

CITY OF READING
HAMILTON COUNTY



REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2023

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Honorable Mayor and 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, 2022 through December 31, 2023. 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 05, 2024

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CITY OF READING, OHIO
HAMILTON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2023

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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, 2023, 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, 2023, 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 June 14, 2024, 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
June 14, 2024

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(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, 2023. 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 \$559,103. Net position of governmental activities increased \$55,367, net position of business-type activities increased by \$503,736.
- The General Fund reported a net change in fund balance of \$627,390.
- Business-type operations reflected operating income of \$525,713.

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, 2023
(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 the General, Street Maintenance and Repair, Streets and Curbs, American Rescue Plan Act, 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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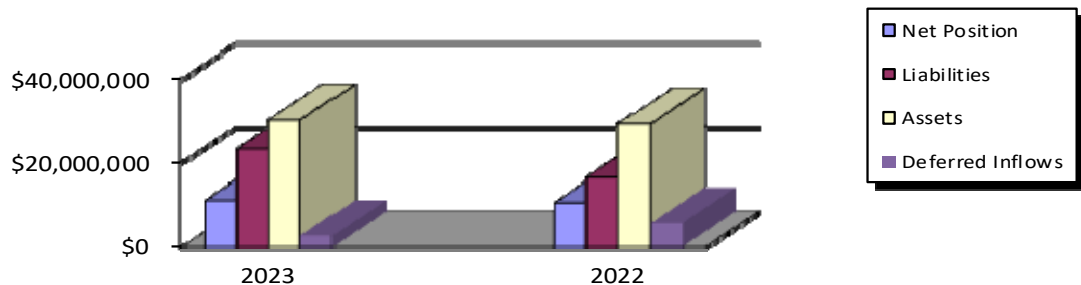
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

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 2023 compared to 2022.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and Other Assets	\$15,842,812	\$15,031,422	\$680,383	\$576,102	\$16,523,195	\$15,607,524
Net OPEB Asset	0	347,880	0	33,021	0	380,901
Capital Assets, Net	13,074,170	12,779,651	495,242	445,284	13,569,412	13,224,935
Total Assets	28,916,982	28,158,953	1,175,625	1,054,407	30,092,607	29,213,360
Deferred Outflows of Resources:						
Pension	5,716,143	2,604,216	106,146	35,877	5,822,289	2,640,093
OPEB	927,134	645,021	18,588	279	945,722	645,300
Total Deferred Outflows of Resources	6,643,277	3,249,237	124,734	36,156	6,768,011	3,285,393
Liabilities:						
Other Liabilities	1,024,064	1,096,712	18,909	252,791	1,042,973	1,349,503
Long-Term Liabilities	21,123,509	14,086,285	972,276	900,692	22,095,785	14,986,977
Total Liabilities	22,147,573	15,182,997	991,185	1,153,483	23,138,758	16,336,480
Deferred Inflows of Resources:						
Property Taxes	625,000	625,000	0	0	625,000	625,000
OPEB	1,085,010	988,789	2,075	35,948	1,087,085	1,024,737
Pension	928,568	3,892,663	10,459	108,228	939,027	4,000,891
Total Deferred Inflows of Resources	2,638,578	5,506,452	12,534	144,176	2,651,112	5,650,628
Net Position:						
Net Investment In Capital Assets	8,853,057	8,915,788	495,242	445,284	9,348,299	9,361,072
Restricted	5,618,336	5,380,463	0	33,021	5,618,336	5,413,484
Unrestricted	(3,697,285)	(3,577,510)	(198,602)	(685,401)	(3,895,887)	(4,262,911)
Total Net Position	\$10,774,108	\$10,718,741	\$296,640	(\$207,096)	\$11,070,748	\$10,511,645



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 increased mainly due to net pension liability. Business-Type Activities Capital Assets increased mainly due to current year depreciation expense being less 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, 2023
(Unaudited)

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2023 to 2022.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues:						
Charges for Services	\$2,354,915	\$1,886,401	\$2,160,383	\$1,953,347	\$4,515,298	\$3,839,748
Operating Grants and Contributions	1,216,332	1,405,102	0	0	1,216,332	1,405,102
Capital Grants and Contributions	35,500	963,958	0	0	35,500	963,958
Total Program Revenues	3,606,747	4,255,461	2,160,383	1,953,347	5,767,130	6,208,808
General Revenues:						
Income Taxes	8,364,872	9,291,198	0	0	8,364,872	9,291,198
Property Taxes	644,692	715,834	0	0	644,692	715,834
Grants and Entitlements	274,073	282,129	0	0	274,073	282,129
Investment Earnings	138,273	0	0	0	138,273	0
Other Revenues	99,316	607,525	37,503	0	136,819	607,525
Total General Revenues	9,521,226	10,896,686	37,503	0	9,558,729	10,896,686
Total Revenues	13,127,973	15,152,147	2,197,886	1,953,347	15,325,859	17,105,494
Program Expenses:						
General Government	2,959,088	2,881,334	0	0	2,959,088	2,881,334
Public Safety	7,073,367	6,025,455	0	0	7,073,367	6,025,455
Community Development	174,340	156,935	0	0	174,340	156,935
Leisure Time Activities	492,618	470,582	0	0	492,618	470,582
Transportation and Street Repair	1,427,892	2,706,552	0	0	1,427,892	2,706,552
Basic Utility Service	935,754	684,561	0	0	935,754	684,561
Interest and Other Charges	9,547	13,072	0	0	9,547	13,072
Water Utility	0	0	1,694,150	1,730,787	1,694,150	1,730,787
Total Program Expenses	13,072,606	12,938,491	1,694,150	1,730,787	14,766,756	14,669,278
Change in Net Position	55,367	2,213,656	503,736	222,560	559,103	2,436,216
Net Position - Beginning of Year	10,718,741	8,505,085	(207,096)	(429,656)	10,511,645	8,075,429
Net Position - End of Year	\$10,774,108	\$10,718,741	\$296,640	(\$207,096)	\$11,070,748	\$10,511,645

Income taxes decreased mainly due to a decrease in income tax collections in 2023 as compared to 2022. Public Safety expenses increased 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.

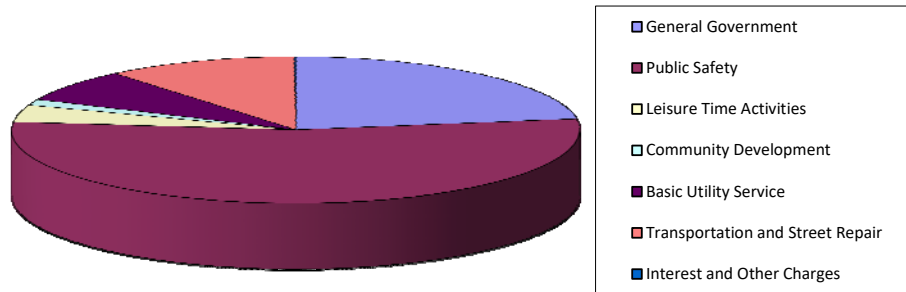
Governmental Activities

The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 88% of the City's governmental activities general revenues.

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

Governmental Activities
 Program Expenses for 2023

	Percentage
General Government	22.6%
Public Safety	54.1%
Leisure Time Activities	3.8%
Community Development	1.3%
Basic Utility Service	7.2%
Transportation and Street Repair	10.9%
Interest and Other Charges	0.1%
Total	100.0%



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 \$2,197,886 and operating expenses of \$1,672,173 for fiscal year 2023. Business activities receive no support from tax revenues. The business activities net position at the end of the year was \$296,640, which increased \$503,736 from 2022. The City had one business-type (enterprise) fund that was a major fund: the Water fund.

The City’s Funds

The City has five major governmental funds: the General Fund, Street Maintenance and Repair Fund, Streets and Curbs Fund, Capital Improvement Fund, and American Rescue Plan Act Fund. Assets of the General fund comprised \$9,352,227 (59%), the Street Maintenance and Repair Fund comprised \$1,380,603 (9%), the Streets and Curbs fund comprised \$890,887 (6%), Capital Improvement Fund comprised \$1,403,217 (9%), and the American Rescue Plan Act fund comprised \$508,332 (3%) of the total \$15,842,812 governmental funds’ assets.

General Fund: Fund balance at December 31, 2023 was \$7,404,430 an increase in fund balance of \$627,390 from 2022. The general fund had an increase in fund balance mainly due to an increase in investment earnings received during 2023.

Street Maintenance and Repair Fund: Fund balance at December 31, 2023 was \$1,020,353 an increase in fund balance of \$232,900 from 2022. The Street Maintenance and Repair Fund had an increase in fund balance mainly due an increase in intergovernmental revenues.

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

Streets and Curbs Fund: Fund balance at December 31, 2023 was \$890,887 a decrease in fund balance of \$218,762 from 2022. The Streets and Curbs fund had a decrease in fund balance mainly due a decrease in intergovernmental revenues.

Capital Improvement Fund: Fund balance at December 31, 2023 was \$1,064,295 an increase in fund balance of \$217,827 from 2022. The Capital Improvement Fund had an increase in fund balance mainly due a decrease in capital outlay expense.

American Rescue Plan Act: Fund balance at December 31, 2023 was \$0 with unearned revenues of \$508,332.

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 \$1,936,866, 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 \$13,569,412 invested in land, construction in progress, buildings and improvements, equipment and infrastructure. Table 3 shows 2023 balances compared to 2022:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$1,311,475	\$1,311,475	\$6,135	\$6,135	\$1,317,610	\$1,317,610
Construction in Progress	69,000	264,303	0	0	69,000	264,303
Buildings and Improvements	1,614,499	1,614,499	102,532	102,532	1,717,031	1,717,031
Equipment	5,919,362	5,808,663	321,291	239,310	6,240,653	6,047,973
Infrastructure	12,867,118	12,000,315	1,479,654	1,479,654	14,346,772	13,479,969
Accumulated Depreciation	(8,707,284)	(8,219,604)	(1,414,370)	(1,382,347)	(10,121,654)	(9,601,951)
Total Net Capital Assets	\$13,074,170	\$12,779,651	\$495,242	\$445,284	\$13,569,412	\$13,224,935

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.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

Debt

At year-end the City had \$4,925,113 in general obligation bonds, loans and notes payable.

Outstanding Debt at Year End

		<u>2023</u>	<u>2022</u>
Governmental Activities			
<u>Bonds Payable</u>			
2003 Streetscape Bonds	4.59%	\$0	\$50,000
2019 Road Projects Bonds	2.74%	512,000	590,000
Subtotal Bonds and Notes		<u>512,000</u>	<u>640,000</u>
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	113,862	120,979
2011 Jefferson Avenue Improvements	0.00%	306,912	323,962
2012 Trillium Court & Krylon Drive Improvements	0.00%	174,542	183,729
2013 Jefferson / Willow / Voorhees Road Improvements	0.00%	175,710	183,697
2014 Julie Terrace improvements	0.00%	59,738	62,335
2015 Leonard Street Improvements	0.00%	62,739	65,152
2015 Brown Street Improvements	0.00%	90,967	94,466
2015 5th Street & Flora Avenue Improvements	0.00%	92,592	96,154
2016 Bolster Drive Improvements	0.00%	155,874	161,441
2016 Alwil Drive Improvements	0.00%	166,353	172,514
2018 Benson Street Improvements	0.00%	112,979	116,510
2018 Galbraith Road Improvements	0.00%	156,660	161,556
2020 Hunt Road Box Culvert Replacement	0.00%	393,587	404,225
2020 Thurnridge Drive Improvements	0.00%	928,316	952,746
2022 3rd Street Improvements	0.00%	639,821	49,717
2022 East North Street Reconstruction	0.00%	12,189	12,396
2023 Fuhrman Road Improvements	0.00%	33,500	0
Subtotal Loans		<u>3,676,341</u>	<u>3,161,579</u>
<u>Notes Payable</u>			
Snow Plow Truck	1.86%	32,772	62,284
Total Government Activities		<u>\$4,221,113</u>	<u>\$3,863,863</u>
Business-Type Activities			
<u>Bonds Payable</u>			
2019 Water Projects Bonds	2.74%	\$704,000	\$811,000
Total Business-Type Activities		<u>\$704,000</u>	<u>\$811,000</u>

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

See Note 7 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.

