources	<u>\$239,402</u>	<u>\$1,099,559</u>	<u>\$1,338,961</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$72,900	\$308,139	\$381,039
Net difference between projected and actual earnings on pension plan investments	679,266	383,673	1,062,939
Changes in employer proportionate share of net pension liability	37,388	680,172	717,560
Total Deferred Inflows of Resources	<u>\$789,554</u>	<u>\$1,371,984</u>	<u>\$2,161,538</u>

\$863,792 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending	OPERS		
	Traditional Plan	OPF	Total
December 31:			
2022	(\$317,599)	(\$236,266)	(\$553,865)
2023	(102,421)	(23,609)	(126,030)
2024	(276,892)	(466,401)	(743,293)
2025	(92,642)	(137,615)	(230,257)
2026	0	(32,924)	(32,924)
Total	<u>(\$789,554)</u>	<u>(\$896,815)</u>	<u>(\$1,686,369)</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

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	OPERS Traditional Plan
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% to 10.75% including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, simple
Post-January 7, 2013 Retirees	0.50%, simple through 2021, then 2.15%, simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	100.00 %	5.43 %

Discount Rate

The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$3,324,272	\$1,742,733	\$427,685

Changes from the Measurement Date to the Report Date

During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities,

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retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	2.20% simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

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The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income*	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: Assumptions are geometric.

*Levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 percent,

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as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability	\$11,011,323	\$7,909,705	\$5,313,965

Note 10 – Postemployment Benefits

See Note 9 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

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The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health

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care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2021.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to

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contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$14,927 for 2021.

Net OPEB Liability (Asset)

The net OPEB liability (asset) and total OPEB liability (asset) for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS		
	Traditional Plan	OPF	Total
Proportionate Share of the:			
Net OPEB (Asset)	(\$213,255)	\$0	(\$213,255)
Net OPEB Liability	\$0	\$1,229,331	\$1,229,331
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.01197000%	0.11602760%	
Prior Measurement Date	0.01261500%	0.12335510%	
Change in Proportionate Share	<u>-0.00064500%</u>	<u>-0.00732750%</u>	
OPEB Expense	(\$1,321,408)	\$64,701	(\$1,256,707)

At December 31 2021, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPERS Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Changes in assumptions	\$104,838	\$679,139	\$783,977
Changes in employer proportionate share of net OPEB liability (asset)	562	10,416	10,978
Contributions subsequent to the measurement date	0	14,927	14,927
Total Deferred Outflows of Resources	<u>\$105,400</u>	<u>\$704,482</u>	<u>\$809,882</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$192,462	\$202,774	\$395,236
Changes in assumptions	345,537	195,978	541,515
Net difference between projected and actual earnings on OPEB plan investments	113,583	45,684	159,267
Changes in employer proportionate share of net OPEB liability (asset)	54,393	227,966	282,359
Total Deferred Inflows of Resources	<u>\$705,975</u>	<u>\$672,402</u>	<u>\$1,378,377</u>

\$14,927 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPF	Total
2022	(\$318,170)	(\$375)	(\$318,545)
2023	(219,661)	10,443	(209,218)
2024	(49,358)	(6,613)	(55,971)
2025	(13,386)	(709)	(14,095)
2023	0	9,058	9,058
Thereafter	0	5,349	5,349
Total	<u>(\$600,575)</u>	<u>\$17,153</u>	<u>(\$583,422)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB asset was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate:	
Current measurement date	8.50%, initial 3.50%, ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

Discount Rate

A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Proportionate share of the net OPEB (asset)	(\$53,027)	(\$213,255)	(\$344,975)

Sensitivity of the Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB (asset)	(\$218,453)	(\$213,255)	(\$207,440)

Changes between Measurement Date and Reporting Date

During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

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Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Blended discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

City of Reading, Ohio
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: Assumptions are geometric.

* levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

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

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

City of Reading, Ohio
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	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
Proportionate share of the net OPEB liability	\$1,532,906	\$1,229,331	\$978,918

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Note 11 – Contingencies

The City is a party to various legal proceedings, which seek damages or injunctive relief generally incidental to its operations and pending projects. The City’s management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

Note 12 – Interfund Transactions

Interfund transactions at year end, consisted of the following transfers in and transfers out:

	Transfers	
	In	Out
General Fund	\$0	\$426,724
Streets and Curbs	408,192	0
Other Governmental Funds	18,532	0
Total All Funds	<u>\$426,724</u>	<u>\$426,724</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 13 – Accountability

As of year end the following fund had a deficit fund balances:

<u>Major Fund:</u>	<u>Deficit</u>
Water	\$ 429,656

The deficits in fund balances were primarily due to accrual in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

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Note 14 – Public Entity Risk Sharing Pools

Ohio Benefits Cooperative

The Ohio Benefits Cooperative (OBC) is a not-for-profit partnership of government and public entities throughout Ohio that have pooled resources to help control rapidly escalating benefit costs. Starting in September 2015, OBC offered a self-insured pool risk employee benefit program to its members. The City, as well as ten other members, elected to participate in the program. Under the program, the City selects the benefit package to offer its employees and OBC determines the needed contribution rates associated with that specific package. Outside the payment of monthly contribution amounts established for its covered employees, the City transfers all the risks associated with claims submitted through the program to the pool. OBC contracts with third-party administrators to process and pay all program claims incurred by covered member's employees. Stop-loss coverage has been purchased for claims in excess of a set amount for individual claims and in the aggregate for the program.

Note 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General	Streets and Curbs	American Rescue Plan Act	Capital Improvement	Other Governmental Funds	Total
Nonspendable:						
Prepays	\$89,431	\$0	\$0	\$0	\$4,161	\$93,592
Total Nonspendable	89,431	0	0	0	4,161	93,592
Restricted for:						
Street Maintenance and Repair	0	0	0	0	726,700	726,700
State Highway Improvement	0	0	0	0	212,716	212,716
Mayor's Court Computer	0	0	0	0	12,927	12,927
DUI Enforcement	0	0	0	0	13,560	13,560
Streets and Curbs	0	1,522,805	0	0	0	1,522,805
Drug Enforcement	0	0	0	0	49,119	49,119
Motor Vehicle Permissive	0	0	0	0	225,111	225,111
Alcohol Education	0	0	0	0	12,715	12,715
FEMA Grant	0	0	0	0	119,875	119,875
EPA Brownsfield Grant	0	0	0	0	1,000,567	1,000,567
Special Assessment Debt Service	0	0	0	0	385	385
Stadium	0	0	0	0	133,687	133,687
Fire/EMS Capital Improvement	0	0	0	0	514,096	514,096
Municipal Road	0	0	0	0	131,654	131,654
Stadium Track Improvement	0	0	0	0	274	274
Growth	0	0	0	0	90,709	90,709
Reading Road Development	0	0	0	0	494	494
OPWC SCIP	0	0	0	0	2,307	2,307
Capital Improvement	0	0	0	712,471	0	712,471
Total Restricted	0	1,522,805	0	712,471	3,246,896	5,482,172
Assigned to:						
Debt Service	0	0	0	0	5,104	5,104
Budgetary	394,000	0	0	0	0	394,000
Total Assigned	394,000	0	0	0	5,104	399,104
Unassigned (Deficit)	4,818,910	0	0	0	0	4,818,910
Total Fund Balance	\$5,302,341	\$1,522,805	\$0	\$712,471	\$3,256,161	\$10,793,778

Note 16 – Implementation of New Accounting Principles and Restatement of Net Position

For fiscal year 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period and GASB Statement No. 98, The Annual Comprehensive Financial Report.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Interest costs incurred before the end of a construction period are recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In Financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

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Note 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Eight Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.01176900%	0.01191000%	0.01229200%	0.01216000%	0.01322200%
City's Proportionate Share of the Net Pension Liability	\$1,742,733	\$2,354,093	\$3,336,530	\$1,907,668	\$3,002,491
City's Covered-Employee Payroll	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	105.13%	140.49%	200.96%	118.72%	188.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2016	2015	2014
0.01256500%	0.01384000%	0.01384000%
\$2,176,416	\$1,669,259	\$1,631,556
\$2,175,417	\$1,702,408	\$1,808,129
100.05%	98.05%	90.23%
81.08%	86.45%	86.36%

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Eight Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.11602760%	0.12335510%	0.12489300%	0.13063000%	0.13018200%
City's Proportionate Share of the Net Pension Liability	\$7,909,705	\$8,309,858	\$10,194,568	\$8,017,353	\$8,245,597
City's Covered-Employee Payroll	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	250.92%	285.87%	324.00%	251.10%	243.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%	68.36%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2016	2015	2014
0.13562100%	0.13392230%	0.13392230%
\$8,724,594	\$6,937,734	\$6,522,436
\$2,960,378	\$2,752,731	\$2,383,724
294.71%	252.03%	273.62%
66.77%	72.20%	73.00%

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 Ohio Public Employees Retirement System- Traditional Plan
 Last Eight Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$239,402	\$232,071	\$234,593	\$232,439	\$208,899
Contributions in Relation to the Contractually Required Contribution	<u>(239,402)</u>	<u>(232,071)</u>	<u>(234,593)</u>	<u>(232,439)</u>	<u>(208,899)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,710,014	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$191,349	\$261,050	\$204,289
<u>(191,349)</u>	<u>(261,050)</u>	<u>(204,289)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,594,575	\$2,175,417	\$1,702,408
12.00%	12.00%	12.00%

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Eight Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$624,390	\$598,931	\$614,214	\$597,830	\$606,660
Contributions in Relation to the Contractually Required Contribution	<u>(624,390)</u>	<u>(598,931)</u>	<u>(614,214)</u>	<u>(597,830)</u>	<u>(606,660)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,943,847	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947
Contributions as a Percentage of Covered-Employee Payroll	21.21%	19.00%	21.13%	19.00%	19.00%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$644,729	\$594,740	\$560,456
<u>(644,729)</u>	<u>(594,740)</u>	<u>(560,456)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,393,311	\$2,960,378	\$2,752,731
19.00%	20.09%	20.36%

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability (Asset)
 Ohio Public Employees Retirement System - Traditional Plan
 Last Five Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability (Asset)	0.01197000%	0.01261500%	0.01260400%	0.01240000%	0.01320732%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$231,255)	\$1,742,460	\$1,643,264	\$1,346,549	\$1,333,984
City's Covered-Employee Payroll	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	-13.95%	103.99%	98.98%	83.80%	83.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	115.57%	47.80%	46.33%	54.14%	54.04%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
 Ohio Police and Fire Pension Fund
 Last Five Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.11602760%	0.12335510%	0.12489300%	0.13063000%	0.13018200%
City's Proportionate Share of the Net OPEB Liability	\$1,229,331	\$1,218,468	\$1,137,342	\$7,401,313	\$6,179,447
City's Covered-Employee Payroll	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	39.00%	41.92%	36.15%	231.80%	182.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.42%	47.10%	46.57%	14.13%	15.96%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions for
 Postemployment Benefits Other Than Pension (OPEB)
 Ohio Public Employees Retirement System - Traditional Plan
 Last Six Years (1)

	2021	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0	0	0	0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,710,014	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions for
 Postemployment Benefits Other Than Pension (OPEB)
 Ohio Police and Fire Pension Fund
 Last Six Years (1)

	2021	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB	\$14,927	\$14,347	\$14,705	\$14,264	\$14,495	\$13,287
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(14,927)</u>	<u>(14,347)</u>	<u>(14,705)</u>	<u>(14,264)</u>	<u>(14,495)</u>	<u>(13,287)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,943,847	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.51%	0.46%	0.51%	0.45%	0.45%	0.39%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$308,405	\$308,405	\$324,922	\$16,517
Fines, Licenses & Permits	192,505	192,505	202,815	10,310
Intergovernmental	213,008	213,008	224,416	11,408
Charges for Services	1,359,238	1,359,238	1,432,033	72,795
Other Revenues	856,843	856,843	902,732	45,889
Total Revenues	2,929,999	2,929,999	3,086,918	156,919
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	1,312,247	1,308,866	1,308,445	421
Materials and Supplies	716,554	714,708	714,478	230
Total General Government	2,028,801	2,023,574	2,022,923	651
<u>Public Safety</u>				
Personal Services	5,405,016	5,391,088	5,389,354	1,734
Materials and Supplies	421,822	420,735	420,600	135
Total Public Safety	5,826,838	5,811,823	5,809,954	1,869
<u>Leisure Time Activities</u>				
Personal Services	126,371	126,046	126,005	41
Materials and Supplies	234,340	233,736	233,661	75
Total Leisure Time Activities	360,711	359,782	359,666	116
<u>Community Development</u>				
Personal Services	33,909	33,822	33,811	11
Materials and Supplies	117,629	117,326	117,288	38
Total Community Development	151,538	151,148	151,099	49
<u>Basic Utility Service</u>				
Contractual Services	518,860	517,523	517,357	166
Total Basic Utility Service	518,860	517,523	517,357	166

Continued

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Total Expenditures	8,886,748	8,863,850	8,860,999	2,851
Excess of Revenues Over (Under) Expenditures	(5,956,749)	(5,933,851)	(5,774,081)	159,770
Other financing sources (uses):				
Transfers In	5,695,000	5,695,000	6,000,000	305,000
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	5,695,000	5,695,000	6,000,000	305,000
Net Change in Fund Balance	(261,749)	(238,851)	225,919	464,770
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,350,580	1,350,580	1,350,580	0
Fund Balance End of Year	<u>\$1,088,831</u>	<u>\$1,111,729</u>	<u>\$1,576,499</u>	<u>\$464,770</u>

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2021

	Streets and Curbs Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$218,684	\$218,684	\$571,053	\$352,369
Total Revenues	218,684	218,684	571,053	352,369
Expenditures:				
Current:				
Transportation & Street Repair	430,189	430,189	389,878	40,311
Capital Outlay	119,811	119,811	108,584	11,227
Total Expenditures	550,000	550,000	498,462	51,538
Excess of Revenues Over (Under) Expenditures	(331,316)	(331,316)	72,591	403,907
Other Financing Sources (uses):				
Transfers In	156,316	156,316	408,192	251,876
Total Other Financing Sources (Uses)	156,316	156,316	408,192	251,876
Net Change in Fund Balance	(175,000)	(175,000)	480,783	655,783
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,042,022	1,042,022	1,042,022	0
Fund Balance End of Year	\$867,022	\$867,022	\$1,522,805	\$655,783

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2021

	American Rescue Plan Act Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$600,000	\$539,258	(\$60,742)
Total Revenues	0	600,000	539,258	(60,742)
Expenditures:				
Current:				
General Government	0	50,000	27,203	22,797
Total Expenditures	0	50,000	27,203	22,797
Excess of Revenues Over (Under) Expenditures	0	550,000	512,055	(37,945)
Other Financing Sources (uses):				
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	0	550,000	512,055	(37,945)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$550,000	\$512,055	(\$37,945)

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2021

Note 1 – Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2021

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General, Street and Curbs, and the American Rescue Plan Act and Funds.

Net Change in Fund Balance

	General	Street and Curbs	American Rescue Plan Act
GAAP Basis	\$1,979,385	\$480,782	\$0
Revenue Accruals	(8,211,136)	(640,908)	512,055
Expenditure Accruals	31,847	1,092,844	0
Issuance of Debt	0	(451,935)	0
Transfers In	6,000,000	0	0
Transfers Out	426,724	0	0
Encumbrances	(901)	0	0
Budget Basis	<u>\$225,919</u>	<u>\$480,783</u>	<u>\$512,055</u>

Note 2 – Net Pension Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2021-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this period.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2016-2014: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Changes in benefit terms:

2021-2014: There were no changes in benefit terms for this period.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2021

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

Changes in assumptions:

2021-2019: There have been no OP&F pension plan amendments adopted or changes in assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

2017-2014: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Changes in benefit terms:

2021-2014: There were no changes in benefit terms for the period.

Note 3 - Net OPEB Liability (Asset)

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.16 percent to 6.00 percent.
- The municipal bond rate decreased from 2.75 percent to 2.00 percent.
- The initial health care cost trend rate decreased from 10.5 percent to 8.5 percent.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 3.96 percent to 3.16 percent.
- The municipal bond rate decreased from 3.71 percent to 2.75 percent.
- The initial health care cost trend rate increased from 10.0 percent to 10.5 percent.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent.
- The investment rate of return decreased from 6.5 percent to 6 percent.
- The municipal bond rate increased from 3.31 percent to 3.71 percent.
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2021

2018: The single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Benefit Terms:

2021: There were no changes in benefit terms for the period.

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.

2019-2018: There were no changes in benefit terms for the period..

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

Changes in assumptions:

2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 3.56% to 2.96%.

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate from 3.16% to 4.13%.

2018: The single discount rate changed from 3.79% to 3.24%

Changes in benefit terms:

2021-2020: There were no changes in benefit terms for the period.

2019: See above regarding change to stipend-based model.

2018: There were no changes in benefit terms for the period.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and the City Council,
City of Reading

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 29, 2022

CITY OF READING
HAMILTON COUNTY



REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2020

PLATTENBURG
Certified Public Accountants

CITY OF READING, OHIO
HAMILTON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and the City Council
City of Reading

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading, Ohio (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and to meet our other 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 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'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 Responsibilities 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'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'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of pension information and other postemployment information to 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, on our consideration of the City's internal control over financial reporting and 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 effectiveness of the City's 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's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 29, 2022

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

The City of Reading's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

Financial Highlights

- The City's total net position increased \$995,391. Net position of governmental activities increased \$1,737,469, net position of business-type activities decreased by \$742,078.
- The General Fund reported a net change in fund balance of \$1,548,981.
- Business-type operations reflected operating loss of \$711,299.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Position and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Government-wide Financial Statements

The analysis of the City as a whole begins with the Government-wide Financial Statements. These reports provide information that will help the reader to determine if the City of Reading is financially better off or worse off as a result of the year's activities. These statements include all assets and deferred outflows, and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes to those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

In the Government-wide Financial Statements, the City is divided into two kinds of activities.

- **Governmental Activities** - Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, intergovernmental revenue, charges for services, and interest finance most of these activities.
- **Business-Type Activities** - These services include water. Service fees for these operations are charged based upon the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

Fund Financial Statements

Information about the City's major funds is presented in the Fund Financial Statements. Fund financial statements provide detailed information about the City's major funds - not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the City, with approval of council, to help control, manage and report money received for a particular purpose or to show that the City is meeting legal responsibilities for use of grants. The City's major funds are General, EPA Brownsfield Grant, Street Maintenance and Repair, Streets and Curbs, Capital Improvement and Water Funds.