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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$12,271,632	\$488,863	\$12,760,495
Receivables (Net):			
Taxes	2,536,198	0	2,536,198
Accounts	89,266	189,624	278,890
Intergovernmental	654,649	0	654,649
Land Held for Resale	227,738	0	227,738
Prepaid Items	63,329	1,896	65,225
Nondepreciable Capital Assets	1,380,475	6,135	1,386,610
Depreciable Capital Assets, Net	11,693,695	489,107	12,182,802
Total Assets	28,916,982	1,175,625	30,092,607
Deferred Outflows of Resources:			
Pension	5,716,143	106,146	5,822,289
OPEB	927,134	18,588	945,722
Total Deferred Outflows of Resources	6,643,277	124,734	6,768,011
Liabilities:			
Accounts Payable	117,200	8,294	125,494
Accrued Wages and Benefits	396,010	9,007	405,017
Accrued Interest Payable	1,195	1,608	2,803
Unearned Revenue	508,332	0	508,332
Deposits Held and Due to Others	1,327	0	1,327
Long-Term Liabilities:			
Due Within One Year	685,736	110,600	796,336
Due In More Than One Year			
Net Pension Liability	15,119,322	261,433	15,380,755
Net OPEB Liability	986,697	6,243	992,940
Other Amounts	4,331,754	594,000	4,925,754
Total Liabilities	22,147,573	991,185	23,138,758
Deferred Inflows of Resources:			
Property Taxes	625,000	0	625,000
OPEB	1,085,010	2,075	1,087,085
Pension	928,568	10,459	939,027
Total Deferred Inflows of Resources	2,638,578	12,534	2,651,112
Net Position:			
Net Investment in Capital Assets	8,853,057	495,242	9,348,299
Restricted for:			
Debt Service	385	0	385
Capital Projects	2,438,572	0	2,438,572
Street Maintenance and Repair	1,348,432	0	1,348,432
State Highway	310,385	0	310,385
EPA Brownsfield Grant	77,822	0	77,822
Streets and Curbs	866,182	0	866,182
Motor Vehicle Permissive	300,736	0	300,736
Other Purposes	275,822	0	275,822
Unrestricted	(3,697,285)	(198,602)	(3,895,887)
Total Net Position	\$10,774,108	\$296,640	\$11,070,748

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$2,959,088	\$831,563	\$99,581	\$0	(\$2,027,944)	\$0	(\$2,027,944)
Public Safety	7,073,367	587,168	114,946	0	(6,371,253)	0	(6,371,253)
Community Development	174,340	117,961	0	0	(56,379)	0	(56,379)
Leisure Time Activities	492,618	156,723	0	0	(335,895)	0	(335,895)
Transportation and Street Repa	1,427,892	661,500	1,001,805	35,500	270,913	0	270,913
Basic Utility Service	935,754	0	0	0	(935,754)	0	(935,754)
Interest and Other Charges	9,547	0	0	0	(9,547)	0	(9,547)
Total Governmental Activities	13,072,606	2,354,915	1,216,332	35,500	(9,465,859)	0	(9,465,859)
Business-Type Activities:							
Water Utility	1,694,150	2,160,383	0	0	0	466,233	466,233
Total Business-Type Activities	1,694,150	2,160,383	0	0	0	466,233	466,233
Totals	\$14,766,756	\$4,515,298	\$1,216,332	\$35,500	(9,465,859)	466,233	(8,999,626)
General Revenues:							
Income Taxes					8,364,872	0	8,364,872
Property Taxes Levied for:							
General Purposes					322,368	0	322,368
Capital Projects Purposes					322,324	0	322,324
Grants and Entitlements, Not Restricted					274,073	0	274,073
Investment Earnings					138,273	0	138,273
Other Revenues					99,316	37,503	136,819
Total General Revenues					9,521,226	37,503	9,558,729
Change in Net Position					55,367	503,736	559,103
Net Position - Beginning of Year					10,718,741	(207,096)	10,511,645
Net Position - End of Year					\$10,774,108	\$296,640	\$11,070,748

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2023

	General	Street Maintenance and Repair	Streets and Curbs	American Rescue Plan Act	Capital Improvement
Assets:					
Equity in Pooled Cash and Investments	\$6,866,021	\$962,011	\$890,887	\$508,332	\$836,557
Receivables (Net):					
Taxes	2,215,491	0	0	0	320,707
Accounts	82,773	0	0	0	0
Intergovernmental	126,727	416,478	0	0	18,215
Land Held for Resale	0	0	0	0	227,738
Prepaid Items	61,215	2,114	0	0	0
Total Assets	9,352,227	1,380,603	890,887	508,332	1,403,217
Liabilities:					
Accounts Payable	111,315	3,948	0	0	0
Accrued Wages and Benefits	385,898	10,112	0	0	0
Unearned Revenue	0	0	0	508,332	0
Deposits Held and Due to Others	1,327	0	0	0	0
Total Liabilities	498,540	14,060	0	508,332	0
Deferred Inflows of Resources:					
Property Taxes	345,707	0	0	0	320,707
Income Taxes	1,004,336	0	0	0	0
Grants and Other Taxes	99,214	346,190	0	0	18,215
Total Deferred Inflows of Resources	1,449,257	346,190	0	0	338,922
Fund Balances:					
Nonspendable	61,215	2,114	0	0	0
Restricted	0	1,018,239	890,887	0	1,064,295
Assigned	502,763	0	0	0	0
Unassigned	6,840,452	0	0	0	0
Total Fund Balances	7,404,430	1,020,353	890,887	0	1,064,295
Total Liabilities, Deferred Inflows and Fund Balances	\$9,352,227	\$1,380,603	\$890,887	\$508,332	\$1,403,217

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$2,207,824	\$12,271,632
0	2,536,198
6,493	89,266
93,229	654,649
0	227,738
0	63,329
<u>2,307,546</u>	<u>15,842,812</u>
1,937	117,200
0	396,010
0	508,332
0	1,327
<u>1,937</u>	<u>1,022,869</u>
0	666,414
0	1,004,336
<u>79,372</u>	<u>542,991</u>
<u>79,372</u>	<u>2,213,741</u>
0	63,329
2,221,133	5,194,554
5,104	507,867
0	6,840,452
<u>2,226,237</u>	<u>12,606,202</u>
<u>\$2,307,546</u>	<u>\$15,842,812</u>

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City of Reading, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2023

Total Governmental Fund Balance \$12,606,202

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 13,074,170

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

Income Taxes	1,004,336	
Delinquent Property Taxes	41,414	
Intergovernmental	542,991	
		1,588,741

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. (1,195)

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 (796,377)

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	5,716,143	
Deferred inflows of resources related to pensions	(928,568)	
Deferred outflows of resources related to OPEB	927,134	
Deferred inflows of resources related to OPEB	(1,085,010)	
		4,629,699

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

Net Pension Liability	(15,119,322)	
Net OPEB Liability	(986,697)	
Other Amounts	(4,221,113)	
		(20,327,132)

Net Position of Governmental Activities \$10,774,108

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, 2023

	General	Street Maintenance and Repair	Streets and Curbs	American Rescue Plan Act	Capital Improvement
Revenues:					
Property and Other Taxes	\$328,716	\$0	\$0	\$0	\$328,672
Income Taxes	8,653,804	0	0	0	0
Charges for Services	1,568,373	0	0	0	0
Investment Earnings	138,273	0	0	0	0
Intergovernmental	247,099	872,479	35,500	99,581	36,513
Fines, Licenses & Permits	277,278	0	0	0	0
Other Revenues	92,306	0	0	0	0
Total Revenues	11,305,849	872,479	35,500	99,581	365,185
Expenditures:					
Current:					
General Government	2,712,882	0	0	0	0
Public Safety	5,980,646	0	0	17,601	0
Community Development	170,983	0	0	0	0
Leisure Time Activities	436,061	0	0	0	0
Transportation and Street Repair	0	639,579	395,167	81,980	3,400
Basic Utility Service	935,754	0	0	0	0
Capital Outlay	0	0	686,797	0	86,814
Debt Service:					
Principal	0	0	216,354	0	50,000
Interest and Other Charges	0	0	2,795	0	7,144
Total Expenditures	10,236,326	639,579	1,301,113	99,581	147,358
Excess of Revenues Over (Under) Expenditures	1,069,523	232,900	(1,265,613)	0	217,827
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	0	623,604	0	0
Transfers In	0	0	423,247	0	0
Transfers (Out)	(442,133)	0	0	0	0
Total Other Financing Sources (Uses)	(442,133)	0	1,046,851	0	0
Net Change in Fund Balance	627,390	232,900	(218,762)	0	217,827
Fund Balance - Beginning of Year	6,777,040	787,453	1,109,649	0	846,468
Fund Balance - End of Year	\$7,404,430	\$1,020,353	\$890,887	\$0	\$1,064,295

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$0	\$657,388
0	8,653,804
487,030	2,055,403
0	138,273
196,716	1,487,888
22,234	299,512
7,010	99,316
<u>712,990</u>	<u>13,391,584</u>
0	2,712,882
301,853	6,300,100
0	170,983
0	436,061
94,486	1,214,612
0	935,754
47,635	821,246
0	266,354
0	9,939
<u>443,974</u>	<u>12,867,931</u>
<u>269,016</u>	<u>523,653</u>
0	623,604
18,886	442,133
0	(442,133)
<u>18,886</u>	<u>623,604</u>
287,902	1,147,257
<u>1,938,335</u>	<u>11,458,945</u>
<u>\$2,226,237</u>	<u>\$12,606,202</u>

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, 2023

Net Change in Fund Balance - Total Governmental Funds		\$1,147,257
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital assets used in governmental activities	805,949	
Depreciation Expense	<u>(511,430)</u>	
		294,519
<p>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.</p>		
City pension contributions	928,844	
Cost of benefits earned net of employee contributions - Pension	(1,822,782)	
City OPEB contributions	16,778	
Cost of benefits earned net of employee contributions - OPEB	<u>100,042</u>	
		(777,118)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Income Taxes	(288,932)	
Delinquent Property Taxes	(12,696)	
Intergovernmental	<u>38,017</u>	
		(263,611)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		266,354
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		392
<p>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.</p>		
Compensated Absences		11,178
<p>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.</p>		
		<u>(623,604)</u>
Change in Net Position of Governmental Activities		<u>\$55,367</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2023

	<u>Water</u>
Current Assets:	
Equity in Pooled Cash and Investments	\$488,863
Receivables (Net):	
Accounts	189,624
Prepaid Items	<u>1,896</u>
Total Current Assets	<u>680,383</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>489,107</u>
Total Noncurrent Assets	<u>495,242</u>
Total Assets	<u>1,175,625</u>
Deferred Outflows of Resources:	
Pension	106,146
OPEB	<u>18,588</u>
Total Deferred Outflows of Resources	<u>124,734</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	8,294
Accrued Wages and Benefits	9,007
Compensated Absences	600
Accrued Interest Payable	1,608
Long-Term Liabilities Due Within One Year	<u>110,000</u>
Total Current Liabilities	<u>129,509</u>
Long-Term Liabilities:	
Bonds, Notes & Loans Payable	594,000
Net Pension Liability	261,433
Net OPEB Liability	<u>6,243</u>
Total Noncurrent Liabilities	<u>861,676</u>
Total Liabilities	<u>991,185</u>
Deferred Inflows of Resources:	
OPEB	2,075
Pension	<u>10,459</u>
Total Deferred Inflows of Resources	<u>12,534</u>
Net Position:	
Net Investment in Capital Assets	495,242
Unrestricted	<u>(198,602)</u>
Total Net Position	<u><u>\$296,640</u></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, 2023

	<u>Water</u>
Operating Revenues:	
Charges for Services	\$2,160,383
Other Revenues	<u>37,503</u>
Total Operating Revenues	<u>2,197,886</u>
Operating Expenses:	
Personal Services	256,941
Contractual Services	105,966
Supplies and Materials	1,256,774
Depreciation	32,023
Other Expense	<u>20,469</u>
Total Operating Expenses	<u>1,672,173</u>
Operating Income (Loss)	<u>525,713</u>
Non-Operating Revenues (Expenses):	
Interest (Expense)	<u>(21,977)</u>
Total Non-Operating Revenues (Expenses)	<u>(21,977)</u>
Change in Net Position	503,736
Net Position - Beginning of Year	<u>(207,096)</u>
Net Position - End of Year	<u><u>\$296,640</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, 2023

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$2,146,208
Cash Payments to Employees	(264,882)
Cash Payments to Suppliers	<u>(1,616,749)</u>
Net Cash Provided (Used) by Operating Activities	<u>264,577</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(81,981)
Debt Principal Payments	(107,000)
Debt Interest Payments	<u>(22,221)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(211,202)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	53,375
Cash and Cash Equivalents - Beginning of Year	<u>435,488</u>
Cash and Cash Equivalents - End of Year	<u><u>488,863</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	525,713
Adjustments:	
Depreciation	32,023
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(51,678)
(Increase) Decrease in Inventory	772
(Increase) Decrease in Net OPEB Asset	33,021
(Increase) Decrease in Deferred Outflows of Resources	(88,578)
Increase (Decrease) in Net OPEB Liability	6,243
Increase (Decrease) in Payables	(233,660)
Increase (Decrease) in Accrued Liabilities	(196)
Increase (Decrease) in Deferred Inflows of Resources	(131,642)
Increase (Decrease) in Net Pension Liability	<u>172,559</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$264,577</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

	Custodial Funds
Assets:	
Equity in Pooled Cash and Investments	\$1,305,856
Receivables (Net):	
Accounts	258,419
Total Assets	<u>1,564,275</u>
Liabilities:	
Due to Other Governments	14,169
Total Liabilities	<u>14,169</u>
Net Position:	
Restricted for Individuals, Organizations, and Other Governments	<u>1,550,106</u>
Total Net Position	<u><u>\$1,550,106</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, 2023

	Custodial Funds
Additions:	
Charges for Services	\$2,854,511
Municipal Court Receipts	<u>195,462</u>
Total Additions	<u>3,049,973</u>
Deductions:	
Utility Disbursements	2,921,829
Municipal Court Disbursements	<u>204,752</u>
Total Deductions	<u>3,126,581</u>
Change in Net Position	(76,608)
Net Position - Beginning of Year	<u>1,626,714</u>
Net Position - End of Year	<u><u>\$1,550,106</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, 2023

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 resources. This approach differs from the manner in which the governmental activities of the government-wide

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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, 2023

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 – This special revenue fund accounts for financial resources used for various street maintenance and repair in the City.

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 special revenue 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 - 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, 2023

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.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

(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 8 and 9.

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, 2023, but which were levied to finance year 2024 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 8 and 9.)

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. Investment earnings during 2023 amounted to \$138,273 in the general fund.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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.