Governmental Funds - Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds - The City is the fiscal agent for two custodial funds. All of the City's fiduciary activities are reported in a separate Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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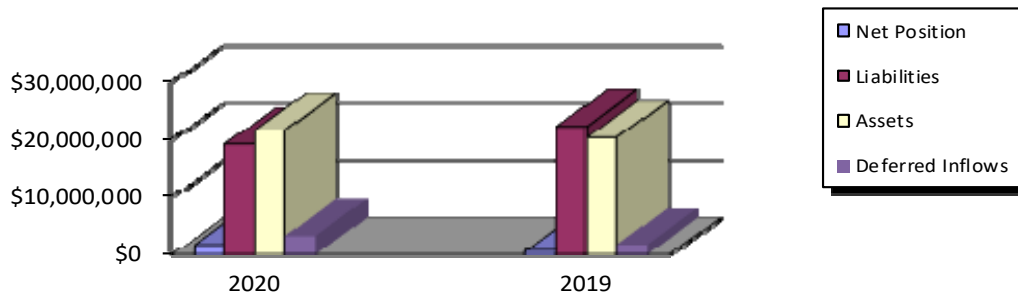
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and Other Assets	\$10,621,140	\$8,383,940	\$339,030	\$1,150,247	\$10,960,170	\$9,534,187
Capital Assets	10,174,367	10,274,085	492,936	516,762	10,667,303	10,790,847
Total Assets	20,795,507	18,658,025	831,966	1,667,009	21,627,473	20,325,034
Deferred Outflows of Resources:						
Pension	1,476,416	3,500,234	35,925	109,205	1,512,341	3,609,439
OPEB	996,090	786,654	27,981	15,662	1,024,071	802,316
Total Deferred Outflows of Resources	2,472,506	4,286,888	63,906	124,867	2,536,412	4,411,755
Liabilities:						
Other Liabilities	630,986	387,157	144,216	122,682	775,202	509,839
Long-Term Liabilities	16,966,538	20,091,600	1,421,363	1,661,236	18,387,901	21,752,836
Total Liabilities	17,597,524	20,478,757	1,565,579	1,783,918	19,163,103	22,262,675
Deferred Inflows of Resources:						
Property Taxes	584,000	578,000	0	0	584,000	578,000
OPEB	894,688	629,996	24,660	3,623	919,348	633,619
Pension	1,720,370	524,198	54,112	10,736	1,774,482	534,934
Total Deferred Inflows of Resources	3,199,058	1,732,194	78,772	14,359	3,277,830	1,746,553
Net Position:						
Net Investment In Capital Assets	7,008,400	6,885,601	492,936	516,762	7,501,336	7,402,363
Restricted	5,178,033	4,487,992	0	0	5,178,033	4,487,992
Unrestricted	(9,715,002)	(10,639,631)	(1,241,415)	(523,163)	(10,956,417)	(11,162,794)
Total Net Position	\$2,471,431	\$733,962	(\$748,479)	(\$6,401)	\$1,722,952	\$727,561



The City saw a decrease in Capital Assets for Governmental Activities mainly due to current year depreciation expense being greater than current year additions. Long-Term Liabilities decreased mainly due to paying off debt and net pension liability. Business-Type Activities Capital Assets decreased mainly due to current year depreciation expense being greater than current year additions. Business-Type Activities Long-Term Liabilities decreased mainly due to paying off debt and net pension liability.

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2020 to 2019.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$1,491,360	\$1,598,304	\$1,849,695	\$1,694,781	\$3,341,055	\$3,293,085
Operating Grants and Contributions	1,914,409	1,169,689	0	0	1,914,409	1,169,689
Total Program Revenues	3,405,769	2,767,993	1,849,695	1,694,781	5,255,464	4,462,774
General Revenues:						
Income Taxes	7,502,340	7,688,445	0	0	7,502,340	7,688,445
Property Taxes	589,554	550,800	0	0	589,554	550,800
Grants and Entitlements	208,422	325,512	0	0	208,422	325,512
Other Revenues	892,989	581,147	3,655	6,063	896,644	587,210
Total General Revenues	9,193,305	9,145,904	3,655	6,063	9,196,960	9,151,967
Total Revenues	12,599,074	11,913,897	1,853,350	1,700,844	14,452,424	13,614,741
Program Expenses:						
General Government	2,419,393	1,439,365	0	0	2,419,393	1,439,365
Public Safety	6,317,648	2,491,653	0	0	6,317,648	2,491,653
Leisure Time Activities	285,846	287,242	0	0	285,846	287,242
Community Development	154,643	150,802	0	0	154,643	150,802
Basic Utility Service	568,848	453,834	0	0	568,848	453,834
Transportation and Street Repair	1,073,608	1,182,933	0	0	1,073,608	1,182,933
Interest and Other Charges	41,619	47,058	0	0	41,619	47,058
Water Utility	0	0	2,595,428	2,231,174	2,595,428	2,231,174
Total Program Expenses	10,861,605	6,052,887	2,595,428	2,231,174	13,457,033	8,284,061
Change in Net Position	1,737,469	5,861,010	(742,078)	(530,330)	995,391	5,330,680
Net Position - Beginning of Year	733,962	(5,127,048)	(6,401)	523,929	727,561	(4,603,119)
Net Position - End of Year	\$2,471,431	\$733,962	(\$748,479)	(\$6,401)	\$1,722,952	\$727,561

Income taxes decreased slightly mainly due to a decrease in income tax collections in 2020 as compared to 2019. Public Safety expenses increased mainly due to COVID-19 and FEMA related expenses. Transportation and Street Repair expenses decreased due to a decrease in repairs and maintenance to streets. The Business-Type Activities expenses increased when compared to the prior year due to an increase in water utility costs.

Governmental Activities

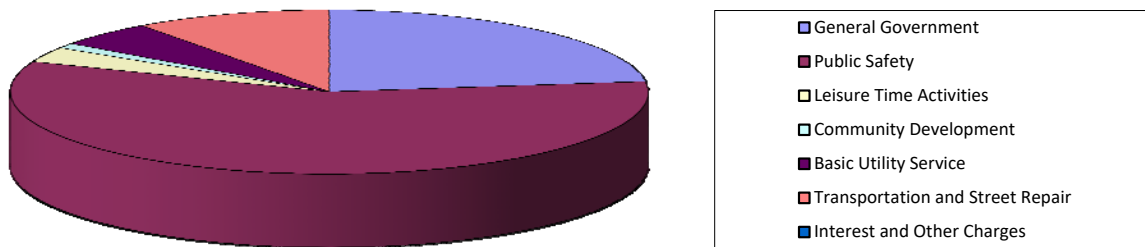
The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 82% of the City’s governmental activities general revenues.

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City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

Governmental Activities
 Program Expenses for 2020

	Percentage
General Government	23%
Public Safety	58%
Leisure Time Activities	3%
Community Development	1%
Basic Utility Service	5%
Transportation and Street Repair	10%
Interest and Other Charges	Less than 1%
Total	100%



General Government includes legislative and executive as well as judicial expenses. Leaf and brush pickup, storm sewer projects, aggressive street resurfacing program, amenities in the parks, and police and fire services all culminate into a full service city.

Business-Type Activities

The City’s business-type activity includes water. This program had operating revenues of \$1,853,350 and operating expenses of \$2,564,649 for fiscal year 2020. Business activities receive no support from tax revenues. The business activities net position at the end of the year was (\$748,479), which decreased \$742,078 from 2019. The City had one business-type (enterprise) fund that was a major fund: the Water fund.

The City’s Funds

The City has three major governmental funds: the General Fund, Street Maintenance and Repair Fund, and Capital Improvement Fund. Assets of the General fund comprised \$5,083,252 (48%), the Street Maintenance and Repair fund comprised \$1,137,137 (11%), and the Capital Improvement fund comprised \$814,212 (8%) of the total \$10,621,140 governmental funds’ assets.

General Fund: Fund balance at December 31, 2020 was \$3,322,956 an increase in fund balance of \$1,548,981 from 2019. The general fund had an increase in fund balance mainly due to an increase in income taxes and other revenues received.

Street Maintenance and Repair Fund: Fund balance at December 31, 2020 was \$830,840 an increase in fund balance of \$170,906 from 2019. The Street Repair and Maintenance fund had an increase in fund balance mainly due an increase in intergovernmental revenues received.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

Capital Improvement Fund: Fund balance at December 31, 2020 was \$496,511 an increase in fund balance of \$40,379. The capital improvement fund had an increase in fund balance due to an increase in property taxes received.

General Fund Budgeting Highlights

The City's General Fund budget is formally adopted at the object level. Financial reports, which compare actual performance with the budget, are prepared quarterly and presented to the Council so the Council is able to review the financial status and measure the effectiveness of the budgetary controls.

As the City completed the year, its General Fund balance reported an actual fund balance of \$1,350,622, on a Non-GAAP Budgetary Basis.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City underestimated the taxes revenue and charges for services revenue amounts. Final budgeted expenditures were overestimated when compared to actual expenditures.

Capital Assets and Debt Administration

Capital Assets

At year end, the City had \$10,667,303 invested in land, construction in progress, buildings and improvements, equipment and infrastructure. Table 3 shows 2020 balances compared to 2019:

Table 3
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$1,311,475	\$1,311,475	\$6,135	\$6,135	\$1,317,610	\$1,317,610
Construction in Progress	96,500	809,000	0	0	96,500	809,000
Buildings and Improvements	1,614,499	1,614,499	102,532	102,532	1,717,031	1,717,031
Equipment	5,285,338	5,137,264	239,310	239,310	5,524,648	5,376,574
Infrastructure	9,194,965	8,294,965	1,479,654	1,479,654	10,674,619	9,774,619
Accumulated Depreciation	(7,328,410)	(6,893,118)	(1,334,695)	(1,310,869)	(8,663,105)	(8,203,987)
Total Net Capital Assets	\$10,174,367	\$10,274,085	\$492,936	\$516,762	\$10,667,303	\$10,790,847

The decrease in capital assets is mainly due to current year depreciation expense being greater than current year additions.

See Note 6 in the notes to the basic financial statements for further details on the City's capital assets.

Debt

At year-end the City had \$4,181,967 in general obligation bonds, notes, loans and capital leases.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

Table 4
Outstanding Debt at Year End

		2020	2019
Governmental Activities			
<u>Bonds and Notes Payable</u>			
2003 Streetscape Bonds	4.59%	\$150,000	\$200,000
2011 Dump Truck Acquisition Bonds	2.00%-4.50%	17,200	37,200
2019 Road Projects Bonds	2.74%	738,000	809,000
Subtotal Bonds and Notes		<u>905,200</u>	<u>1,046,200</u>
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	149,444	156,561
2011 Jefferson Avenue Improvements	0.00%	392,165	409,216
2012 Trillium Court & Krylon Drive Improvements	0.00%	220,474	229,660
2013 Jefferson / Willow / Voorhees Road Improvements	0.00%	215,643	223,630
2014 Julie Terrace improvements	0.00%	72,723	75,320
2015 Leonard Street Improvements	0.00%	74,804	77,217
2015 Brown Street Improvements	0.00%	108,459	111,958
2015 5th Street & Flora Avenue Improvements	0.00%	110,401	113,962
2016 Bolster Drive Improvements	0.00%	183,709	189,276
2016 Alwil Drive Improvements	0.00%	197,161	203,322
2018 Benson Street Improvements	0.00%	130,632	134,163
2018 Galbraith Road Improvements	0.00%	181,139	186,035
2020 Hunt Road Box Culvert Replacement	0.00%	65,000	0
2020 Thurnridge Drive Improvements	0.00%	31,500	0
Subtotal Loans		<u>2,133,254</u>	<u>2,110,320</u>
<u>Capital Leases Payable</u>			
Snow Plow Truck Lease	1.86%	127,513	157,938
Equipment Capital Lease	2.92%	0	74,026
Total Government Activities		<u>\$3,165,967</u>	<u>\$3,388,484</u>
Business-Type Activities			
<u>Bonds Payable</u>			
2019 Water Projects Bonds	2.74%	\$1,016,000	\$1,114,000
Total Business-Type Activities		<u>\$1,016,000</u>	<u>\$1,114,000</u>

See Notes 7 - 8 in the notes to the basic financial statements for further details on the City's long-term obligations.

Economic Factors

The City is not immune to economic conditions that have negatively affected many public and private entities. Management has been committed to providing its residents with full disclosure of the financial position of the City.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

Contacting the City's Financial Department

This 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 any questions about this report or need additional financial information, contact the City Auditor, City of Reading, 1000 Market Street, Reading, Ohio 45215.

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City of Reading, Ohio
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$6,516,941	\$190,391	\$6,707,332
Receivables (Net):			
Taxes	2,238,335	0	2,238,335
Accounts	103,357	145,245	248,602
Intergovernmental	500,232	0	500,232
Land Held for Resale	1,150,483	0	1,150,483
Prepaid Items	111,792	3,394	115,186
Nondepreciable Capital Assets	1,407,975	6,135	1,414,110
Depreciable Capital Assets, Net	8,766,392	486,801	9,253,193
Total Assets	20,795,507	831,966	21,627,473
Deferred Outflows of Resources:			
Pension	1,476,416	35,925	1,512,341
OPEB	996,090	27,981	1,024,071
Total Deferred Outflows of Resources	2,472,506	63,906	2,536,412
Liabilities:			
Accounts Payable	307,311	133,859	441,170
Accrued Wages and Benefits	319,896	7,813	327,709
Accrued Interest Payable	2,867	2,544	5,411
Deposits Held and Due to Others	912	0	912
Long-Term Liabilities:			
Due Within One Year	627,468	103,084	730,552
Due In More Than One Year			
Net Pension Liability	10,432,206	231,745	10,663,951
Net OPEB Liability	2,789,394	171,534	2,960,928
Other Amounts	3,117,470	915,000	4,032,470
Total Liabilities	17,597,524	1,565,579	19,163,103
Deferred Inflows of Resources:			
Property Taxes	584,000	0	584,000
OPEB	894,688	24,660	919,348
Pension	1,720,370	54,112	1,774,482
Total Deferred Inflows of Resources	3,199,058	78,772	3,277,830
Net Position:			
Net Investment in Capital Assets	7,008,400	492,936	7,501,336
Restricted for:			
Debt Service	385	0	385
Capital Projects	1,329,270	0	1,329,270
Street Maintenance and Repair	1,078,325	0	1,078,325
State Highway	217,367	0	217,367
EPA Brownsfield Grant	982,067	0	982,067
Streets and Curbs	1,040,176	0	1,040,176
Motor Vehicle Permissive	207,445	0	207,445
Other Purposes	322,998	0	322,998
Unrestricted	(9,715,002)	(1,241,415)	(10,956,417)
Total Net Position	\$2,471,431	(\$748,479)	\$1,722,952

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$2,419,393	\$730,055	\$0	(\$1,689,338)	\$0	(\$1,689,338)
Public Safety	6,317,648	217,818	457,055	(5,642,775)	0	(5,642,775)
Community Development	154,643	37,010	692,228	574,595	0	574,595
Leisure Time Activities	285,846	40,619	0	(245,227)	0	(245,227)
Transportation and Street Repair	1,073,608	465,858	765,126	157,376	0	157,376
Basic Utility Service	568,848	0	0	(568,848)	0	(568,848)
Interest and Other Charges	41,619	0	0	(41,619)	0	(41,619)
Total Governmental Activities	10,861,605	1,491,360	1,914,409	(7,455,836)	0	(7,455,836)
Business-Type Activities:						
Water Utility	2,595,428	1,849,695	0	0	(745,733)	(745,733)
Total Business-Type Activities	2,595,428	1,849,695	0	0	(745,733)	(745,733)
Totals	\$13,457,033	\$3,341,055	\$1,914,409	(7,455,836)	(745,733)	(8,201,569)
General Revenues:						
Income Taxes				7,502,340	0	7,502,340
Property Taxes Levied for:						
General Purposes				286,491	0	286,491
Capital Projects Purposes				303,063	0	303,063
Grants and Entitlements, Not Restricted				208,422	0	208,422
Other Revenues				892,989	3,655	896,644
Total General Revenues and Transfers				9,193,305	3,655	9,196,960
Change in Net Position				1,737,469	(742,078)	995,391
Net Position - Beginning of Year				733,962	(6,401)	727,561
Net Position - End of Year				\$2,471,431	(\$748,479)	\$1,722,952

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2020

	General	Street Maintenance & Repair	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$2,924,813	\$789,031	\$268,773	\$2,534,324	\$6,516,941
Receivables (Net):					
Taxes	1,937,210	0	301,125	0	2,238,335
Accounts	52,200	0	0	51,157	103,357
Intergovernmental	63,195	342,148	16,576	78,313	500,232
Land Held for Resale	0	0	227,738	922,745	1,150,483
Prepaid Items	105,834	5,958	0	0	111,792
Total Assets	5,083,252	1,137,137	814,212	3,586,539	10,621,140
Liabilities:					
Accounts Payable	285,047	4,192	0	18,072	307,311
Accrued Wages and Benefits	311,817	8,079	0	0	319,896
Deposits Held and Due to Others	912	0	0	0	912
Total Liabilities	597,776	12,271	0	18,072	628,119
Deferred Inflows of Resources:					
Property Taxes	335,125	0	301,125	0	636,250
Income Taxes	773,849	0	0	0	773,849
Grants and Other Taxes	53,546	294,026	16,576	68,977	433,125
Total Deferred Inflows of Resources	1,162,520	294,026	317,701	68,977	1,843,224
Fund Balances:					
Nonspendable	105,834	5,958	0	0	111,792
Restricted	0	824,882	496,511	3,494,386	4,815,779
Assigned	261,750	0	0	5,104	266,854
Unassigned	2,955,372	0	0	0	2,955,372
Total Fund Balances	3,322,956	830,840	496,511	3,499,490	8,149,797
Total Liabilities, Deferred Inflows and Fun	\$5,083,252	\$1,137,137	\$814,212	\$3,586,539	\$10,621,140

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2020

Total Governmental Fund Balance \$8,149,797

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 10,174,367

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Income Taxes	\$773,849	
Delinquent Property Taxes	52,250	
Intergovernmental	433,125	
		1,259,224

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources.

(2,867)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (578,971)

Deferred outflows and inflows or resources related to pensions/OPEB
 are applicable to future periods and, therefore, are not
 reported in the funds.

Deferred outflows of resources related to pensions	1,476,416	
Deferred inflows of resources related to pensions	(1,720,370)	
Deferred outflows of resources related to OPEB	996,090	
Deferred inflows of resources related to OPEB	(894,688)	
		(142,552)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

Net Pension Liability	(10,432,206)	
Net OPEB Liability	(2,789,394)	
Other Amounts	(3,165,967)	
		(16,387,567)

Net Position of Governmental Activities \$2,471,431

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2020

	General	Street Maintenance & Repair	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$276,106	\$0	\$292,626	\$0	\$568,732
Income Taxes	7,719,289	0	0	0	7,719,289
Charges for Services	1,226,144	0	0	337,175	1,563,319
Intergovernmental	190,532	638,465	30,699	1,188,013	2,047,709
Fines, Licenses & Permits	193,349	0	0	50,897	244,246
Other Revenues	575,991	0	0	0	575,991
Total Revenues	10,181,411	638,465	323,325	1,576,085	12,719,286
Expenditures:					
Current:					
General Government	2,203,626	0	0	0	2,203,626
Public Safety	5,599,098	0	0	286,198	5,885,296
Community Development	151,485	0	0	0	151,485
Leisure Time Activities	239,480	0	0	0	239,480
Transportation and Street Repair	0	435,153	0	159,268	594,421
Basic Utility Service	568,848	0	0	0	568,848
Capital Outlay	18,243	0	176,095	507,300	701,638
Debt Service:					
Principal	0	30,425	124,026	164,566	319,017
Interest and Other Charges	0	1,981	17,037	23,116	42,134
Total Expenditures	8,780,780	467,559	317,158	1,140,448	10,705,945
Excess of Revenues Over (Under) Expenditures	1,400,631	170,906	6,167	435,637	2,013,341
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	0	0	96,500	96,500
Transfers In	572,801	0	34,212	405,120	1,012,133
Transfers (Out)	(424,451)	0	0	(587,682)	(1,012,133)
Total Other Financing Sources (Uses)	148,350	0	34,212	(86,062)	96,500
Net Change in Fund Balance	1,548,981	170,906	40,379	349,575	2,109,841
Fund Balance - Beginning of Year	1,773,975	659,934	456,132	3,149,915	6,039,956
Fund Balance - End of Year	\$3,322,956	\$830,840	\$496,511	\$3,499,490	\$8,149,797

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2020

Net Change in Fund Balance - Total Governmental Funds \$2,109,841

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$335,575	
Depreciation Expense	(435,293)	
		(99,718)

Governmental funds report City pension/OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension/OPEB benefits earned net of employee contributions is reported as pension/OPEB expense.