Pension/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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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 \$5,618,336 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, 2023, 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, 2023

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.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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, 2023, \$14,026,151 of the City's bank balance of \$14,592,806 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.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of the 2022 taxes.

2023 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

utility real property is assessed at 35 percent of true value. 2023 public utility property taxes became a lien December 31, 2023, are levied after October 1, 2023, and are collected in 2024 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	\$258,169,900
Public Utility	<u>15,125,200</u>
Total	<u>\$273,295,100</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.

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 13.

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.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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	264,303	671,500	866,803	69,000
Capital Assets, being depreciated:				
Buildings and Improvements	1,614,499	0	0	1,614,499
Equipment	5,808,663	134,449	23,750	5,919,362
Infrastructure	12,000,315	866,803	0	12,867,118
Total Capital Assets, being depreciated	19,423,477	1,001,252	23,750	20,400,979
Totals at Historical Cost	<u>20,999,255</u>	<u>1,672,752</u>	<u>890,553</u>	<u>21,781,454</u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,595,305	4,052	0	1,599,357
Equipment	4,588,745	250,036	23,750	4,815,031
Infrastructure	2,035,554	257,342	0	2,292,896
Total Accumulated Depreciation	<u>8,219,604</u>	<u>511,430</u>	<u>23,750</u>	<u>8,707,284</u>
Governmental Activities Capital Assets, Net	<u>\$12,779,651</u>	<u>\$1,161,322</u>	<u>\$866,803</u>	<u>\$13,074,170</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$91,360
Public Safety	182,371
Leisure Time Activities	43,515
Transportation and Street Repair	194,184
Total Depreciation Expense	<u>\$511,430</u>

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

	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	81,981	0	321,291
Infrastructure	1,479,654	0	0	1,479,654
Total Capital Assets, being depreciated	<u>1,821,496</u>	<u>81,981</u>	<u>0</u>	<u>1,903,477</u>
Totals at Historical Cost	<u>1,827,631</u>	<u>81,981</u>	<u>0</u>	<u>1,909,612</u>
Less Accumulated Depreciation:				
Building and Improvements	71,158	1,494	0	72,652
Equipment	212,471	12,671	0	225,142
Infrastructure	<u>1,098,718</u>	<u>17,858</u>	<u>0</u>	<u>1,116,576</u>
Total Accumulated Depreciation	<u>1,382,347</u>	<u>32,023</u>	<u>0</u>	<u>1,414,370</u>
Business-Type Activities Capital Assets, Net	<u>\$445,284</u>	<u>\$49,958</u>	<u>\$0</u>	<u>\$495,242</u>

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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:

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds:</u>						
2003 Streetscape Bonds	4.59%	\$50,000	\$0	(\$50,000)	\$0	\$0
2019 Road Project Bonds	2.74%	590,000	0	(78,000)	512,000	80,000
Total General Obligation Bonds and Notes		640,000	0	(128,000)	512,000	80,000
<u>OPWC Loans from Direct Borrowings:</u>						
Waxwing Drive Improvement	0.00%	120,979	0	(7,117)	113,862	14,233
Jefferson Avenue Improvements	0.00%	323,962	0	(17,050)	306,912	34,102
Trillium Court & Krylon Drive Improvements	0.00%	183,729	0	(9,187)	174,542	18,372
Jefferson/Willow/Voorhees Improvements	0.00%	183,697	0	(7,987)	175,710	15,974
Julie Terrace Improvements	0.00%	62,335	0	(2,597)	59,738	5,194
Leonard Street Improvements	0.00%	65,152	0	(2,413)	62,739	4,826
Brown Street Improvements	0.00%	94,466	0	(3,499)	90,967	6,998
5th Street & Flora Avenue Improvements	0.00%	96,154	0	(3,562)	92,592	7,122
Bolser Drive Improvements	0.00%	161,441	0	(5,567)	155,874	11,134
Alwil Drive Improvements	0.00%	172,514	0	(6,161)	166,353	12,322
Benson Street Stormwater Replacement	0.00%	116,510	0	(3,531)	112,979	7,062
Galbraith Road Phase II Improvements	0.00%	161,556	0	(4,896)	156,660	9,792
Hunt Road Box Culvert Replacement	0.00%	404,225	0	(10,638)	393,587	21,275
Thurnridge Drive Improvements	0.00%	952,746	0	(24,430)	928,316	48,858
3rd Street Improvements	0.00%	49,717	590,104	0	639,821	21,328
East North Street Reconstruction	0.00%	12,396	0	(207)	12,189	414
Fuhrman Road Improvements	0.00%	0	33,500	0	33,500	0
Total OPWC Loans		3,161,579	623,604	(108,842)	3,676,341	239,006
<u>Notes Payable:</u>						
2020 Snow Plow Truck	1.86%	62,284	0	(29,512)	32,772	32,772
Total Notes payable		62,284	0	(29,512)	32,772	32,772
Net Pension Liability		8,149,362	6,969,960	0	15,119,322	0
Net OPEB Liability		1,265,505	(278,808)	0	986,697	0
Total Long-Term Debt		13,278,730	7,314,756	(266,354)	20,327,132	351,778
Compensated Absences		807,555	324,798	(335,976)	796,377	333,958
Total Long-Term Liabilities		\$14,086,285	\$7,639,554	(\$602,330)	\$21,123,509	\$685,736
Business-Type Activities						
<u>General Obligation Bonds:</u>						
2019 Water Projects Bonds	2.74%	\$811,000	\$0	(\$107,000)	\$704,000	\$110,000
Net Pension Liability		88,874	172,559	0	261,433	0
Net OPEB Liability		0	6,243	0	6,243	0
Compensated Absences		818	600	(818)	600	600
Total Long-Term Liabilities		\$900,692	\$179,402	(\$107,818)	\$972,276	\$110,600

In 2023, the City was disbursed an Ohio Public Works Commission (OPWC) Loans for the amount of \$33,500 to finance the Fuhrman Road Improvements. The full amount of the loan was not disbursed as of 2023. This will an interest free loan that will be paid off in 2054.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

In 2022, the City issued three Ohio Public Works Commission (OPWC) Loans. The first one was in the total amount of \$977,175 to finance road improvements on Thurnridge Drive Road. The second was in the amount of \$12,396 for reconstruction on East North Street Road. These two OPWC loans are interest free and will be paid off in 2042 and 2053, respectively. The third one in the amount of \$49,717 to finance 3rd Street Road Improvements. The full amount for the third OPWC loan for was not disbursed as of year end.

In 2021, the City issued 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 payable will be paid from the Capital Improvement Fund, and Streets and Curbs Fund. The OPWC loans will be paid out of the Streets and Curbs Fund. The City's notes payable will be paid from the Street Maintenance and Repair 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.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

The annual requirements to pay principal and interest on long-term debt at December 31, 2023 are as follows:

Year Ending December 31	General Obligation Bonds		OPWC Loans*	Notes Payable	
	Principal	Interest	Principal	Principal	Interest
2024	\$190,000	\$33,318	\$239,005	\$32,772	\$331
2025	194,000	28,112	239,006	0	0
2026	200,000	22,797	239,006	0	0
2027	205,000	17,317	239,007	0	0
2028	211,000	11,700	239,008	0	0
2029-2033	216,000	5,918	1,123,280	0	0
2034-2038	0	0	711,896	0	0
2039-2043	0	0	395,443	0	0
2044-2048	0	0	108,705	0	0
2049-2053	0	0	108,485	0	0
Total	<u>\$1,216,000</u>	<u>\$119,163</u>	<u>\$3,642,841</u>	<u>\$32,772</u>	<u>\$331</u>

*-The above annual debt service requirements are based upon the latest estimated amortization schedules provided from OPWC. Until the Fuhrman Road Improvements loan is fully disbursed or closed the final amortization is not available for the 2023 loan.

OPWC Loans from Direct Borrowings

The City's outstanding OPWC loans from direct borrowings of \$3,676,341 have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Note 8 – Defined Benefit Pension Plans

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

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/OPEB liability represents 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.

City of Reading, Ohio
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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 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 pension disclosures. See Note 9 for the OPEB disclosures.

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 is a cost-sharing, multiple employer public employee retirement system which 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. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this 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.

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 <https://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.

City of Reading, Ohio
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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> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<u>Group B</u> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<u>Group C</u> 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.

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 amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible 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,

City of Reading, Ohio
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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 and will continue to be administered by OPERS), 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.

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
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For The Year Ended December 31, 2023

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2023 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2023 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits *****	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
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; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, the City's contractually required contribution was \$241,177, of this amount \$34,709 is reported in accrued wages and benefits.

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.

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 2.5 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, statutory survivors and annuity beneficiaries. 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 percent 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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Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

	<u>Police</u>	<u>Firefighters</u>
2023 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2023 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 \$707,809 for 2023, of this amount \$93,597 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, 2022, 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, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. 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	\$3,130,358	\$12,250,396	\$15,380,755
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01059700%	0.12896470%	
Prior Measurement Date	<u>0.01178300%</u>	<u>0.11545670%</u>	
Change in Proportionate Share	<u>-0.00118600%</u>	<u>0.01350800%</u>	
Pension Expense	\$366,044	\$1,481,401	\$1,847,445

At December 31 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

	OPERS		
	Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$103,977	\$183,750	\$287,728
Changes in assumptions	33,070	1,104,944	1,138,014
Net difference between projected and actual earnings on pension plan investments	892,250	1,783,507	2,675,758
Changes in employer proportionate share of net pension liability	497	771,307	771,804
Contributions subsequent to the measurement date	241,177	707,809	948,986
Total Deferred Outflows of Resources	<u>\$1,270,972</u>	<u>\$4,551,317</u>	<u>\$5,822,289</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$279,100	\$279,100
Changes in assumptions	0	238,879	238,879
Changes in employer proportionate share of net pension liability	125,230	295,817	421,048
Total Deferred Inflows of Resources	<u>\$125,230</u>	<u>\$813,796</u>	<u>\$939,027</u>

\$948,986 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, 2024. 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 December 31:	OPERS		
	Traditional Plan	OPF	Total
2024	\$36,845	\$308,312	\$345,156
2025	168,000	671,370	839,371
2026	262,633	781,857	1,044,489
2027	437,087	1,164,158	1,601,244
2028	0	104,015	104,015
Total	<u>\$904,564</u>	<u>\$3,029,712</u>	<u>\$3,934,276</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, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

	<u>OPERS Traditional Plan</u>
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, 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 12.1 percent for 2022.

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 geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

City of Reading, Ohio
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For The Year Ended December 31, 2023

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability for the current year was 6.9 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 calculated using the current period discount rate assumption of 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$4,689,173	\$3,130,358	\$1,833,705

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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 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.

City of Reading, Ohio
Notes to the Basic Financial Statements
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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, are presented below.

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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

For 2021, 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

City of Reading, Ohio
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The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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, 2022, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.80 %
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds *	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
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

For 2022, the total pension liability was calculated using the discount rate of 7.50 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 7.50 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.

City of Reading, Ohio
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For The Year Ended December 31, 2023

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$16,160,636	\$12,250,396	\$8,999,813

Note 9 – Postemployment Benefits

Net OPEB Liability

See Note 8 for a description of the net OPEB liability.

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. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees - Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees - Non-Medicare retirees qualify based on the following age-and-service criteria:

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Group A - 30 years of qualifying service credit at any age;

Group B - 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C - 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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.

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 <https://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.

City of Reading, Ohio
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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 2023, 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 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the 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 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2023.

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.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. 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.

City of Reading, Ohio
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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 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 2023, 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 \$16,778 for 2023.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, 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, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. 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:

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For The Year Ended December 31, 2023

	OPERS		Total
	Traditional Plan	OPF	
Proportionate Share of the:			
Net OPEB Liability	\$74,748	\$918,191	\$992,939
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.01185500%	0.12896470%	
Prior Measurement Date	0.01216100%	0.11545670%	
Change in Proportionate Share	<u>-0.00030600%</u>	<u>0.01350800%</u>	
OPEB Expense	(\$153,517)	\$40,558	(\$112,960)

At December 31 2023, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS		Total
	Traditional Plan	OPF	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$54,792	\$54,792
Changes in assumptions	73,008	457,576	530,584
Net difference between projected and actual earnings on pension plan investments	148,452	78,753	227,206
Changes in employer proportionate share of net OPEB liability	1,106	115,256	116,361
Contributions subsequent to the measurement date	0	16,778	16,778
Total Deferred Outflows of Resources	<u>\$222,566</u>	<u>\$723,155</u>	<u>\$945,721</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$18,645	\$181,049	\$199,694
Changes in assumptions	6,007	751,006	757,013
Changes in employer proportionate share of net OPEB liability	196	130,182	130,378
Total Deferred Inflows of Resources	<u>\$24,849</u>	<u>\$1,062,236</u>	<u>\$1,087,085</u>

\$16,778 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, 2024. 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		Total
	Traditional Plan	OPF	
December 31:			
2024	\$25,494	(\$47,586)	(\$22,092)
2025	54,217	(40,976)	13,241
2026	46,292	(34,277)	12,016
2027	71,715	(13,270)	58,444
2028	0	(67,171)	(67,171)
Thereafter	0	(152,580)	(152,580)
Total	<u>\$197,718</u>	<u>(\$355,859)</u>	<u>(\$158,142)</u>

City of Reading, Ohio
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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, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent
	including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial
	3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, 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 15.6 percent for 2022.