City pension contributions	808,156	
Cost of benefits earned net of employee contributions - Pension	(1,240,181)	
City OPEB contributions	14,347	
Cost of benefits earned net of employee contributions - OPEB	(283,392)	
		(701,070)

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

Income Taxes	(\$216,949)	
Delinquent Property Taxes	20,874	
Intergovernmental	75,863	
		(120,212)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 319,017

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 515

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences		325,596
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Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (96,500)

Change in Net Position of Governmental Activities		\$1,737,469
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See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2020

	<u>Water</u>
Current Assets:	
Equity in Pooled Cash and Investments	\$190,391
Receivables (Net):	
Accounts	145,245
Prepaid Items	<u>3,394</u>
Total Current Assets	<u>339,030</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>486,801</u>
Total Noncurrent Assets	<u>492,936</u>
Total Assets	<u>831,966</u>
Deferred Outflows of Resources:	
Pension	35,925
OPEB	<u>27,981</u>
Total Deferred Outflows of Resources	<u>63,906</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	133,859
Accrued Wages and Benefits	7,813
Compensated Absences	2,084
Accrued Interest Payable	2,544
Long-Term Liabilities Due Within One Year	<u>101,000</u>
Total Current Liabilities	<u>247,300</u>
Long-Term Liabilities:	
Bonds, Notes & Loans Payable	915,000
Net Pension Liability	231,745
Net OPEB Liability	<u>171,534</u>
Total Noncurrent Liabilities	<u>1,318,279</u>
Total Liabilities	<u>1,565,579</u>
Deferred Inflows of Resources:	
OPEB	24,660
Pension	<u>54,112</u>
Total Deferred Inflows of Resources	<u>78,772</u>
Net Position:	
Net Investment in Capital Assets	492,936
Unrestricted	<u>(1,241,415)</u>
Total Net Position	<u>(\$748,479)</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2020

	<u>Water</u>
Operating Revenues:	
Charges for Services	\$1,849,695
Other Revenues	<u>3,655</u>
Total Operating Revenues	<u>1,853,350</u>
Operating Expenses:	
Personal Services	291,429
Contractual Services	959,513
Supplies and Materials	1,270,185
Depreciation	23,826
Other Expense	<u>19,696</u>
Total Operating Expenses	<u>2,564,649</u>
Operating Income (Loss)	<u>(711,299)</u>
Non-Operating Revenues (Expenses):	
Interest (Expense)	<u>(30,779)</u>
Total Non-Operating Revenues (Expenses)	<u>(30,779)</u>
Change in Net Position	(742,078)
Net Position - Beginning of Year	<u>(6,401)</u>
Net Position - End of Year	<u><u>(\$748,479)</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2020

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,874,156
Cash Payments to Employees	(308,679)
Cash Payments to Suppliers	<u>(2,226,534)</u>
Net Cash Provided (Used) by Operating Activities	<u>(661,057)</u>
Cash Flows from Capital and Related Financing Activities:	
Debt Principal Payments	(98,000)
Debt Interest Payments	<u>(30,524)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(128,524)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(789,581)
Cash and Cash Equivalents - Beginning of Year	<u>979,972</u>
Cash and Cash Equivalents - End of Year	<u><u>190,391</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(711,299)
Adjustments:	
Depreciation	23,826
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	20,806
(Increase) Decrease in Prepaid Items	830
(Increase) Decrease in Deferred Outflows of Resources	60,961
Increase (Decrease) in Net OPEB Liability	(7,536)
Increase (Decrease) in Payables	22,860
Increase (Decrease) in Accrued Liabilities	(805)
Increase (Decrease) in Deferred Inflows of Resources	64,413
Increase (Decrease) in Net Pension Liability	<u>(135,113)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$661,057)</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$978,773
Receivables (Net):	
Accounts	<u>227,358</u>
Total Assets	<u>1,206,131</u>
Liabilities:	
Accounts Payable	<u>0</u>
Total Liabilities	<u>0</u>
Net Position:	
Restricted for Individuals, Organizations, and Other Government:	<u>1,206,131</u>
Total Net Position	<u><u>\$1,206,131</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended December 31, 2020

	Custodial Funds
Additions:	
Charges for Services	\$2,701,475
Court Receipts	<u>220,587</u>
Total Additions	<u>2,922,062</u>
Deductions:	
Utility Disbursements	2,681,320
Court Disbursements	<u>248,370</u>
Total Deductions	<u>2,929,690</u>
Change in Net Position	(7,628)
Net Position - Beginning of Year, Restated	<u>1,213,759</u>
Net Position - End of Year	<u><u>\$1,206,131</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Note 1 – Description of the City and Reporting Entity

The City of Reading, Ohio (the “City”) operates under a seven-member council. An elected City Auditor is responsible for fiscal control of the City’s resources. Services provided by the City include public service, public safety, recreation and development.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. The City operates under a seven-member council. An elected City Auditor is responsible for fiscal control of the resources of the City. Services provided by the City include public services, public safety, recreation, and development.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental and proprietary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the full accrual measurement focus. All assets, liabilities and deferred outflows/inflows associated with the operation of the City are included on the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflow, and liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Street Maintenance and Repair Fund – This special revenue fund accounts for financial resources used for various street maintenance and repair improvements in the City.

Capital Improvement Fund – This capital projects fund accounts for financial resources used for various capital improvements for the City.

The other governmental funds of the City account for grants and other resources that are generally restricted to use for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have an internal service fund.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

Water Fund - This fund accounts for provision of water treatment and distribution to the residents and commercial users of the water system.

Fiduciary Funds

The Custodial Fiduciary Funds are used to account for the collection and disbursement of monies by the City on behalf of other individuals, organizations or other governmental entities. The following are the City's custodial fiduciary funds, the Sewer Disposal Trust Fund and the Mayor's Court Cash Fund. The Sewer Disposal Trust Fund accounts for money collected for sewer services to be paid to

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

the Metropolitan Sewer District for services provided. The Mayor's Court Cash Fund accounts for activity relating to the City's Municipal Court.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants and fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, income taxes, grants and other taxes, OPEB and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accounts receivable. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 9 and 10.)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Equity in Pooled Cash

To improve cash management the City's cash and investments are pooled. Monies for all funds, except cash and investments held in segregated accounts, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash" on the balance sheet.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

For purposes of the statement of cash flows and for presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. The City received no investment earnings in 2020.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective proprietary funds.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The City uses a \$5,000 capitalization threshold.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15-40 years
Equipment	5-20 years
Infrastructure	50 years

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Compensated absences are reported in governmental funds only if they have matured. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, City Council.

Assigned – resources that are intended to be used for specific purposes as approved through the City's formal purchasing procedure by the City Auditor.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$5,178,033 in restricted net position, none were restricted by enabling legislation.

Operating Revenues and Expenses

The City, in its proprietary fund, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes 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.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated through the process of consolidation.

Prepaid Items

Payments made for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense in the year in which services are consumed.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Note 3 – Equity in Pooled Cash

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash." State statute requires the classification of monies held by the City into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2020, \$7,442,692 of the City's bank balance of \$7,942,692 was exposed to custodial credit risk because it was uninsured and collateralized.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

At year end the City held no investments.

Note 4 – Receivables

Receivables at year end, consisted primarily of taxes (income taxes, property and other taxes), accounts, and intergovernmental arising from grants and entitlements.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2020 for real and public utility property taxes represents collections of the 2019 taxes.

2020 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The assessed values of real and public utility property upon which current year property tax receipts were based are as follows:

	<u>Amount</u>
Real Property	\$191,874,980
Public Utility	<u>12,080,060</u>
Total	<u><u>\$203,955,040</u></u>

Real property taxes are payable annually or semi-annually. The first payment is due January 20 with the remainder payable by June 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of year end for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at year end, nor were they levied to finance current year operations. The receivable is therefore offset by deferred revenue.

Income Taxes

The City levies a two percent income tax on wages, salaries, commissions and other compensation in addition to net profits of business activity. The tax applies to all income earned within the City plus income earned by residents who earned income outside the City. A credit up to two percent is allowed if an individual pays income taxes to another municipality.

Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly based on an annual declaration and file an annual tax return.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Note 5 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and accident insurance. Employee health insurance is provided by a self-insured risk sharing pool. See Note 14.

There have been no significant reductions in insurance coverage from that of prior years and settlements have not exceeded insurance coverage for any of the past three fiscal years.