City of Reading, Ohio
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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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00%	

Discount Rate

A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. 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 4.05 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, 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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 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 (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

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	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
Proportionate share of the net OPEB Liability	\$254,408	\$74,748	(\$73,501)

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 liability or 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.

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 2023 is 5.50 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.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Proportionate share of the net OPEB liability	\$70,063	\$74,748	\$80,021

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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

City of Reading, Ohio
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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, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	4.27 percent
Prior measurement date	2.84 percent
Cost of Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2036

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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

For 2021, 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.

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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, 2021.

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, 2022, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.80 %
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	<u>125.00 %</u>	

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 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 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 7.5

City of Reading, Ohio
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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, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 4.27 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 (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
Proportionate share of the net OPEB liability	\$1,130,666	\$918,191	\$738,808

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 10 – 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 11 – Interfund Transactions

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

	Transfers	
	In	Out
General Fund	\$0	\$442,133
Streets and Curbs	423,247	0
Other Governmental Funds	18,886	0
Total All Funds	<u>\$442,133</u>	<u>\$442,133</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

City of Reading, Ohio
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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 12 – 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 13 – 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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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

Fund Balances	General	Street Maintenance and Repair	Streets and Curbs	Capital Improvement	Other Governmental Funds	Total
Nonspendable:						
Prepays	\$61,215	\$2,114	\$0	\$0	\$0	\$63,329
Total Nonspendable	61,215	2,114	0	0	0	63,329
Restricted for:						
Street Maintenance and Repair	0	1,018,239	0	0	0	1,018,239
State Highway Improvement	0	0	0	0	282,021	282,021
Mayor's Court Computer	0	0	0	0	11,526	11,526
DUI Enforcement	0	0	0	0	14,772	14,772
Streets and Curbs	0	0	890,887	0		890,887
Drug Enforcement	0	0	0	0	90,343	90,343
Motor Vehicle Permissive	0	0	0	0	249,728	249,728
Alcohol Education	0	0	0	0	12,715	12,715
FEMA Grant	0	0	0	0	146,466	146,466
Special Assessment Debt Service	0	0	0	0	385	385
Stadium	0	0	0	0	193,513	193,513
Fire/EMS Capital Improvement	0	0	0	0	883,658	883,658
Municipal Road	0	0	0	0	131,654	131,654
Stadium Track Improvement	0	0	0	0	274	274
Growth	0	0	0	0	123,455	123,455
Reading Road Development	0	0	0	0	494	494
OPWC SCIP	0	0	0	0	2,307	2,307
EPA Brownsfield Grant	0	0	0	0	77,822	77,822
Capital Improvement	0	0	0	1,064,295		1,064,295
Total Restricted	0	1,018,239	890,887	1,064,295	2,221,133	5,194,554
Assigned to:						
Debt Service	0	0	0	0	5,104	5,104
Budgetary Resource	502,763	0	0	0	0	502,763
Total Assigned	502,763	0	0	0	5,104	507,867
Unassigned (Deficit)	6,840,452	0	0	0	0	6,840,452
Total Fund Balance	\$7,404,430	\$1,020,353	\$890,887	\$1,064,295	\$2,226,237	\$12,606,202

Note 14 – Implementation of New Accounting Principles and Restatement of Net Position

For fiscal year 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

GASB Statement No. 94 sets out to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the City.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the City.

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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 Ten Fiscal Years

	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.01059700%	0.01178300%	0.01176900%	0.01191000%
City's Proportionate Share of the Net Pension Liability	\$3,130,358	\$1,025,169	\$1,742,733	\$2,354,093
City's Covered-Employee Payroll	\$1,654,650	\$1,710,014	\$1,657,650	\$1,675,664
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.19%	59.95%	105.13%	140.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%

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.

2019	2018	2017	2016	2015	2014
0.01229200%	0.01216000%	0.01322200%	0.01256500%	0.01384000%	0.01384000%
\$3,336,530	\$1,907,668	\$3,002,491	\$2,176,416	\$1,669,259	\$1,631,556
\$1,660,279	\$1,606,915	\$1,594,575	\$2,175,417	\$1,702,408	\$1,808,129
200.96%	118.72%	188.29%	100.05%	98.05%	90.23%
74.70%	84.66%	77.25%	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 Ten Fiscal Years

	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.12896470%	0.11545670%	0.11602760%	0.12335510%
City's Proportionate Share of the Net Pension Liability	\$12,250,396	\$7,213,067	\$7,909,705	\$8,309,858
City's Covered-Employee Payroll	\$3,332,289	\$2,943,847	\$3,152,268	\$2,906,834
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	367.63%	245.02%	250.92%	285.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.90%	75.03%	70.65%	69.89%

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.

2019	2018	2017	2016	2015	2014
0.12489300%	0.13063000%	0.13018200%	0.13562100%	0.13392230%	0.13392230%
\$10,194,568	\$8,017,353	\$8,245,597	\$8,724,594	\$6,937,734	\$6,522,436
\$3,146,474	\$3,192,947	\$3,393,311	\$2,960,378	\$2,752,731	\$2,383,724
324.00%	251.10%	243.00%	294.71%	252.03%	273.62%
63.07%	70.91%	68.36%	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 Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$241,177	\$231,651	\$239,402	\$232,071
Contributions in Relation to the Contractually Required Contribution	<u>(241,177)</u>	<u>(231,651)</u>	<u>(239,402)</u>	<u>(232,071)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,722,693	\$1,654,650	\$1,710,014	\$1,657,650
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$234,593	\$232,439	\$208,899	\$191,349	\$261,050	\$204,289
(234,593)	(232,439)	(208,899)	(191,349)	(261,050)	(204,289)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575	\$2,175,417	\$1,702,408
14.00%	14.00%	13.00%	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 Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$707,809	\$694,928	\$624,390	\$598,931
Contributions in Relation to the Contractually Required Contribution	<u>(707,809)</u>	<u>(694,928)</u>	<u>(624,390)</u>	<u>(598,931)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,355,600	\$3,332,289	\$2,943,847	\$3,152,268
Contributions as a Percentage of Covered-Employee Payroll	21.09%	20.85%	21.21%	19.00%

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$614,214	\$597,830	\$606,660	\$644,729	\$594,740	\$560,456
(614,214)	(597,830)	(606,660)	(644,729)	(594,740)	(560,456)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311	\$2,960,378	\$2,752,731
21.13%	19.00%	19.00%	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 Seven Fiscal Years (1)

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability (Asset)	0.01185500%	0.01216100%	0.01197000%	0.01261500%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$74,748	(\$380,901)	(\$231,255)	\$1,742,460
City's Covered-Employee Payroll	\$1,654,650	\$1,710,014	\$1,657,650	\$1,675,664
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	4.52%	-22.27%	-13.95%	103.99%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	94.79%	128.23%	115.57%	47.80%

(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.

2019	2018	2017
0.01260400%	0.01240000%	0.01320732%
\$1,643,264	\$1,346,549	\$1,333,984
\$1,660,279	\$1,606,915	\$1,594,575
98.98%	83.80%	83.66%
46.33%	54.14%	54.04%

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 Seven Fiscal Years (1)

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.12896470%	0.11545670%	0.11602760%	0.12335510%
City's Proportionate Share of the Net OPEB Liability	\$918,191	\$1,265,505	\$1,229,331	\$1,218,468
City's Covered-Employee Payroll	\$3,332,289	\$2,943,847	\$3,152,268	\$2,906,834
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	27.55%	42.99%	39.00%	41.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.60%	46.90%	45.42%	47.10%

(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.

2019	2018	2017
0.12489300%	0.13063000%	0.13018200%
\$1,137,342	\$7,401,313	\$6,179,447
\$3,146,474	\$3,192,947	\$3,393,311
36.15%	231.80%	182.11%
46.57%	14.13%	15.96%

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 Eight Fiscal Years (1)

	2023	2022	2021	2020
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
City Covered-Employee Payroll	\$1,722,693	\$1,654,650	\$1,710,014	\$1,657,650
Contributions to OPEB as a Percentage of Covered-Employee Payroll	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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$0	\$0	\$0	\$0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,675,664	\$1,660,279	\$1,606,915	\$1,594,575
0.00%	0.00%	0.00%	0.00%

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 Eight Fiscal Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution to OPEB	\$16,778	\$16,662	\$14,927	\$14,347
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(16,778)</u>	<u>(16,662)</u>	<u>(14,927)</u>	<u>(14,347)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,355,600	\$3,332,289	\$2,943,847	\$3,152,268
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.51%	0.46%

(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.

2019	2018	2017	2016
\$14,705	\$14,264	\$14,495	\$13,287
(14,705)	(14,264)	(14,495)	(13,287)
\$0	\$0	\$0	\$0
\$2,906,834	\$3,146,474	\$3,192,947	\$3,393,311
0.51%	0.45%	0.45%	0.39%

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, 2023

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$351,621	\$351,621	\$328,716	(\$22,905)
Fines, Licenses & Permits	270,589	270,589	252,962	(17,627)
Intergovernmental	251,489	251,489	235,107	(16,382)
Charges for Services	1,795,178	1,795,178	1,678,237	(116,941)
Investment Earnings	147,908	147,908	138,273	(9,635)
Other Revenues	233,128	233,128	217,942	(15,186)
Total Revenues	3,049,913	3,049,913	2,851,237	(198,676)
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	962,114	1,052,082	976,503	75,579
Materials and Supplies	1,105,994	1,209,415	1,122,534	86,881
Total General Government	2,068,108	2,261,497	2,099,037	162,460
<u>Public Safety</u>				
Personal Services	3,971,288	4,342,645	4,030,680	311,965
Materials and Supplies	1,946,627	2,128,656	1,975,739	152,917
Total Public Safety	5,917,915	6,471,301	6,006,419	464,882
<u>Leisure Time Activities</u>				
Personal Services	119,467	130,639	121,254	9,385
Materials and Supplies	287,842	314,758	292,147	22,611
Total Leisure Time Activities	407,309	445,397	413,401	31,996
<u>Community Development</u>				
Personal Services	30,518	33,371	30,974	2,397
Materials and Supplies	123,763	135,336	125,614	9,722
Total Community Development	154,281	168,707	156,588	12,119
<u>Basic Utility Service</u>				
Contractual Services	836,719	914,961	849,232	65,729
Total Basic Utility Service	836,719	914,961	849,232	65,729

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, 2023

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Capital Outlay	6,069	6,637	6,160	477
Total Expenditures	9,390,401	10,268,500	9,530,837	737,663
Excess of Revenues Over (Under) Expenditures	(6,340,488)	(7,218,587)	(6,679,600)	538,987
Other financing sources (uses):				
Transfers In	6,418,086	6,418,086	6,000,000	(418,086)
Total Other Financing Sources (Uses)	6,418,086	6,418,086	6,000,000	(418,086)
Net Change in Fund Balance	77,598	(800,501)	(679,600)	120,901
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,616,466	2,616,466	2,616,466	0
Fund Balance End of Year	<u>\$2,694,064</u>	<u>\$1,815,965</u>	<u>\$1,936,866</u>	<u>\$120,901</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, 2023

	Street Maintenance & Repair Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$685,000	\$685,000	\$861,024	\$176,024
Total Revenues	685,000	685,000	861,024	176,024
Expenditures:				
Current:				
Transportation & Street Repair	664,769	664,769	609,662	55,107
Capital Outlay	35,231	35,231	32,310	2,921
Total Expenditures	700,000	700,000	641,972	58,028
Net Change in Fund Balance	(15,000)	(15,000)	219,052	234,052
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	742,960	742,960	742,960	0
Fund Balance End of Year	<u>\$727,960</u>	<u>\$727,960</u>	<u>\$962,012</u>	<u>\$234,052</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, 2023

	Streets and Curbs Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Transportation & Street Repair	362,617	589,253	582,009	7,244
Capital Outlay	37,383	60,747	60,000	747
Total Expenditures	400,000	650,000	642,009	7,991
Excess of Revenues Over (Under) Expenditures	(400,000)	(650,000)	(642,009)	7,991
Other Financing Sources (uses):				
Transfers In	350,000	350,000	423,247	73,247
Total Other Financing Sources (Uses)	350,000	350,000	423,247	73,247
Net Change in Fund Balance	(50,000)	(300,000)	(218,762)	81,238
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,109,648	1,109,648	1,109,648	0
Fund Balance End of Year	<u>\$1,059,648</u>	<u>\$809,648</u>	<u>\$890,886</u>	<u>\$81,238</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, 2023

	American Rescue Plan Act Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
General Government	70,700	70,700	17,601	53,099
Transportation & Street Repair	329,300	329,300	81,980	247,320
Total Expenditures	400,000	400,000	99,581	300,419
Net Change in Fund Balance	(400,000)	(400,000)	(99,581)	300,419
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	607,914	607,914	607,914	0
Fund Balance End of Year	<u>\$207,914</u>	<u>\$207,914</u>	<u>\$508,333</u>	<u>\$300,419</u>

See accompanying notes to the required supplementary information.

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City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2023

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 Year Ended December 31, 2023

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

Net Change in Fund Balance

	General	Street Maintenance and Repair	Streets and Curbs	American Rescue Plan Act
GAAP Basis	\$627,390	\$232,900	(\$218,762)	\$0
Revenue Accruals	(8,454,612)	(11,455)	(35,500)	(99,581)
Expenditure Accruals	705,489	(2,393)	659,104	0
Issuance of Debt	0	0	(623,604)	0
Transfers In	6,000,000	0	0	0
Transfers Out	442,133	0	0	0
Budget Basis	<u>(\$679,600)</u>	<u>\$219,052</u>	<u>(\$218,762)</u>	<u>(\$99,581)</u>

Note 2 - Net Pension Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this period.

2022: 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 7.20% to 6.90%
- Decrease in wage inflation from 3.25% to 2.75%
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%

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.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2023

Changes in benefit terms:

2023-2014: There were no changes in benefit terms for this period.

OHIO POLICE AND FIRE PENSION FUND CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in assumptions:

2023: Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed investment rate of return from 8.00% to 7.50%

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:

2023-2014: 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:

2023: 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 6.00% to 5.22%.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2023

- The municipal bond rate increased from 1.84% to 4.05%.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond rate decreased from 2.00% to 1.84%.
- The initial health care cost trend rate decreased from 8.50% to 5.50%.
- Decrease in wage inflation from 3.25% to 2.75%.
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%.

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% to 6.00%.
- The municipal bond rate decreased from 2.75% to 2.00%.
- The initial health care cost trend rate decreased from 10.50% to 8.50%.

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% to 3.16%.
- The municipal bond rate decreased from 3.71% to 2.75%.
- The initial health care cost trend rate increased from 10.00% to 10.50%.

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% to 3.96%.
- The investment rate of return decreased from 6.50% to 6.00%.
- The municipal bond rate increased from 3.31% to 3.71%.
- The initial health care cost trend rate increased from 7.50% to 10.00%.

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

Changes in Benefit Terms:

2023: There were no changes in benefit terms for the period.

2022: Effective January 1, 2022, OPERS discontinued 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.

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:

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 2.84% to 4.27%
- The depletion year of OPEB assets is projected in year 2036
- Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- The single discount rate changed from 2.96% to 2.84%

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:

2023-2020: There were no changes in benefit terms for the period.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 14, 2024.

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

June 14, 2024

CITY OF READING
HAMILTON COUNTY



REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2022

PLATTENBURG
Certified Public Accountants

CITY OF READING, OHIO
HAMILTON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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, 2022, 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 June 14, 2024, 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
June 14, 2024

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2022
(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, 2022. 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 \$2,436,216. Net position of governmental activities increased \$2,213,656, net position of business-type activities increased by \$222,560.
- The General Fund reported a net change in fund balance of \$1,474,699.
- Business-type operations reflected operating income of \$246,959.

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, 2022
(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 the General, Streets and Curbs, and American Rescue Plan Act 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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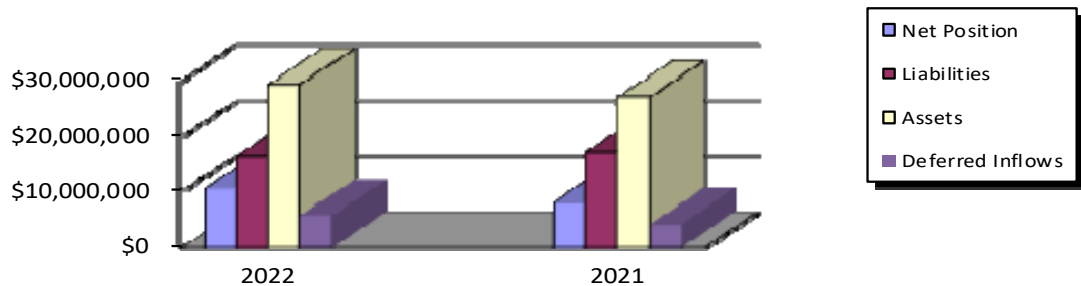
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2022
(Unaudited)

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 2022 compared to 2021.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and Other Assets	\$15,031,422	\$14,034,184	\$576,102	\$369,357	\$15,607,524	\$14,403,541
Net OPEB Asset	347,880	195,215	33,021	18,040	380,901	213,255
Capital Assets, Net	12,779,651	11,972,150	445,284	469,110	13,224,935	12,441,260
Total Assets	28,158,953	26,201,549	1,054,407	856,507	29,213,360	27,058,056
Deferred Outflows of Resources:						
Pension	2,604,216	1,318,709	35,877	20,252	2,640,093	1,338,961
OPEB	645,021	800,966	279	8,916	645,300	809,882
Total Deferred Outflows of Resources	3,249,237	2,119,675	36,156	29,168	3,285,393	2,148,843
Liabilities:						
Other Liabilities	1,096,712	977,087	252,791	125,126	1,349,503	1,102,213
Long-Term Liabilities	14,086,285	14,821,652	900,692	1,063,690	14,986,977	15,885,342
Total Liabilities	15,182,997	15,798,739	1,153,483	1,188,816	16,336,480	16,987,555
Deferred Inflows of Resources:						
Property Taxes	625,000	604,000	0	0	625,000	604,000
OPEB	988,789	1,318,655	35,948	59,722	1,024,737	1,378,377
Pension	3,892,663	2,094,745	108,228	66,793	4,000,891	2,161,538
Total Deferred Inflows of Resources	5,506,452	4,017,400	144,176	126,515	5,650,628	4,143,915
Net Position:						
Net Investment In Capital Assets	8,915,788	8,599,007	445,284	469,110	9,361,072	9,068,117
Restricted	5,380,463	5,843,985	33,021	0	5,413,484	5,843,985
Unrestricted	(3,577,510)	(5,937,907)	(685,401)	(898,766)	(4,262,911)	(6,836,673)
Total Net Position	\$10,718,741	\$8,505,085	(\$207,096)	(\$429,656)	\$10,511,645	\$8,075,429



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, 2022
(Unaudited)

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2022 to 2021.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for Services	\$1,886,401	\$1,709,600	\$1,953,347	\$1,922,407	\$3,839,748	\$3,632,007
Operating Grants and Contributions	1,405,102	928,051	0	0	1,405,102	928,051
Capital Grants and Contributions	963,958	1,211,961	0	0	963,958	1,211,961
Total Program Revenues	4,255,461	3,849,612	1,953,347	1,922,407	6,208,808	5,772,019
General Revenues:						
Income Taxes	9,291,198	8,608,616	0	0	9,291,198	8,608,616
Property Taxes	715,834	649,996	0	0	715,834	649,996
Grants and Entitlements	282,129	298,786	0	0	282,129	298,786
Other Revenues	607,525	1,219,765	0	814	607,525	1,220,579
Total General Revenues	10,896,686	10,777,163	0	814	10,896,686	10,777,977
Total Revenues	15,152,147	14,626,775	1,953,347	1,923,221	17,105,494	16,549,996
Program Expenses:						
General Government	2,881,334	1,918,165	0	0	2,881,334	1,918,165
Public Safety	6,025,455	4,806,628	0	0	6,025,455	4,806,628
Community Development	156,935	136,937	0	0	156,935	136,937
Leisure Time Activities	470,582	372,495	0	0	470,582	372,495
Transportation and Street Repair	2,706,552	789,694	0	0	2,706,552	789,694
Basic Utility Service	684,561	532,085	0	0	684,561	532,085
Interest and Other Charges	13,072	37,117	0	0	13,072	37,117
Water Utility	0	0	1,730,787	1,604,398	1,730,787	1,604,398
Total Program Expenses	12,938,491	8,593,121	1,730,787	1,604,398	14,669,278	10,197,519
Change in Net Position	2,213,656	6,033,654	222,560	318,823	2,436,216	6,352,477
Net Position - Beginning of Year	8,505,085	2,471,431	(429,656)	(748,479)	8,075,429	1,722,952
Net Position - End of Year	\$10,718,741	\$8,505,085	(\$207,096)	(\$429,656)	\$10,511,645	\$8,075,429

Income taxes increased mainly due to an increase in income tax collections in 2022 as compared to 2021. Public Safety expenses increased mainly due to a decrease in COVID-19 and FEMA related expenses. Transportation and Street Repair expenses increased due to an increase in repairs and maintenance to streets. The Business-Type Activities expenses increased when compared to the prior year due to a decrease in net pension and OPEB liabilities.

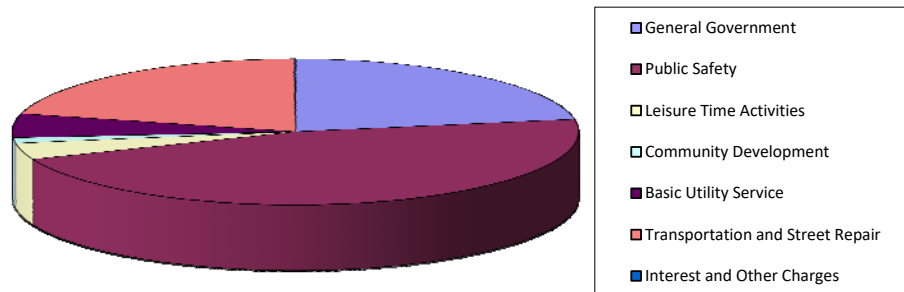
Governmental Activities

The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 85% of the City's governmental activities general revenues.

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2022
(Unaudited)

Governmental Activities
Program Expenses for 2022

	Percentage
General Government	22.3%
Public Safety	46.6%
Leisure Time Activities	3.6%
Community Development	1.2%
Basic Utility Service	5.3%
Transportation and Street Repair	20.9%
Interest and Other Charges	0.1%
Total	100.0%



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 \$1,953,347 and operating expenses of \$1,706,388 for fiscal year 2022. Business activities receive no support from tax revenues. The business activities net position at the end of the year was (\$207,096), which increased \$222,560 from 2021. 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, Streets and Curbs Fund, and American Rescue Plan Act Fund. Assets of the General fund comprised \$8,999,403 (60%), the Streets and Curbs fund comprised \$1,109,649 (7%) and the American Rescue Plan Act fund comprised \$607,913 (4%) of the total \$15,031,422 governmental funds’ assets.

General Fund: Fund balance at December 31, 2022 was \$6,777,040 an increase in fund balance of \$1,474,699 from 2021. The general fund had an increase in fund balance mainly due to an increase in income taxes revenues received during 2022.

Streets and Curbs Fund: Fund balance at December 31, 2022 was \$1,109,649 a decrease in fund balance of \$413,156 from 2021. The Streets and Curbs fund had a decrease in fund balance mainly due an increase in expenses related to transportation and street repairs throughout the City.

American Rescue Plan Act: Fund balance at December 31, 2022 was \$0 with unearned revenues of \$607,913.

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2022
(Unaudited)

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 \$2,615,567, 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 \$13,224,935 invested in land, construction in progress, buildings and improvements, equipment and infrastructure. Table 3 shows 2022 balances compared to 2021:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$1,311,475	\$1,311,475	\$6,135	\$6,135	\$1,317,610	\$1,317,610
Construction in Progress	264,303	1,100,110	0	0	264,303	1,100,110
Buildings and Improvements	1,614,499	1,614,499	102,532	102,532	1,717,031	1,717,031
Equipment	5,808,663	5,676,969	239,310	239,310	6,047,973	5,916,279
Infrastructure	12,000,315	10,045,965	1,479,654	1,479,654	13,479,969	11,525,619
Accumulated Depreciation	(8,219,604)	(7,776,868)	(1,382,347)	(1,358,521)	(9,601,951)	(9,135,389)
Total Net Capital Assets	<u>\$12,779,651</u>	<u>\$11,972,150</u>	<u>\$445,284</u>	<u>\$469,110</u>	<u>\$13,224,935</u>	<u>\$12,441,260</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.

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City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2022
(Unaudited)

Debt

At year-end the City had \$4,674,863 in general obligation bonds, loans and notes payable.

Outstanding Debt at Year End

		2022	2021
Governmental Activities			
<u>Bonds Payable</u>			
2003 Streetscape Bonds	4.59%	\$50,000	\$100,000
2019 Road Projects Bonds	2.74%	590,000	665,000
Subtotal Bonds and Notes		640,000	765,000
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	120,979	142,327
2011 Jefferson Avenue Improvements	0.00%	323,962	375,114
2012 Trillium Court & Krylon Drive Improvements	0.00%	183,729	211,288
2013 Jefferson / Willow / Voorhees Road Improvements	0.00%	183,697	207,657
2014 Julie Terrace improvements	0.00%	62,335	70,126
2015 Leonard Street Improvements	0.00%	65,152	72,391
2015 Brown Street Improvements	0.00%	94,466	104,961
2015 5th Street & Flora Avenue Improvements	0.00%	96,154	106,840
2016 Bolster Drive Improvements	0.00%	161,441	178,142
2016 Alwil Drive Improvements	0.00%	172,514	191,000
2018 Benson Street Improvements	0.00%	116,510	127,101
2018 Galbraith Road Improvements	0.00%	161,556	176,243
2020 Hunt Road Box Culvert Replacement	0.00%	404,225	425,500
2020 Thurnridge Drive Improvements	0.00%	952,746	122,935
2020 3rd Street Improvements	0.00%	49,717	0
2020 East North Street Reconstruction	0.00%	12,396	0
Subtotal Loans		3,161,579	2,511,625
<u>Notes Payable</u>			
Snow Plow Truck	1.86%	62,284	96,518
Total Government Activities		\$3,863,863	\$3,373,143
Business-Type Activities			
<u>Bonds Payable</u>			
2019 Water Projects Bonds	2.74%	\$811,000	\$915,000
Total Business-Type Activities		\$811,000	\$915,000

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2022
(Unaudited)

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.