Note 6 – Capital Assets

Capital asset activity for the current year end was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,311,475	\$0	\$0	\$1,311,475
Construction in Progress	809,000	96,500	809,000	96,500
Capital Assets, being depreciated:				
Buildings and Improvements	1,614,499	0	0	1,614,499
Equipment	5,137,264	148,075	0	5,285,339
Infrastructure	8,294,965	900,000	0	9,194,965
Total Capital Assets, being depreciated	<u>15,046,728</u>	<u>1,048,075</u>	<u>0</u>	<u>16,094,803</u>
Totals at Historical Cost	<u>17,167,203</u>	<u>1,144,575</u>	<u>809,000</u>	<u>17,502,778</u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,532,507	24,699	0	1,557,206
Equipment	3,949,881	226,695	0	4,176,576
Infrastructure	1,410,730	183,899	0	1,594,629
Total Accumulated Depreciation	<u>6,893,118</u>	<u>435,293</u>	<u>0</u>	<u>7,328,411</u>
Governmental Activities Capital Assets, Net	<u>\$10,274,085</u>	<u>\$709,282</u>	<u>\$809,000</u>	<u>\$10,174,367</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$77,759
Public Safety	155,222
Leisure Time Activities	37,037
Transportation and Street Repair	165,275
Total Depreciation Expense	<u>\$435,293</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital Assets, not being depreciated:				
Land	\$6,135	\$0	\$0	\$6,135
Capital Assets, being depreciated:				
Building and Improvements	102,532	0	0	102,532
Equipment	239,310	0	0	239,310
Infrastructure	1,479,654	0	0	1,479,654
Total Capital Assets, being depreciated	<u>1,821,496</u>	<u>0</u>	<u>0</u>	<u>1,821,496</u>
Totals at Historical Cost	<u>1,827,631</u>	<u>0</u>	<u>0</u>	<u>1,827,631</u>
Less Accumulated Depreciation:				
Building and Improvements	66,676	1,494	0	68,170
Equipment	199,052	4,473	0	203,525
Infrastructure	<u>1,045,141</u>	<u>17,859</u>	<u>0</u>	<u>1,063,000</u>
Total Accumulated Depreciation	<u>1,310,869</u>	<u>23,826</u>	<u>0</u>	<u>1,334,695</u>
Business-Type Activities Capital Assets, Net	<u>\$516,762</u>	<u>(\$23,826)</u>	<u>\$0</u>	<u>\$492,936</u>

Note 7 – Long-Term Debt

A schedule of changes in bonds, notes and other long-term obligations of the City during the current year follows:

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds and Notes</u>						
2003 Streetscape Bonds	4.59%	\$200,000	\$0	(\$50,000)	\$150,000	\$50,000
2011 Dump Truck Acquisition Bonds	2.00-4.50%	37,200	0	(20,000)	17,200	17,200
2019 Road Project Bonds	2.74%	809,000	0	(71,000)	738,000	73,000
Total General Obligation Bonds and Notes		1,046,200	0	(141,000)	905,200	140,200
<u>OPWC Loans from Direct Borrowings:</u>						
Waxwing Drive Improvement	0.00%	156,561	0	(7,117)	149,444	14,233
Jefferson Avenue Improvements	0.00%	409,216	0	(17,051)	392,165	34,102
Trillium Court & Krylon Drive Improvements	0.00%	229,660	0	(9,186)	220,474	18,373
Jefferson/Willow/Voorhees Improvements	0.00%	223,630	0	(7,987)	215,643	15,974
Julie Terrace Improvements	0.00%	75,320	0	(2,597)	72,723	5,194
Leonard Street Improvements	0.00%	77,217	0	(2,413)	74,804	4,826
Brown Street Improvements	0.00%	111,958	0	(3,499)	108,459	4,998
5th Street & Flora Avenue Improvements	0.00%	113,962	0	(3,561)	110,401	7,123
Bolser Drive Improvements	0.00%	189,276	0	(5,567)	183,709	11,134
Alwil Drive Improvements	0.00%	203,322	0	(6,161)	197,161	12,322
Benson Street Stormwater Replacement	0.00%	134,163	0	(3,531)	130,632	7,061
Galbraith Road Phase II Improvements	0.00%	186,035	0	(4,896)	181,139	9,791
Hunt Road Box Culvert Replacement	0.00%	0	65,000	0	65,000	0
Thurnridge Drive Improvements	0.00%	0	31,500	0	31,500	0
Total OPWC Loans		2,110,320	96,500	(73,566)	2,133,254	145,131
<u>Capital Leases:</u>						
2020 Snow Plow Truck	1.86%	157,938	0	(30,425)	127,513	30,995
Equipment Capital Lease	2.92%	74,026	0	(74,026)	0	0
Total Capital Leases		231,964	0	(104,451)	127,513	30,995
<u>Net Pension Liability:</u>						
OPERS	0.00%	2,999,671	0	(877,323)	2,122,348	0
OP&F	0.00%	10,194,569	0	(1,884,711)	8,309,858	0
Total Net Pension Liability		13,194,240	0	(2,762,034)	10,432,206	0
<u>Net OPEB Liability:</u>						
OPERS	0.00%	1,464,194	106,732	0	1,570,926	0
OP&F	0.00%	1,137,342	81,126	0	1,218,468	0
Total Net OPEB Liability		2,601,536	187,858	0	2,789,394	0
Total Long-Term Debt		19,184,260	284,358	(3,081,051)	16,387,567	316,326
Compensated Absences		907,340	0	(328,369)	578,971	311,142
Total Long-Term Liabilities		\$20,091,600	\$284,358	(\$3,409,420)	\$16,966,538	\$627,468
Business-Type Activities						
<u>General Obligation Bonds:</u>						
2019 Water Projects Bonds	2.74%	\$1,114,000	\$0	(\$98,000)	\$1,016,000	\$101,000
<u>Net Pension Liability:</u>						
OPERS		366,858	0	(135,113)	231,745	0
<u>Net OPEB Liability:</u>						
OPERS		179,070	0	(7,536)	171,534	0
Compensated Absences		1,308	2,084	(1,308)	2,084	2,084
Total Long-Term Liabilities		\$1,661,236	\$2,084	(\$241,957)	\$1,421,363	\$103,084

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

In 2020, the City issued two new Ohio Public Works Commission (OPWC) Loans in the amounts of \$65,000 and \$31,500 to finance various improvements to Hunt Road and Thurnridge Drive. The full amount of the loans was not disbursed as of year end.

In 2019, the City issued a new General Obligation Bond in the amount of \$1,923,000 to finance road improvements and water projects. The bond has a 2.74 percent interest rate and will be paid off in 2029.

In 2018, the City issued two Ohio Public Works Commission (OPWC) loans. One was in the amount of \$195,826 to finance road improvements on Galbraith Road. The second was in the amount of \$141,225 to finance stormwater replacement lines on Benson Street. These loans are interest free and will be paid off in 2038.

In 2016, the City issued one Ohio Public Works Commission (OPWC) Loans in the amount of \$469,127 to finance the various improvements to Bolser Drive and Alwil Drive. This loan is interest free and will be paid off in 2036.

In 2015, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$370,131 to finance the various improvements to Leonard Street, Brown Street, and 5th Street. This loan is interest free and will be paid off in 2036.

In 2014, the City issued one Ohio Publics Works Commission (OPWC) Loan in the amount of \$103,887 to finance the various improvements to Julie Terrace. This loan is interest free and will be paid off in 2034.

In 2013, the City issued two Ohio Public Works Commission (OPWC) Loans in the amount of \$352,574 to finance the various improvements to Jefferson, Willow, Voorhees and Harmes Avenue. These loans are interest free and will be paid off in 2033.

In 2012, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$375,465 to finance the various improvements to Knollcrest Drive, Trillium Court and Krylon Drive. This loans is interest free and will be paid off in 2032.

In 2011, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$682,030 to finance the various improvements to Jefferson Avenue. This loan is interest free and will be paid off in 2031.

In 2010, the City issued one Ohio Public Works Commission (OPWC) Loan in the amount of \$284,662 to finance the various improvements to Waxwing Drive. This loan is interest free and will be paid off in 2030.

The City's bonds and capital leases will be paid from the Capital Improvement Fund and the Fire/EMS Capital Improvement Fund. The Real Estate Acquisition Bonds are paid from the General Fund. The OPWC loans will be paid out of the streets and curbs fund. Compensated Absences will be paid from the fund from which the person is paid. Historically, this is the General Fund or a Special Revenue Fund.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Year Ending December 31	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2021	\$241,200	\$55,945	\$145,131
2022	229,000	47,882	147,131
2023	235,000	40,682	147,132
2024	190,000	33,318	147,131
2025	194,000	28,112	147,132
2026-2030	832,000	57,732	735,657
2031-2035	0	0	467,983
2036-2039	0	0	99,457
Total	<u>\$1,921,200</u>	<u>\$263,671</u>	<u>\$2,036,754</u>

Note 8 – Leases

Lessee

In 2019, the City entered into a capital lease for a 2020 Chassis with an attached front Snow Dogg Snow Plow and Swenson Electric Spray/Spreader System.

The lease meets the criteria of capital lease which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee.