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, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$11,229,291	\$435,488	\$11,664,779
Receivables (Net):			
Taxes	2,721,713	0	2,721,713
Accounts	181,003	137,946	318,949
Intergovernmental	591,419	0	591,419
Land Held for Resale	227,738	0	227,738
Prepaid Items	80,258	2,668	82,926
Net OPEB Asset	347,880	33,021	380,901
Nondepreciable Capital Assets	1,575,778	6,135	1,581,913
Depreciable Capital Assets, Net	<u>11,203,873</u>	<u>439,149</u>	<u>11,643,022</u>
Total Assets	<u>28,158,953</u>	<u>1,054,407</u>	<u>29,213,360</u>
Deferred Outflows of Resources:			
Pension	2,604,216	35,877	2,640,093
OPEB	<u>645,021</u>	<u>279</u>	<u>645,300</u>
Total Deferred Outflows of Resources	<u>3,249,237</u>	<u>36,156</u>	<u>3,285,393</u>
Liabilities:			
Accounts Payable	115,689	241,954	357,643
Accrued Wages and Benefits	370,151	8,985	379,136
Accrued Interest Payable	1,587	1,852	3,439
Unearned Revenue	607,913	0	607,913
Deposits Held and Due to Others	1,372	0	1,372
Long-Term Liabilities:			
Due Within One Year	602,330	107,818	710,148
Due In More Than One Year			
Net Pension Liability	8,149,362	88,874	8,238,236
Net OPEB Liability	1,265,505	0	1,265,505
Other Amounts	<u>4,069,088</u>	<u>704,000</u>	<u>4,773,088</u>
Total Liabilities	<u>15,182,997</u>	<u>1,153,483</u>	<u>16,336,480</u>
Deferred Inflows of Resources:			
Property Taxes	625,000	0	625,000
OPEB	988,789	35,948	1,024,737
Pension	<u>3,892,663</u>	<u>108,228</u>	<u>4,000,891</u>
Total Deferred Inflows of Resources	<u>5,506,452</u>	<u>144,176</u>	<u>5,650,628</u>
Net Position:			
Net Investment in Capital Assets	8,915,788	445,284	9,361,072
Restricted for:			
Debt Service	385	0	385
Capital Projects	2,031,684	0	2,031,684
Street Maintenance and Repair	1,047,926	0	1,047,926
State Highway	248,670	0	248,670
EPA Brownsfield Grant	77,822	0	77,822
Streets and Curbs	1,092,226	0	1,092,226
Motor Vehicle Permissive	253,643	0	253,643
Net OPEB Asset	347,880	33,021	380,901
Other Purposes	280,227	0	280,227
Unrestricted	<u>(3,577,510)</u>	<u>(685,401)</u>	<u>(4,262,911)</u>
Total Net Position	<u>\$10,718,741</u>	<u>(\$207,096)</u>	<u>\$10,511,645</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$2,881,334	\$860,594	\$447,706	\$0	(\$1,573,034)	\$0	(\$1,573,034)
Public Safety	6,025,455	248,837	134,469	0	(5,642,149)	0	(5,642,149)
Community Development	156,935	105,676	0	0	(51,259)	0	(51,259)
Leisure Time Activities	470,582	36,853	0	0	(433,729)	0	(433,729)
Transportation and Street Repair	2,706,552	634,441	822,927	963,958	(285,226)	0	(285,226)
Basic Utility Service	684,561	0	0	0	(684,561)	0	(684,561)
Interest and Other Charges	13,072	0	0	0	(13,072)	0	(13,072)
Total Governmental Activities	12,938,491	1,886,401	1,405,102	963,958	(8,683,030)	0	(8,683,030)
Business-Type Activities:							
Water Utility	1,730,787	1,953,347	0	0	0	222,560	222,560
Total Business-Type Activities	1,730,787	1,953,347	0	0	0	222,560	222,560
Totals	\$14,669,278	\$3,839,748	\$1,405,102	\$963,958	(8,683,030)	222,560	(8,460,470)
General Revenues:							
Income Taxes					9,291,198	0	9,291,198
Property Taxes Levied for:							
General Purposes					323,858	0	323,858
Capital Projects Purposes					391,976	0	391,976
Grants and Entitlements, Not Restricted					282,129	0	282,129
Other Revenues					607,525	0	607,525
Total General Revenues					10,896,686	0	10,896,686
Change in Net Position					2,213,656	222,560	2,436,216
Net Position - Beginning of Year					8,505,085	(429,656)	8,075,429
Net Position - End of Year					\$10,718,741	(\$207,096)	\$10,511,645

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2022

	General	Streets and Curbs	American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$6,229,795	\$1,109,649	\$607,913	\$3,281,934	\$11,229,291
Receivables (Net):					
Taxes	2,394,658	0	0	327,055	2,721,713
Accounts	174,849	0	0	6,154	181,003
Intergovernmental	124,174	0	0	467,245	591,419
Land Held for Resale	0	0	0	227,738	227,738
Prepaid Items	75,927	0	0	4,331	80,258
Total Assets	8,999,403	1,109,649	607,913	4,314,457	15,031,422
Liabilities:					
Accounts Payable	111,449	0	0	4,240	115,689
Accrued Wages and Benefits	355,566	0	0	14,585	370,151
Unearned Revenue	0	0	607,913	0	607,913
Deposits Held and Due to Others	1,372	0	0	0	1,372
Total Liabilities	468,387	0	607,913	18,825	1,095,125
Deferred Inflows of Resources:					
Property Taxes	352,055	0	0	327,055	679,110
Income Taxes	1,293,268	0	0	0	1,293,268
Grants and Other Taxes	108,653	0	0	396,321	504,974
Total Deferred Inflows of Resources	1,753,976	0	0	723,376	2,477,352
Fund Balances:					
Nonspendable	75,927	0	0	4,331	80,258
Restricted	0	1,109,649	0	3,562,821	4,672,470
Assigned	0	0	0	5,104	5,104
Unassigned	6,701,113	0	0	0	6,701,113
Total Fund Balances	6,777,040	1,109,649	0	3,572,256	11,458,945
Total Liabilities, Deferred Inflows and Fund Balances	\$8,999,403	\$1,109,649	\$607,913	\$4,314,457	\$15,031,422

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, 2022

Total Governmental Fund Balance \$11,458,945

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 12,779,651

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

Income Taxes	1,293,268	
Delinquent Property Taxes	54,110	
Intergovernmental	<u>504,974</u>	
		1,852,352

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. (1,587)

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 (807,555)

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	2,604,216	
Deferred inflows of resources related to pensions	(3,892,663)	
Deferred outflows of resources related to OPEB	645,021	
Deferred inflows of resources related to OPEB	<u>(988,789)</u>	
		(1,632,215)

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

Net OPEB Asset	347,880	
Net Pension Liability	(8,149,362)	
Net OPEB Liability	(1,265,505)	
Other Amounts	<u>(3,863,863)</u>	
		<u>(12,930,850)</u>

Net Position of Governmental Activities \$10,718,741

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, 2022

	General	Streets and Curbs	American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$323,099	\$0	\$0	\$391,184	\$714,283
Income Taxes	9,117,106	0	0	0	9,117,106
Charges for Services	1,593,210	0	0	397,861	1,991,071
Intergovernmental	262,265	963,958	447,706	993,610	2,667,539
Fines, Licenses & Permits	210,850	0	0	75,118	285,968
Other Revenues	181,170	0	0	3,953	185,123
Total Revenues	11,687,700	963,958	447,706	1,861,726	14,961,090
Expenditures:					
Current:					
General Government	2,488,084	0	293,843	164,836	2,946,763
Public Safety	6,117,341	0	24,000	512,522	6,653,863
Community Development	161,542	0	0	0	161,542
Leisure Time Activities	363,885	0	0	78,511	442,396
Transportation and Street Repair	0	1,322,572	34,677	1,184,161	2,541,410
Basic Utility Service	684,561	0	0	0	684,561
Capital Outlay	0	973,224	95,186	274,237	1,342,647
Debt Service:					
Principal	0	341,399	0	84,234	425,633
Interest and Other Charges	0	0	0	13,461	13,461
Total Expenditures	9,815,413	2,637,195	447,706	2,311,962	15,212,276
Excess of Revenues Over (Under) Expenditures	1,872,287	(1,673,237)	0	(450,236)	(251,186)
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	916,353	0	0	916,353
Transfers In	0	343,728	0	53,860	397,588
Transfers (Out)	(397,588)	0	0	0	(397,588)
Total Other Financing Sources (Uses)	(397,588)	1,260,081	0	53,860	916,353
Net Change in Fund Balance	1,474,699	(413,156)	0	(396,376)	665,167
Fund Balance - Beginning of Year	5,302,341	1,522,805	0	3,968,632	10,793,778
Fund Balance - End of Year	\$6,777,040	\$1,109,649	\$0	\$3,572,256	\$11,458,945

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, 2022

Net Change in Fund Balance - Total Governmental Funds \$665,167

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	1,312,371	
Depreciation Expense	<u>(504,870)</u>	
		807,501

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	906,497	
Cost of benefits earned net of employee contributions - Pension	(63,258)	
City OPEB contributions	16,662	
Cost of benefits earned net of employee contributions - OPEB	<u>273,749</u>	
		1,133,650

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

Income Taxes	174,092	
Delinquent Property Taxes	1,584	
Intergovernmental	<u>15,381</u>	
		191,057

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 425,633

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 389

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		(93,388)
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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. (916,353)

Change in Net Position of Governmental Activities \$2,213,656

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2022

	<u>Water</u>
Current Assets:	
Equity in Pooled Cash and Investments	\$435,488
Receivables (Net):	
Accounts	137,946
Prepaid Items	<u>2,668</u>
Total Current Assets	<u>576,102</u>
Noncurrent Assets:	
Net OPEB Asset	33,021
Capital Assets:	
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>439,149</u>
Total Noncurrent Assets	<u>478,305</u>
Total Assets	<u>1,054,407</u>
Deferred Outflows of Resources:	
Pension	35,877
OPEB	<u>279</u>
Total Deferred Outflows of Resources	<u>36,156</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	241,954
Accrued Wages and Benefits	8,985
Compensated Absences	818
Accrued Interest Payable	1,852
Long-Term Liabilities Due Within One Year	<u>107,000</u>
Total Current Liabilities	<u>360,609</u>
Long-Term Liabilities:	
Bonds, Notes & Loans Payable	704,000
Net Pension Liability	<u>88,874</u>
Total Noncurrent Liabilities	<u>792,874</u>
Total Liabilities	<u>1,153,483</u>
Deferred Inflows of Resources:	
OPEB	35,948
Pension	<u>108,228</u>
Total Deferred Inflows of Resources	<u>144,176</u>
Net Position:	
Net Investment in Capital Assets	445,284
Restricted for:	
Net OPEB Asset	33,021
Unrestricted	<u>(685,401)</u>
Total Net Position	<u>(\$207,096)</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, 2022

	<u>Water</u>
Operating Revenues:	
Charges for Services	<u>\$1,953,347</u>
Total Operating Revenues	<u>1,953,347</u>
Operating Expenses:	
Personal Services	193,488
Contractual Services	296,368
Supplies and Materials	1,176,708
Depreciation	23,826
Other Expense	<u>15,998</u>
Total Operating Expenses	<u>1,706,388</u>
Operating Income (Loss)	<u>246,959</u>
Non-Operating Revenues (Expenses):	
Interest (Expense)	<u>(24,399)</u>
Total Non-Operating Revenues (Expenses)	<u>(24,399)</u>
Change in Net Position	222,560
Net Position - Beginning of Year	<u>(429,656)</u>
Net Position - End of Year	<u><u>(\$207,096)</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, 2022

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,962,307
Cash Payments to Employees	(256,619)
Cash Payments to Suppliers	<u>(1,360,660)</u>
Net Cash Provided (Used) by Operating Activities	<u>345,028</u>
Cash Flows from Capital and Related Financing Activities:	
Debt Principal Payments	(104,000)
Debt Interest Payments	<u>(24,636)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(128,636)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	216,392
Cash and Cash Equivalents - Beginning of Year	<u>219,096</u>
Cash and Cash Equivalents - End of Year	<u><u>435,488</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	246,959
Adjustments:	
Depreciation	23,826
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	8,960
(Increase) Decrease in Inventory	687
(Increase) Decrease in Net OPEB Asset	(14,981)
(Increase) Decrease in Deferred Outflows of Resources	(6,988)
Increase (Decrease) in Payables	128,397
Increase (Decrease) in Accrued Liabilities	(940)
Increase (Decrease) in Deferred Inflows of Resources	17,661
Increase (Decrease) in Net Pension Liability	<u>(58,553)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$345,028</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	<u>Custodial Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$1,411,815
Receivables (Net):	
Accounts	<u>214,899</u>
Total Assets	<u>1,626,714</u>
Liabilities:	
Accounts Payable	<u>0</u>
Total Liabilities	<u>0</u>
Net Position:	
Restricted for Individuals, Organizations, and Other Governments	<u>1,626,714</u>
Total Net Position	<u><u>\$1,626,714</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, 2022

	<u>Custodial Funds</u>
Additions:	
Charges for Services	\$2,696,071
Municipal Court Receipts	<u>257,076</u>
Total Additions	<u>2,953,147</u>
Deductions:	
Utility Disbursements	2,386,637
Municipal Court Disbursements	<u>255,715</u>
Total Deductions	<u>2,642,352</u>
Change in Net Position	310,795
Net Position - Beginning of Year	<u>1,315,919</u>
Net Position - End of Year	<u><u>\$1,626,714</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, 2022

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 resources. This approach differs from the manner in which the governmental activities of the government-wide

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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, 2022

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 special revenue 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.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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.

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 8 and 9.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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, 2022, but which were levied to finance year 2023 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 8 and 9.)

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 2022.

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, 2022

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, 2022

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.

Pension/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 governments.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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 \$5,380,463 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, 2022, 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, 2022

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.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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, 2022, \$12,831,320 of the City's bank balance of \$13,331,320 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.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections of the 2021 taxes.

2022 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023 operations.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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. 2022 public utility property taxes became a lien December 31, 2022, are levied after October 1, 2022, and are collected in 2023 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	\$193,421,650
Public Utility	<u>13,179,020</u>
Total	<u><u>\$206,600,670</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.

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 13.

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.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

Note 6 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,311,475	\$0	\$0	\$1,311,475
Construction in Progress	<u>1,100,110</u>	<u>1,118,543</u>	<u>1,954,350</u>	<u>264,303</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	1,614,499	0	0	1,614,499
Equipment	5,676,969	193,828	62,134	5,808,663
Infrastructure	<u>10,045,965</u>	<u>1,954,350</u>	<u>0</u>	<u>12,000,315</u>
Total Capital Assets, being depreciated	<u>17,337,433</u>	<u>2,148,178</u>	<u>62,134</u>	<u>19,423,477</u>
Totals at Historical Cost	<u>19,749,018</u>	<u>3,266,721</u>	<u>2,016,484</u>	<u>20,999,255</u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,581,454	13,851	0	1,595,305
Equipment	4,399,866	251,013	62,134	4,588,745
Infrastructure	<u>1,795,548</u>	<u>240,006</u>	<u>0</u>	<u>2,035,554</u>
Total Accumulated Depreciation	<u>7,776,868</u>	<u>504,870</u>	<u>62,134</u>	<u>8,219,604</u>
Governmental Activities Capital Assets, Net	<u>\$11,972,150</u>	<u>\$2,761,851</u>	<u>\$1,954,350</u>	<u>\$12,779,651</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$90,188
Public Safety	180,032
Leisure Time Activities	42,957
Transportation and Street Repair	<u>191,693</u>
Total Depreciation Expense	<u>\$504,870</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

	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	69,664	1,494	0	71,158
Equipment	207,998	4,473	0	212,471
Infrastructure	1,080,859	17,859	0	1,098,718
Total Accumulated Depreciation	<u>1,358,521</u>	<u>23,826</u>	<u>0</u>	<u>1,382,347</u>
Business-Type Activities Capital Assets, Net	<u>\$469,110</u>	<u>(\$23,826)</u>	<u>\$0</u>	<u>\$445,284</u>

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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:

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds:</u>						
2003 Streetscape Bonds	4.59%	\$100,000	\$0	(\$50,000)	\$50,000	\$50,000
2019 Road Project Bonds	2.74%	665,000	0	(75,000)	590,000	78,000
Total General Obligation Bonds and Notes		765,000	0	(125,000)	640,000	128,000
<u>OPWC Loans from Direct Borrowings:</u>						
Waxwing Drive Improvement	0.00%	142,327	0	(21,348)	120,979	7,117
Jefferson Avenue Improvements	0.00%	375,114	0	(51,152)	323,962	17,050
Trillium Court & Kylon Drive Improvements	0.00%	211,288	0	(27,559)	183,729	9,187
Jefferson/Willow/Voorhees Improvements	0.00%	207,657	0	(23,960)	183,697	7,987
Julie Terrace Improvements	0.00%	70,126	0	(7,791)	62,335	2,597
Leonard Street Improvements	0.00%	72,391	0	(7,239)	65,152	2,413
Brown Street Improvements	0.00%	104,961	0	(10,495)	94,466	3,499
5th Street & Flora Avenue Improvements	0.00%	106,840	0	(10,686)	96,154	3,562
Bolser Drive Improvements	0.00%	178,142	0	(16,701)	161,441	5,567
Alwil Drive Improvements	0.00%	191,000	0	(18,486)	172,514	6,161
Benson Street Stormwater Replacement	0.00%	127,101	0	(10,591)	116,510	3,531
Galbraith Road Phase II Improvements	0.00%	176,243	0	(14,687)	161,556	4,896
Hunt Road Box Culvert Replacement	0.00%	425,500	0	(21,275)	404,225	10,638
Thurnridge Drive Improvements	0.00%	122,935	854,240	(24,429)	952,746	24,430
3rd Street Improvements	0.00%	0	49,717	0	49,717	0
East North Street Reconstruction	0.00%	0	12,396	0	12,396	207
Total OPWC Loans		2,511,625	916,353	(266,399)	3,161,579	108,842
<u>Notes Payable:</u>						
2020 Snow Plow Truck	1.86%	96,518	0	(34,234)	62,284	29,512
Total Notes payable		96,518	0	(34,234)	62,284	29,512
Net Pension Liability		9,505,011	0	(1,355,649)	8,149,362	0
Net OPEB Liability		1,229,331	36,174	0	1,265,505	0
Total Long-Term Debt		14,107,485	952,527	(1,781,282)	13,278,730	266,354
Compensated Absences		714,167	387,380	(293,992)	807,555	335,976
Total Long-Term Liabilities		\$14,821,652	\$1,339,907	(\$2,075,274)	\$14,086,285	\$602,330
Business-Type Activities						
<u>General Obligation Bonds:</u>						
2019 Water Projects Bonds	2.74%	\$915,000	\$0	(\$104,000)	\$811,000	\$107,000
Net Pension Liability		147,427	0	(58,553)	88,874	0
Compensated Absences		1,263	818	(1,263)	818	818
Total Long-Term Liabilities		\$1,063,690	\$818	(\$163,816)	\$900,692	\$107,818

In 2022, the City issued three Ohio Public Works Commission (OPWC) Loans. The first one was in the total amount of \$854,240 to finance road improvements on Thurnridge Drive Road. The second was in the amount of \$12,396 for reconstruction on East North Street Road. These two OPWC loans are interest free

City of Reading, Ohio
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For The Year Ended December 31, 2022

and will be paid off in 2042 and 2053, respectively. The third one in the amount of \$49,717 to finance 3rd Street Road Improvements. The full amount for the third OPWC loan for was not disbursed as of year end.

In 2021, the City issued 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 payable will be paid from the Capital Improvement Fund, and Streets and Curbs Fund. The OPWC loans will be paid out of the Streets and Curbs Fund. The City's notes payable will be paid from the Street Maintenance and Repair 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.

City of Reading, Ohio
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For The Year Ended December 31, 2022

The annual requirements to pay principal and interest on long-term debt at December 31, 2022 are as follows:

Year Ending December 31	General Obligation Bonds		OPWC Loans*	Notes Payable	
	Principal	Interest	Principal	Principal	Interest
2023	\$235,000	\$40,682	\$108,842	\$29,512	\$934
2024	190,000	33,318	217,677	32,772	331
2025	194,000	28,112	217,678	0	0
2026	200,000	22,797	217,678	0	0
2027	205,000	17,317	217,679	0	0
2028-2032	427,000	17,618	1,074,162	0	0
2033-2037	0	0	678,015	0	0
2038-2042	0	0	375,789	0	0
2043-2047	0	0	2,065	0	0
2048-2052	0	0	2,065	0	0
2053	0	0	212	0	0
Total	\$1,451,000	\$159,845	\$3,111,862	\$62,284	\$1,265

*-The above annual debt service requirements are based upon the latest estimated amortization schedules provided from OPWC. Until the 3rd Street Improvement (OPWC) loan is fully disbursed or closed the final amortization is not available for the 2022 loan.

OPWC Loans from Direct Borrowings

The City's outstanding OPWC loans from direct borrowings of \$3,161,579 have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Note 8 – 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 (asset) 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 (asset) 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.

City of Reading, Ohio
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For The Year Ended December 31, 2022

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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) 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 9 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 is a cost-sharing, multiple employer public employee retirement system which 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. 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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<u>Group B</u> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<u>Group C</u> 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.

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 amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible 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. 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.

City of Reading, Ohio
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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 and will continue to be administered by OPERS), 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.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

Funding Policy

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2022 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2022 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.

City of Reading, Ohio
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For The Year Ended December 31, 2022

For 2022, the City's contractually required contribution was \$231,651, of this amount \$31,071 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.

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 under optional plans, 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 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day

City of Reading, Ohio
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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:

	<u>Police</u>	<u>Firefighters</u>
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2022 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 \$694,928 for 2022, of this amount \$99,868 is reported as accrued wages and benefits.

Pension Liabilities (Asset), 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, 2021, 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, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. 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:

City of Reading, Ohio
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	OPERS		
	Traditional Plan	OPF	Total
Proportionate Share of the:			
Net Pension Liability	\$1,025,169	\$7,213,067	\$8,238,236
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01178300%	0.11545670%	
Prior Measurement Date	0.01176900%	0.11602760%	
Change in Proportionate Share	0.00001400%	-0.00057090%	
Pension Expense	(\$201,485)	\$252,082	\$50,597

At December 31 2022, 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	\$52,262	\$207,982	\$260,244
Changes in assumptions	128,196	1,318,240	1,446,436
Changes in employer proportionate share of net pension liability	1,732	5,102	6,834
Contributions subsequent to the measurement date	231,651	694,928	926,579
Total Deferred Outflows of Resources	<u>\$413,841</u>	<u>\$2,226,252</u>	<u>\$2,640,093</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$22,484	\$374,980	\$397,464
Net difference between projected and actual earnings on pension plan investments	1,219,401	1,891,156	3,110,557
Changes in employer proportionate share of net pension liability	6,537	486,333	492,870
Total Deferred Inflows of Resources	<u>\$1,248,422</u>	<u>\$2,752,469</u>	<u>\$4,000,891</u>

\$926,579 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, 2023. 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
2023	(\$166,582)	(\$199,607)	(\$366,189)
2024	(418,941)	(639,936)	(1,058,877)
2025	(286,730)	(312,663)	(599,393)
2026	(193,979)	(208,227)	(402,206)
2027	0	139,288	139,288
Total	<u>(\$1,066,232)</u>	<u>(\$1,221,145)</u>	<u>(\$2,287,377)</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, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	<u>OPERS Traditional Plan</u>
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

City of Reading, Ohio
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For The Year Ended December 31, 2022

	<u>OPERS Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees	0.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, 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, 2020.

During 2021, 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 15.3 percent for 2021.

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

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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 geometric rates of return were provided by the Board’s investment consultant. For each major class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2021, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00%	4.21%

Discount Rate

The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan. The discount rate for the prior year was 7.2 percent. 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 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$2,702,902	\$1,025,169	(\$370,929)

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Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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 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, 2021, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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.

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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, 2021, 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	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	<u>125.00 %</u>	

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 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

For 2021, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from

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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 7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$10,696,878	\$7,213,067	\$4,311,913

Note 9– Postemployment Benefits

See Note 8 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.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015,

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the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

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 discontinued 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.

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. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became 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 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 2022, 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.

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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, 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 2022 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 2022.

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.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. 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.

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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 19.5 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 2022, 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 \$16,662 for 2022.

Net OPEB Liability (Asset)

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportionate share 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)	(\$380,901)		(\$380,901)
Net OPEB Liability		\$1,265,505	\$1,265,505
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.01216100%	0.11545670%	
Prior Measurement Date	0.01197000%	0.11602760%	
Change in Proportionate Share	0.00019100%	-0.00057090%	
OPEB Expense	(\$356,772)	\$52,904	(\$303,868)

At December 31 2022, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPERS		Total
	Traditional Plan	OPF	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$57,569	\$57,569
Changes in assumptions	0	560,152	560,152
Changes in employer proportionate share of net OPEB liability (asset)	3,214	7,703	10,917
Contributions subsequent to the measurement date	0	16,662	16,662
Total Deferred Outflows of Resources	<u>\$3,214</u>	<u>\$642,086</u>	<u>\$645,300</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$57,777	\$167,254	\$225,031
Changes in assumptions	154,184	146,982	301,166
Net difference between projected and actual earnings on OPEB plan investments	181,587	114,317	295,904
Changes in employer proportionate share of net OPEB liability (asset)	21,115	181,521	202,636
Total Deferred Inflows of Resources	<u>\$414,663</u>	<u>\$610,074</u>	<u>\$1,024,737</u>

\$16,662 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, 2023. 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
2023	(\$262,395)	\$1,301	(\$261,094)
2024	(83,300)	(15,671)	(98,971)
2025	(39,676)	(9,798)	(49,474)
2026	(26,078)	104	(25,974)
2027	0	19,242	19,242
Thereafter	0	20,172	20,172
Total	<u>(\$411,449)</u>	<u>\$15,350</u>	<u>(\$396,099)</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. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both

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a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial	8.5 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, 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, 2020.