General capital assets consisting of equipment have been capitalized in the amount of \$147,588. Accumulated depreciation as of December 31, 2020 was \$29,518 leaving a current book value of \$118,070.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending December 31,	Long-Term Debt
2021	\$33,104
2022	33,103
2023	33,103
2024	33,103
Total Minimum Lease Payments	132,413
Less: Amount Representing Interest	(4,900)
Present Value of Minimum Lease Payments	<u>\$127,513</u>

Note 9 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability represent the City’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees may pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While employees may elect the member-directed

City of Reading, Ohio
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plan or the combined plan, substantially all employees are in the traditional plan; therefore, the following disclosure focuses on the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<u>Group A</u>	<u>Group B</u>	<u>Group C</u>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

City of Reading, Ohio
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Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

	State and Local	Public Safety	Law Enforcement
2020 Statutory Maximum Contribution Rates			
Employer	14.00%	18.10%	18.10%
Employee (a)	10.00%	(b)	(c)
2020 Actual Contribution Rates			
Employer:			
Pension (d)	14.00%	18.10%	18.10%
Post-employment Health Care Benefits (d)	0.00%	0.00%	0.00%
Total Employer	<u>14.00%</u>	<u>18.10%</u>	<u>18.10%</u>
Employee	<u>10.00%</u>	<u>12.00%</u>	<u>13.00%</u>

(a) Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

(b) This rate is determined by OPERS' Board and has no maximum rate established by

(c) This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2% greater than the Public Safety rate.

(d) These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4% for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2020, the City's contractually required contribution was \$232,071, of this amount \$27,839 is reported in accrued wages and benefits.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

City of Reading, Ohio
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For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50 percent for each of the first 20 years of service credit, 2.00 percent for each of the next five years of service credit and 1.50 percent for each year of service credit in excess of 25 years. The maximum pension of 72.00 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Funding Policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2020 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2020 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-Employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$598,931 for 2020, of this amount \$80,460 is reported as accrued wages and benefits.

City of Reading, Ohio
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For The Year Ended December 31, 2020

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the:			
Net Pension Liability	\$2,354,093	\$8,309,858	\$10,663,951
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01191000%	0.12335510%	
Prior Measurement Date	0.01229200%	0.12489300%	
Change in Proportionate Share	<u>-0.00038200%</u>	<u>-0.00153790%</u>	
Pension Expense	\$307,995	\$962,506	\$1,270,501

At December 31 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$314,555	\$314,555
Changes in assumptions	125,736	203,985	329,721
Changes in employer proportionate share of net pension liability	7,127	29,936	37,063
Contributions subsequent to the measurement date	232,071	598,931	831,002
Total Deferred Outflows of Resources	<u>\$364,934</u>	<u>\$1,147,407</u>	<u>\$1,512,341</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$29,763	\$428,573	\$458,336
Net difference between projected and actual earnings on pension plan investments	469,589	401,433	871,022
Changes in employer proportionate share of net pension liability	50,328	394,796	445,124
Total Deferred Inflows of Resources	<u>\$549,680</u>	<u>\$1,224,802</u>	<u>\$1,774,482</u>

\$831,002 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Reading, Ohio
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Year Ending December 31:	OPERS		
	Traditional Plan	OPF	Total
2021	(\$80,174)	(\$181,331)	(\$261,505)
2022	(169,632)	(141,234)	(310,866)
2023	19,447	82,281	101,728
2024	(186,458)	(392,120)	(578,578)
2025	0	(43,922)	(43,922)
Total	<u>(\$416,817)</u>	<u>(\$676,326)</u>	<u>(\$1,093,143)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

	OPERS Traditional Plan
Wage Inflation	3.25%
Future Salary Increases	3.25% to 10.75% (includes wage inflation)
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, Simple
Post-January 7, 2013 Retirees	1.40%, Simple through 2020, then 2.15%, Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-

City of Reading, Ohio
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retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
Total	100.00%	5.61%

Discount Rate

City of Reading, Ohio
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The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$3,882,660	\$2,354,093	\$979,955

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date

There were no recent significant changes of pension benefit terms, health care plans, investment policies, the size or composition of the population covered by the benefit terms and health care plans impacting the actuarial valuation studies for pension and health care for the measurement date of December 31, 2019.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below.

City of Reading, Ohio
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Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Salary Increases	3.75% to 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Disabled Mortality

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016. The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	12.00%	6.40%
Total	120.00%	

Note: Assumptions are geometric

** levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 7.00 percent, or one percentage point higher, 9.00 percent, than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability	\$11,517,175	\$8,309,858	\$5,627,256

City of Reading, Ohio
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Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date

There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation studies as of the pension plan for the measurement date.

Note 10 - Defined Benefit Other Postemployment Benefits Plans

See Note 9 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer

City of Reading, Ohio
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contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Health Care Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50 percent and 24.00 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50

City of Reading, Ohio
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percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$14,347 for 2020.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the: Net OPEB Liability	\$1,742,460	\$1,218,468	\$2,960,928
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.01261500%	0.12335510%	
Prior Measurement Date	0.01260400%	0.12489300%	
Change in Proportionate Share	<u>0.00001100%</u>	<u>-0.00153790%</u>	
OPEB Expense	\$175,938	\$82,704	\$258,642

At December 31 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPERS		
	Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$47	\$0	\$47
Changes in assumptions	275,813	712,364	988,177
Changes in employer proportionate share of net OPEB liability	8,372	13,128	21,500
Contributions subsequent to the measurement date	0	14,347	14,347
Total Deferred Outflows of Resources	<u>\$284,232</u>	<u>\$739,839</u>	<u>\$1,024,071</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$159,356	\$131,035	\$290,391
Changes in assumptions	0	259,674	259,674
Net difference between projected and actual earnings on OPEB plan investments	88,726	56,069	144,795
Changes in employer proportionate share of net OPEB liability	2,416	222,072	224,488
Total Deferred Inflows of Resources	<u>\$250,498</u>	<u>\$668,850</u>	<u>\$919,348</u>

\$14,347 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	OPERS		
December 31:	Traditional Plan	OPF	Total
2021	\$50,085	\$6,145	\$56,230
2022	21,492	6,145	27,637
2023	70	17,647	17,717
2024	(37,913)	(42,817)	(80,730)
2025	0	43,474	43,474
Thereafter	0	26,048	26,048
Total	<u>\$33,734</u>	<u>\$56,642</u>	<u>\$90,376</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the

City of Reading, Ohio
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following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary	3.25% to 10.75% (including wage inflation)
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate:	
Current measurement date	10.50% initial, 3.50% ultimate in 2030
Prior Measurement date	10.00% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age, Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate

City of Reading, Ohio
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of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36%	1.53%
Domestic Equities	21%	5.75%
Real Estate Investment Trusts	6%	5.69%
International Equities	23%	7.66%
Other investments	14%	4.90%
Total	100%	4.55%

Discount Rate

A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Proportionate share of the net OPEB liability	\$2,280,287	\$1,742,460	\$1,311,834

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Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$1,691,041	\$1,742,460	\$1,793,222

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Disabled Mortality

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	12.00%	6.40%
Total	120.00%	

Note: Assumptions are geometric

** levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2033, and the municipal bond rate was applied to all health care costs after that date.

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

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of the net OPEB liability	\$1,510,822	\$1,218,468	\$975,543

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Changes between Measurement Date and Report Date

There was a decrease in the discount rate from 4.66 percent at prior measurement date to 3.56 percent at the current measurement date. There are no changes to benefit terms.

Note 11 – Contingencies

The City is a party to various legal proceedings, which seek damages or injunctive relief generally incidental to its operations and pending projects. The City’s management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

Note 12 – Interfund Transactions

Interfund transactions at year end, consisted of the following transfers in and transfers out:

	Transfers	
	In	Out
General Fund	\$572,801	\$424,451
Capital Improvement Fund	34,212	0
Other Governmental Funds	405,120	587,682
Total All Funds	<u>\$1,012,133</u>	<u>\$1,012,133</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Transfers out of the other governmental funds were for COVID-19 and FEMA related expenses.

City of Reading, Ohio
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Note 13 – Accountability

As of year end the following fund had a deficit fund balances:

Major Fund:	
Water	\$ 748,479

The deficits in fund balances were primarily due to accrual in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 14 – Public Entity Risk Sharing Pools

Ohio Benefits Cooperative

The Ohio Benefits Cooperative (OBC) is a not-for-profit partnership of government and public entities throughout Ohio that have pooled resources to help control rapidly escalating benefit costs. Starting in September 2015, OBC offered a self-insured pool risk employee benefit program to its members. The City, as well as ten other members, elected to participate in the program. Under the program, the City selects the benefit package to offer its employees and OBC determines the needed contribution rates associated with that specific package. Outside the payment of monthly contribution amounts established for its covered employees, the City transfers all the risks associated with claims submitted through the program to the pool. OBC contracts with third-party administrators to process and pay all program claims incurred by covered member's employees. Stop-loss coverage has been purchased for claims in excess of a set amount for individual claims and in the aggregate for the program.

Note 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General	Street Maintenance and Repair	Capital Improvement	Other Governmental Funds	Total
Nonspendable:					
Prepays	\$105,834	\$5,958	\$0	\$0	\$111,792
Total Nonspendable	105,834	5,958	0	0	111,792
Restricted for:					
Street Maintenance and Repair	0	824,882	0	0	824,882
State Highway Improvement	0	0	0	198,187	198,187
Mayor's Court Computer	0	0	0	10,208	10,208
DUI Enforcement	0	0	0	12,705	12,705
Streets and Curbs	0	0	0	1,042,023	1,042,023
Drug Enforcement	0	0	0	50,974	50,974
Motor Vehicle Permissive	0	0	0	170,686	170,686
Alcohol Education	0	0	0	12,715	12,715
Grant	0	0	0	205,562	205,562
COVID Relief	0	0	0	17,796	17,796
Special Assessment Debt Service	0	0	0	385	385
Stadium	0	0	0	108,887	108,887
Fire/EMS Capital Improvement	0	0	0	475,285	475,285
Municipal Road	0	0	0	131,654	131,654
Stadium Track Improvement	0	0	0	274	274
Growth	0	0	0	72,177	72,177
Reading Road Development	0	0	0	494	494
OPWC SCIP	0	0	0	2,307	2,307
EPA Brownsfield Grant	0	0	0	982,067	982,067
Capital Improvement	0	0	496,511	0	496,511
Total Restricted	0	824,882	496,511	3,494,386	4,815,779
Assigned to:					
Debt Service	0	0	0	5,104	5,104
Budgetary	261,750	0	0	0	261,750
Total Assigned	261,750	0	0	5,104	266,854
Unassigned (Deficit)	2,955,372	0	0	0	2,955,372
Total Fund Balance	\$3,322,956	\$830,840	\$496,511	\$3,499,490	\$8,149,797

Note 16 – Implementation of New Accounting Principles and Restatement of Net Position

For fiscal year 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, GASB No. 84, *Fiduciary Activities*, GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

City of Reading, Ohio
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GASB Statement No. 84 clarifies the criteria for identifying fiduciary activities, with the focus on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Activities meeting certain criteria should be reported in a fiduciary fund in the financial statements. The implementation of GASB Statement No. 84 affected the accounting and reporting of fiduciary activities.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

GASB Statement No. 90 sets out to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 did not have an effect on the financial statements.