During 2021, 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 contributions 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

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investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate

A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 1.84 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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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 <u>(5.00%)</u>	Current Discount Rate <u>(6.00%)</u>	1% Increase <u>(7.00%)</u>
Proportionate share of the net OPEB (asset)	(\$224,006)	(\$380,901)	(\$511,127)

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 liability. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset 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 2022 is 5.50 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.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Proportionate share of the net OPEB (asset)	(\$385,017)	(\$380,901)	(\$376,018)

Changes Between Measurement Date and Report Date

Effective January 1, 2022, OPERS discontinued 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.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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 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, 2021, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	<u>125.00 %</u>	

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 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 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 7.5

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. 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 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
Proportionate share of the net OPEB liability	\$1,590,768	\$1,265,505	\$998,138

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 10 – 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 11 – Interfund Transactions

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

	Transfers	
	In	Out
General Fund	\$0	\$397,588
Streets and Curbs	343,728	0
Other Governmental Funds	53,860	0
Total All Funds	<u>\$397,588</u>	<u>\$397,588</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

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 12 – Accountability

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

<u>Major Fund:</u>	<u>Deficit</u>
Water	\$ 207,096

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 13 – 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 14 – 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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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

Fund Balances	General	Streets and Curbs	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$75,927	\$0	\$4,331	\$80,258
Total Nonspendable	75,927	0	4,331	80,258
Restricted for:				
Street Maintenance and Repair	0	0	783,122	783,122
State Highway Improvement	0	0	223,497	223,497
Mayor's Court Computer	0	0	17,568	17,568
DUI Enforcement	0	0	14,373	14,373
Streets and Curbs	0	1,109,649	0	1,109,649
Drug Enforcement	0	0	91,645	91,645
Motor Vehicle Permissive	0	0	211,263	211,263
Alcohol Education	0	0	12,715	12,715
Grant	0	0	143,926	143,926
Special Assessment Debt Service	0	0	385	385
Stadium	0	0	133,687	133,687
Fire/EMS Capital Improvement	0	0	767,052	767,052
Municipal Road	0	0	131,654	131,654
Stadium Track Improvement	0	0	274	274
Growth	0	0	104,569	104,569
Reading Road Development	0	0	494	494
OPWC SCIP	0	0	2,307	2,307
EPA Brownsfield Grant	0	0	77,822	77,822
Capital Improvement	0	0	846,468	846,468
Total Restricted	0	1,109,649	3,562,821	4,672,470
Assigned to:				
Debt Service	0	0	5,104	5,104
Total Assigned	0	0	5,104	5,104
Unassigned (Deficit)	6,701,113	0	0	6,701,113
Total Fund Balance	<u>\$6,777,040</u>	<u>\$1,109,649</u>	<u>\$3,572,256</u>	<u>\$11,458,945</u>

Note 15 – Implementation of New Accounting Principles and Restatement of Net Position

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases; GASB Statement No. 91, Conduit Debt Obligations; GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans; and portions of GASB Statement No. 99, Omnibus 2022.

GASB Statement No. 87 sets out to improve the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2022

use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the City.

GASB Statement No. 91 clarifies the definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the City.

GASB Statement No. 97 clarifies certain component unit criteria and provides accounting and financial reporting guidance for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the City.

GASB Statement No. 99 addresses a variety of topics and includes clarification of provisions related to accounting and reporting of leases under GASB Statement No. 87, provides extension of the period which the London Interbank Offered Rate is considered appropriate benchmark interest rate, guidance on disclosure of nonmonetary transaction, accounting for pledges of future revenues when resources are not received by the pledging government under GASB Statement No. 48, and terminology updates related to certain provisions of GASB Statement No. 63 and No. 53. These topics under GASB Statement No. 99 provisions were implemented and did not have an effect on the financial statements of the City.

Other topics in GASB Statement No. 99 includes classification of other derivative instruments within the scope of GASB Statement No. 53, clarification of provisions related to accounting and reporting of Public-Private and Public-Public Partnerships under GASB Statement No. 94, and clarification of provisions to accounting and reporting of subscription-based information technology arrangements under GASB Statement No. 96. These topics are effective for future fiscal years and have not been implemented by the City.

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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 Nine Years (1)

	2022	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.01178300%	0.01176900%	0.01191000%	0.01229200%	0.01216000%
City's Proportionate Share of the Net Pension Liability	\$1,025,169	\$1,742,733	\$2,354,093	\$3,336,530	\$1,907,668
City's Covered-Employee Payroll	\$1,710,014	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	59.95%	105.13%	140.49%	200.96%	118.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%	84.66%

(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.

2017	2016	2015	2014
0.01322200%	0.01256500%	0.01384000%	0.01384000%
\$3,002,491	\$2,176,416	\$1,669,259	\$1,631,556
\$1,594,575	\$2,175,417	\$1,702,408	\$1,808,129
188.29%	100.05%	98.05%	90.23%
77.25%	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 Nine Years (1)

	2022	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.11545670%	0.11602760%	0.12335510%	0.12489300%	0.13063000%
City's Proportionate Share of the Net Pension Liability	\$7,213,067	\$7,909,705	\$8,309,858	\$10,194,568	\$8,017,353
City's Covered-Employee Payroll	\$2,943,847	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	245.02%	250.92%	285.87%	324.00%	251.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%	70.91%

(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.

2017	2016	2015	2014
0.13018200%	0.13562100%	0.13392230%	0.13392230%
\$8,245,597	\$8,724,594	\$6,937,734	\$6,522,436
\$3,393,311	\$2,960,378	\$2,752,731	\$2,383,724
243.00%	294.71%	252.03%	273.62%
68.36%	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 Nine Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$231,651	\$239,402	\$232,071	\$234,593	\$232,439
Contributions in Relation to the Contractually Required Contribution	<u>(231,651)</u>	<u>(239,402)</u>	<u>(232,071)</u>	<u>(234,593)</u>	<u>(232,439)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,654,650	\$1,710,014	\$1,657,650	\$1,675,664	\$1,660,279
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$208,899	\$191,349	\$261,050	\$204,289
<u>(208,899)</u>	<u>(191,349)</u>	<u>(261,050)</u>	<u>(204,289)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,606,915	\$1,594,575	\$2,175,417	\$1,702,408
13.00%	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 Nine Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$694,928	\$624,390	\$598,931	\$614,214	\$597,830
Contributions in Relation to the Contractually Required Contribution	<u>(694,928)</u>	<u>(624,390)</u>	<u>(598,931)</u>	<u>(614,214)</u>	<u>(597,830)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,332,289	\$2,943,847	\$3,152,268	\$2,906,834	\$3,146,474
Contributions as a Percentage of Covered-Employee Payroll	20.85%	21.21%	19.00%	21.13%	19.00%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$606,660	\$644,729	\$594,740	\$560,456
<u>(606,660)</u>	<u>(644,729)</u>	<u>(594,740)</u>	<u>(560,456)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,192,947	\$3,393,311	\$2,960,378	\$2,752,731
19.00%	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 Six Years (1)

	2022	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability (Asset)	0.01216100%	0.01197000%	0.01261500%	0.01260400%	0.01240000%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$380,901)	(\$231,255)	\$1,742,460	\$1,643,264	\$1,346,549
City's Covered-Employee Payroll	\$1,710,014	\$1,657,650	\$1,675,664	\$1,660,279	\$1,606,915
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	-22.27%	-13.95%	103.99%	98.98%	83.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	128.23%	115.57%	47.80%	46.33%	54.14%

(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.

2017

0.01320732%

\$1,333,984

\$1,594,575

83.66%

54.04%

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 Six Years (1)

	2022	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability	0.11545670%	0.11602760%	0.12335510%	0.12489300%	0.13063000%
City's Proportionate Share of the Net OPEB Liability	\$1,265,505	\$1,229,331	\$1,218,468	\$1,137,342	\$7,401,313
City's Covered-Employee Payroll	\$2,943,847	\$3,152,268	\$2,906,834	\$3,146,474	\$3,192,947
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	42.99%	39.00%	41.92%	36.15%	231.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.42%	47.10%	46.57%	14.13%

(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.

2017

0.13018200%

\$6,179,447

\$3,393,311

182.11%

15.96%

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 Seven Years (1)

	2022	2021	2020	2019	2018
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	\$1,654,650	\$1,710,014	\$1,657,650	\$1,675,664	\$1,660,279
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.

<u>2017</u>	<u>2016</u>
\$0	\$0
<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>
\$1,606,915	\$1,594,575
0.00%	0.00%

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 Seven Years (1)

	2022	2021	2020	2019	2018
Contractually Required Contribution to OPEB	\$16,662	\$14,927	\$14,347	\$14,705	\$14,264
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(16,662)</u>	<u>(14,927)</u>	<u>(14,347)</u>	<u>(14,705)</u>	<u>(14,264)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$3,332,289	\$2,943,847	\$3,152,268	\$2,906,834	\$3,146,474
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.50%	0.51%	0.46%	0.51%	0.45%

(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.

<u>2017</u>	<u>2016</u>
\$14,495	\$13,287
<u>(14,495)</u>	<u>(13,287)</u>
<u>\$0</u>	<u>\$0</u>
\$3,192,947	\$3,393,311
0.45%	0.39%

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, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$265,771	\$265,771	\$323,099	\$57,328
Fines, Licenses & Permits	174,379	174,379	211,993	37,614
Intergovernmental	215,419	215,419	261,886	46,467
Charges for Services	1,237,398	1,237,398	1,504,311	266,913
Other Revenues	165,489	165,489	201,186	35,697
Total Revenues	2,058,456	2,058,456	2,502,475	444,019
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	1,332,594	1,401,009	1,396,083	4,926
Materials and Supplies	738,665	776,588	773,858	2,730
Total General Government	2,071,259	2,177,597	2,169,941	7,656
<u>Public Safety</u>				
Personal Services	5,381,121	5,657,388	5,637,497	19,891
Materials and Supplies	460,853	484,514	482,810	1,704
Total Public Safety	5,841,974	6,141,902	6,120,307	21,595
<u>Leisure Time Activities</u>				
Personal Services	104,733	110,110	109,723	387
Materials and Supplies	241,884	254,302	253,408	894
Total Leisure Time Activities	346,617	364,412	363,131	1,281
<u>Community Development</u>				
Personal Services	32,342	34,003	33,883	120
Materials and Supplies	114,292	120,159	119,737	422
Total Community Development	146,634	154,162	153,620	542
<u>Basic Utility Service</u>				
Contractual Services	627,417	659,628	657,309	2,319
Total Basic Utility Service	627,417	659,628	657,309	2,319

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, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Total Expenditures	9,033,901	9,497,701	9,464,308	33,393
Excess of Revenues Over (Under) Expenditures	(6,975,445)	(7,439,245)	(6,961,833)	477,412
Other financing sources (uses):				
Transfers In	6,580,544	6,580,544	8,000,000	1,419,456
Total Other Financing Sources (Uses)	6,580,544	6,580,544	8,000,000	1,419,456
Net Change in Fund Balance	(394,901)	(858,701)	1,038,167	1,896,868
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,577,400	1,577,400	1,577,400	0
Fund Balance End of Year	\$1,182,499	\$718,699	\$2,615,567	\$1,896,868

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, 2022

	Streets and Curbs Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Transportation & Street Repair	307,035	666,704	663,971	2,733
Capital Outlay	42,965	93,296	92,913	383
Total Expenditures	350,000	760,000	756,884	3,116
Excess of Revenues Over (Under) Expenditures	(350,000)	(760,000)	(756,884)	3,116
Other Financing Sources (uses):				
Transfers In	375,000	375,000	343,728	(31,272)
Total Other Financing Sources (Uses)	375,000	375,000	343,728	(31,272)
Net Change in Fund Balance	25,000	(385,000)	(413,156)	(28,156)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,522,805	1,522,805	1,522,805	0
Fund Balance End of Year	<u>\$1,547,805</u>	<u>\$1,137,805</u>	<u>\$1,109,649</u>	<u>(\$28,156)</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, 2022

	American Rescue Plan Act Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$543,564	\$543,564
Total Revenues	0	0	543,564	543,564
Expenditures:				
Current:				
General Government	400,000	448,000	447,706	294
Total Expenditures	400,000	448,000	447,706	294
Net Change in Fund Balance	(400,000)	(448,000)	95,858	543,858
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	512,056	512,056	512,056	0
Fund Balance End of Year	<u>\$112,056</u>	<u>\$64,056</u>	<u>\$607,914</u>	<u>\$543,858</u>

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, 2022

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, 2022

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 Funds.

Net Change in Fund Balance

	General	Street and Curbs	American Rescue Plan Act
GAAP Basis	\$1,474,699	(\$413,156)	\$0
Revenue Accruals	(9,185,225)	(963,958)	95,858
Expenditure Accruals	352,006	1,880,311	0
Issuance of Debt	0	(916,353)	0
Transfers In	8,000,000	0	0
Transfers Out	397,588	0	0
Encumbrances	(901)	0	0
Budget Basis	<u>\$1,038,167</u>	<u>(\$413,156)</u>	<u>\$95,858</u>

Note 2 – Net Pension Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2022: 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 7.20% to 6.90%
- Decrease in wage inflation from 3.25% to 2.75%
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%

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:

2022-2014: 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, 2022

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

Changes in assumptions:

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed investment rate of return from 8.00% to 7.50%

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:

2022-2014: 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:

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond rate decreased from 2.00% to 1.84%.
- The initial health care cost trend rate decreased from 8.50% to 5.50%.
- Decrease in wage inflation from 3.25% to 2.75%.
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%.

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% to 6.00%.
- The municipal bond rate decreased from 2.75% to 2.00%.
- The initial health care cost trend rate decreased from 10.50% to 8.50%.

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% to 3.16%.
- The municipal bond rate decreased from 3.71% to 2.75%.
- The initial health care cost trend rate increased from 10.00% to 10.50%.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2022

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% to 3.96%.
- The investment rate of return decreased from 6.50% to 6.00%.
- The municipal bond rate increased from 3.31% to 3.71%.
- The initial health care cost trend rate increased from 7.50% to 10.00%.

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

Changes in Benefit Terms:

2022: Effective January 1, 2022, OPERS discontinued 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.

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:

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- The single discount rate changed from 2.96% to 2.84%

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.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2022

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:

2022-2020: 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 14, 2024.

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

June 14, 2024

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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 8/15/2024

65 East State 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