A net position restatement is required in order to implement GASB Statement No. 84. The custodial funds at January 1, 2020 have been restated as follows:

	<u>Custodial Funds</u>
Net Position as Previously Reported	\$0
Adjustments:	
Presentation Changes - GASB Statement No. 84	<u>1,213,759</u>
Restated Net Position January 1, 2020	<u><u>\$1,213,759</u></u>

Other than restating net position for custodial funds the City made no restatement for prior periods as the information needed to generate these restatements was not available.

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For The Year Ended December 31, 2020

Note 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio has incurred a significant decline in fair value, in 2020, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the City participates and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.01191000%	0.01229200%	0.01216000%	0.01322200%	0.01256500%	0.01384000%	0.01384000%
City's Proportionate Share of the Net Pension Liability	\$2,354,093	\$3,336,530	\$1,907,668	\$3,002,491	\$2,176,416	\$1,669,259	\$1,631,556
City's Covered-Employee Payroll	\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575	\$2,175,417	\$1,702,408	\$1,808,129
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	140.49%	200.96%	118.72%	188.29%	100.05%	98.05%	90.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.12335510%	0.12489300%	0.13063000%	0.13018200%	0.13562100%	0.13392230%	0.13392230%
City's Proportionate Share of the Net Pension Liability	\$8,309,858	\$10,194,568	\$8,017,353	\$8,245,597	\$8,724,594	\$6,937,734	\$6,522,436
City's Covered-Employee Payroll	\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311	\$2,960,378	\$2,752,731	\$2,383,724
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	285.87%	324.00%	251.10%	243.00%	294.71%	252.03%	273.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 Ohio Public Employees Retirement System- Traditional Plan
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$232,071	\$234,593	\$232,439	\$208,899	\$191,349	\$261,050	\$204,289
Contributions in Relation to the Contractually Required Contribution	<u>(232,071)</u>	<u>(234,593)</u>	<u>(232,439)</u>	<u>(208,899)</u>	<u>(191,349)</u>	<u>(261,050)</u>	<u>(204,289)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575	\$2,175,417	\$1,702,408
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$598,931	\$614,214	\$597,830	\$606,660	\$644,729	\$594,740	\$560,456
Contributions in Relation to the Contractually Required Contribution	<u>(598,931)</u>	<u>(614,214)</u>	<u>(597,830)</u>	<u>(606,660)</u>	<u>(644,729)</u>	<u>(594,740)</u>	<u>(560,456)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311	\$2,960,378	\$2,752,731
Contributions as a Percentage of Covered-Employee Payroll	19.00%	21.13%	19.00%	19.00%	19.00%	20.09%	20.36%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.01261500%	0.01260400%	0.01240000%	0.01320732%
City's Proportionate Share of the Net OPEB Liability	\$1,742,460	\$1,643,264	\$1,346,549	\$1,333,984
City's Covered-Employee Payroll	\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	103.99%	98.98%	83.80%	83.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
 Ohio Police and Fire Pension Fund
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.12335510%	0.12489300%	0.13063000%	0.13018200%
City's Proportionate Share of the Net OPEB Liability	\$1,218,468	\$1,137,342	\$7,401,313	\$6,179,447
City's Covered-Employee Payroll	\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	41.92%	36.15%	231.80%	182.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	46.57%	14.13%	15.96%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions to
 Postemployment Benefits Other Than Pension (OPEB)
 Ohio Public Employees Retirement System - Traditional Plan
 Last Five Fiscal Years (1)

	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0	0	0
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
City Covered-Employee Payroll	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions to
 Postemployment Benefits Other Than Pension (OPEB)
 Ohio Police and Fire Pension Fund
 Last Five Fiscal Years (1)

	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB (2)	\$14,347	\$14,705	\$14,264	\$14,495	\$13,287
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(14,347)</u>	<u>(14,705)</u>	<u>(14,264)</u>	<u>(14,495)</u>	<u>(13,287)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.46%	0.51%	0.45%	0.45%	0.39%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$252,807	\$252,807	\$276,106	\$23,299
Fines, Licenses & Permits	190,908	190,908	208,502	17,594
Intergovernmental	158,982	158,982	173,634	14,652
Charges for Services	1,123,415	1,123,415	1,226,949	103,534
Other Revenues	581,962	581,962	635,596	53,634
Total Revenues	2,308,074	2,308,074	2,520,787	212,713
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	1,359,204	1,359,204	1,286,110	73,094
Materials and Supplies	583,339	583,339	551,969	31,370
Total General Government	1,942,543	1,942,543	1,838,079	104,464
<u>Public Safety</u>				
Personal Services	5,477,205	5,477,205	5,182,658	294,547
Materials and Supplies	394,445	394,445	373,233	21,212
Total Public Safety	5,871,650	5,871,650	5,555,891	315,759
<u>Leisure Time Activities</u>				
Personal Services	103,162	103,162	97,614	5,548
Materials and Supplies	143,802	143,802	136,069	7,733
Total Leisure Time Activities	246,964	246,964	233,683	13,281
<u>Community Development</u>				
Personal Services	35,193	35,193	33,300	1,893
Materials and Supplies	124,804	124,804	118,092	6,712
Total Community Development	159,997	159,997	151,392	8,605
<u>Basic Utility Service</u>				
Contractual Services	527,815	527,815	499,431	28,384
Total Basic Utility Service	527,815	527,815	499,431	28,384

Continued

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Total Expenditures	8,748,969	8,748,969	8,278,476	470,493
Excess of Revenues Over (Under) Expenditures	(6,440,895)	(6,440,895)	(5,757,689)	683,206
Other financing sources (uses):				
Transfers In	6,283,925	6,283,925	6,863,051	579,126
Transfers (Out)	(41,233)	(41,233)	(39,016)	2,217
Total Other Financing Sources (Uses)	6,242,692	6,242,692	6,824,035	581,343
Net Change in Fund Balance	(198,203)	(198,203)	1,066,346	1,264,549
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	284,276	284,276	284,276	0
Fund Balance End of Year	<u>\$86,073</u>	<u>\$86,073</u>	<u>\$1,350,622</u>	<u>\$1,264,549</u>

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2020

	Street Maintenance & Repair Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$550,000	\$550,000	\$642,393	\$92,393
Total Revenues	550,000	550,000	642,393	92,393
Expenditures:				
Current:				
Transportation & Street Repair	395,220	430,557	430,065	492
Capital Outlay	29,780	32,443	32,406	37
Total Expenditures	425,000	463,000	462,471	529
Net Change in Fund Balance	125,000	87,000	179,922	92,922
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	609,111	609,111	609,111	0
Fund Balance End of Year	\$734,111	\$696,111	\$789,033	\$92,922

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and the Street Maintenance and Repair Funds.

Net Change in Fund Balance

	General	Street Maintenance and Repair
GAAP Basis	\$1,548,981	\$170,906
Revenue Accruals	(7,660,624)	3,928
Expenditure Accruals	503,205	5,088
Transfers In	6,290,250	0
Transfers Out	385,435	0
Encumbrances	(901)	0
Budget Basis	<u>\$1,066,346</u>	<u>\$179,922</u>

Note 2 – Net Pension Liability

Ohio Police and Fire Pension Fund Changes in Assumptions and Benefit Terms

Changes in assumptions:

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Changes in benefit terms:

2020-2014: There were no changes in benefit terms for the period.

Ohio Public Employees Retirement System Changes in Assumptions and Benefit Terms

Changes in assumptions:

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

2020-2019: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

2017-2014: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Changes in benefit terms:

2020-2014: There were no changes in benefit terms for the period.

Note 3 - Net OPEB Liability

Ohio Police and Fire Pension Fund Changes in Assumptions and Benefit Terms

Changes in assumptions:

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96% to 3.16%, municipal bond rate changed from 3.71% to 2.75% and health care cost trend rate changed from 10.00% to 10.50%.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time. The single discount rate changed from 3.85% to 3.96%, municipal bond rate changed from 3.31% to 3.71% and health care cost trend rate changed from 7.50% to 10.00%.

2018: The single discount rate changed from 4.23% to 3.85%.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

Changes in benefit terms:

2020-2018: There were no changes in benefit terms for the period.

Ohio Public Employees Retirement System Changes in Assumptions and Benefit Terms

Changes in assumptions:

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate from 3.16% to 4.13%.

2018: The single discount rate changed from 3.79% to 3.24%

Changes in benefit terms:

2020: There were no changes in benefit terms for the period.

2019: See above regarding change to stipend-based model.

2018: There were no changes in benefit terms for the period.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and the City Council,
City of Reading

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 29, 2022

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF READING

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/13/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov