



Dave Yost • Auditor of State

**READING COMMUNITY CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Reading Community City School District
Hamilton County
1301 Bonnell Avenue
Reading, Ohio 45215

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community City School, Hamilton County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The statement and schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statement and schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the District'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2013

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Reading Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The Reading Community City School District is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District'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 District's financial performance.

Financial Highlights

- In total, net position decreased by \$257,625 or 3.70 percent.
- General revenues accounted for \$12,767,510 or 72.62 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,814,140 or 27.38 percent of total revenues of \$17,581,650.
- The District had \$17,839,275 in expenses for governmental activities; only \$4,814,140 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily property taxes and entitlements) and beginning net position were sufficient to provide these services.
- The assets of the District exceeded its liabilities at June 30, 2013, by \$6,708,239. Of this amount, \$4,165,776 may be used to meet the District's ongoing financial obligations. The remaining amount represents the difference between capital assets and related debt and net position amounts restricted for specific purposes and other net position which is restricted as to use.
- The General Fund reported a positive fund balance of \$3,907,292.

Reviewing the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Reading Community City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position and statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. 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 what remains for future spending.

The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are the general fund and the capital projects fund.

Reporting the District as a Whole

The most common financial question posed to the District is "How did we do financially during 2013?" The *statement of net position* and the *statement of activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader, for the District as a whole, whether the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reading Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

In the statement of net position and the statement of activities, all of the District's programs and services are reported as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

Governmental Funds – All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – The District maintains two fiduciary funds, an agency fund and a private purpose trust fund. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private purpose trust funds account for resources, including principal and earnings, which must be expended according to the provision of a trust agreement. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. Table 1 below provides a summary of the District's net position for 2013 and 2012:

Table 1
Net Position
Governmental Activities

| | 2013 | 2012* | Percent of Change |
|-------------------------------|--------------|--------------|----------------------|
| Assets | | | |
| Current and Other Assets | \$13,481,692 | \$11,088,203 | 21.59% |
| Capital Assets, Net | 2,982,402 | 2,323,554 | 28.36% |
| Total Assets | 16,464,094 | 13,411,757 | 22.76% |
| Liabilities | | | |
| Long-Term Liabilities | 3,497,234 | 1,424,779 | 145.45% |
| Current and Other Liabilities | 2,008,307 | 1,301,930 | 54.26% |
| Total Liabilities | 5,505,541 | 2,726,709 | 101.91% |

Reading Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 1
(Continued)
Net Position
Governmental Activities

| | 2013 | 2012* | Percent of Change |
|----------------------------------|--------------------|--------------------|----------------------|
| Deferred Inflows of Resources | \$4,250,314 | \$3,719,184 | 14.28% |
| Net Position | | | |
| Net Investment in Capital Assets | 2,035,054 | 2,085,268 | (2.41%) |
| Restricted | 507,409 | 510,407 | (0.59%) |
| Unrestricted | 4,165,776 | 4,370,189 | (4.68%) |
| Total Net Position | <u>\$6,708,239</u> | <u>\$6,965,864</u> | <u>(3.70%)</u> |

*As restated. See note 19 to the basic financial statements.

Total assets increased by \$3,052,337. Current and other assets increased by \$2,393,489 due primarily to increases in equity in pooled cash and cash equivalents and taxes receivable, which was partially offset by a decrease in intergovernmental receivables. Capital assets increased by \$658,848 due primarily to additions, which was partially offset by depreciation expense.

Total liabilities increased by \$2,778,832. Long-term liabilities increased by \$2,072,455 due to the issuance of certificates of participation and the inception of a capital lease, which was partially offset by principal repayments on outstanding debt. Other liabilities increased by \$706,377 primarily due to an increase in matured compensated absences and accrued wages and benefits. Deferred inflows of resources increased by \$531,130, which is directly related to the increase in taxes receivable.

Table 2 demonstrates the change in net position for fiscal year 2013 as compared to 2012.

Table 2
Change in Net Position
Governmental Activities

| | 2013 | 2012* | Percent of Change |
|---|-------------------|-------------------|----------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services and Sales | \$2,208,896 | \$2,074,981 | 6.45% |
| Operating Grants and Contributions | 2,605,244 | 2,437,533 | 6.84% |
| Total Program Revenues | <u>4,814,140</u> | <u>4,512,514</u> | <u>6.68%</u> |
| General Revenues: | | | |
| Taxes | 7,575,700 | 8,091,226 | (6.37%) |
| Grants and Entitlements Not Restricted to Specific Programs | 4,960,259 | 5,156,234 | (3.80%) |
| Contributions and Donations | 375 | 30,034 | (98.75%) |
| Investment Earnings | 17,189 | 11,156 | (54.08%) |
| Proceeds from Sale of Assets | 0 | 3,500 | (100.00%) |
| Miscellaneous | 213,987 | 46,147 | 363.71% |
| Total General Revenues | <u>12,767,510</u> | <u>13,338,297</u> | <u>(4.28%)</u> |
| Total Revenues | <u>17,581,650</u> | <u>17,850,811</u> | <u>(1.51%)</u> |

Reading Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 2
(Continued)
Change in Net Position
Governmental Activities

| | 2013 | 2012* | Percent of Change |
|---|--------------|-------------|----------------------|
| Expenses | | | |
| Instruction | \$10,644,341 | \$9,975,931 | 6.70% |
| Support Services: | | | |
| Pupils | 1,051,205 | 1,025,954 | 2.46% |
| Instructional Staff | 497,813 | 326,280 | 52.57% |
| Board of Education | 47,352 | 54,443 | (13.02%) |
| Administration | 1,422,113 | 1,453,934 | (2.19%) |
| Fiscal | 359,988 | 345,129 | 4.31% |
| Operation and Maintenance of Plant | 1,266,879 | 1,129,869 | 12.13% |
| Pupil Transportation | 253,177 | 267,733 | (5.44%) |
| Central | 54,721 | 305,509 | (82.09%) |
| Operation of Non-Instructional Services | 1,552,036 | 1,482,569 | 4.69% |
| Extracurricular Activities | 554,008 | 525,284 | 5.47% |
| Debt Service: | | | |
| Interest and Fiscal Charges | 63,933 | 14,147 | 351.92% |
| Issuance Costs | 71,709 | 0 | 100.00% |
| Total Expenses | 17,839,275 | 16,906,782 | 5.52% |
| Change in Net Position | (257,625) | 944,029 | (127.29%) |
| Net Position, Beginning of Year | 6,965,864 | 6,021,835 | 15.68% |
| Net Position, End of Year | \$6,708,239 | \$6,965,864 | (3.70%) |

*As restated. See note 19 to the basic financial statements. Reclassifications have also been made to prior year amounts for consistency of classification with the current year.

The District experienced a 1.51 percent decrease in total revenues during 2013. The District experienced an increase in miscellaneous revenue due to a large refund received from the County for reappraisal fees related to tax collections. The District experienced a decrease in tax revenue due to a large increase in accruals for delinquencies in the prior year as compared to the current year.

Expenses increased by \$932,493 or 5.52 percent in 2013. Instruction and instructional staff increased due to increases in expenses related to accruals for matured compensated absences and accrued wages and benefits. Central support services decreased due to less spending on instructional technology as compared to the prior year.

Governmental Activities

The District receives 43.09 percent of its revenue from property taxes and 28.21 percent from unrestricted grants and entitlements. The balance of revenue received (28.70 percent) is primarily in the form of program revenues, investment income, and miscellaneous items.

Expenses for instruction represent 59.67 percent of the total governmental expenses. Support services represent 27.77 percent of the total expenses. The remaining 12.56 percent of expenses is distributed to non-instructional services, extracurricular activities, interest and fiscal charges, and issuance costs.

Reading Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The statement of activities demonstrates the cost of program services and the charges for services and sales and grants and contributions offsetting those services. In Table 3 the total cost of services and the net cost of services are presented. The table identifies the cost of services supported by tax revenues and unrestricted state entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

| | Total Cost of Services 2013 | Net Cost of Services 2013 | Total Cost of Services 2012 | Net Cost of Services 2012* | Percent of Change in Net Cost |
|-----------------------------|-----------------------------------|---------------------------------|-----------------------------------|----------------------------------|-------------------------------------|
| Instruction | \$10,644,341 | \$8,313,410 | \$9,975,931 | \$7,835,599 | 6.10% |
| Support Services | 4,953,248 | 4,186,095 | 4,908,851 | 4,166,740 | 0.46% |
| Non-Instructional | 1,552,036 | (3,837) | 1,482,569 | 43,701 | (108.78%) |
| Extracurricular | 554,008 | 393,825 | 525,284 | 334,081 | 17.88% |
| Interest and Fiscal Charges | 63,933 | 63,933 | 14,147 | 14,147 | 351.19% |
| Issuance Costs | 71,709 | 71,709 | 0 | 0 | 100.00% |
| Total Expenses | \$17,839,275 | \$13,025,135 | \$16,906,782 | \$12,394,268 | 5.09% |

*As restated. See note 19 to the basic financial statements. Reclassifications have also been made to prior year amounts for consistency of classification with the current year.

The District's Funds

Information about the District's funds begins on page 13. The funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$20,039,877 and expenditures and other financing uses of \$18,992,937. The net increase in fund balance was \$1,046,940.

The general fund experienced a decrease of \$619,439 due to an increase in expenditures that exceeded the increase in revenues. The increase in expenditures was primarily the result of matured compensated absences. The District saw over 20 employees retire or resign due to legislative changes enacted by the State Teachers Retirements System (STRS) and the School Employees Retirement System (SERS). The District anticipates replacing most or all of the positions, but at much lower salary. The District would hope to reverse or bend the trend of spending more than its revenue with lower cost personnel.

The capital projects fund balance increased \$1,552,887 due primarily to an increase for certificates of participation issued. The increase for this issuance was partially offset by a decrease for capital outlay expenditures.

General Fund Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2013, the District revised its budget to accommodate changes in expected revenues and planned expenditures. The District's ending unencumbered cash balance was \$854,419 above the final budgeted amount. The majority of the positive budget variance was attributed to cost savings in every expenditure category of the District.

Reading Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of the 2013 fiscal year, the District had \$2,982,402 in land, construction in progress, land improvements, buildings and improvements, and furniture and equipment. Table 4 demonstrates balances for 2013 as compared to 2012:

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)
 Governmental Activities

| | 2013 | 2012 | Percent of Change |
|----------------------------|--------------------|--------------------|-------------------------|
| Land | \$419,344 | \$419,344 | 0.00% |
| Construction in Progress | 163,387 | 0 | 100.00% |
| Land Improvements | 48,072 | 58,455 | (17.76%) |
| Buildings and Improvements | 1,346,468 | 1,239,636 | 8.62% |
| Furniture and Equipment | 1,005,131 | 606,119 | 65.83% |
| Total | \$2,982,402 | \$2,323,554 | 28.36% |

The increase in capital assets is primarily attributable to acquisitions of capital assets in excess of depreciation expense. For more detailed information regarding capital assets, see note 8.

Debt

At June 30, 2013, the District had \$2,728,924 in bonds, certificates of participation, and leases outstanding with \$305,086 due within one year. Table 5 summarizes outstanding long-term debt.

Table 5
 Outstanding Debt at June 30:
 Governmental Activities

| | 2013 | 2012 | Percent of Change |
|--------------------------------|--------------------|------------------|-------------------------|
| General Obligation Bonds, 2011 | \$123,000 | \$162,000 | (24.07%) |
| Lease Purchase Agreement | 90,255 | 158,676 | (43.12%) |
| Certificates of Participation | 2,000,000 | 0 | 100.00% |
| Capital Lease | 515,669 | 0 | 100.00% |
| Total | \$2,728,924 | \$320,676 | 750.99% |

Additional information on debt can be found in note 13.

The Future of Reading Community City School District

The future challenges of the Reading Community City School District involve meeting the standards for the Common Core Curriculum, implementing the new Ohio Teacher Evaluation System, improving technology opportunities for students and maintaining the aging physical plant and facilities.

Reading Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

In an effort to generate revenue the Board of Education implemented an open enrollment policy in December 2007, to permit any student in the State of Ohio the ability to apply for enrollment. The District marketed itself during the winter and spring of 2008 and nearly 150 students applied. The District saw 147 full-time equivalent students enroll for the 2009-2010 school year. During the 2010-2011 school year 179 students enrolled and 226 student attended from 15 different school districts during the 2011-2012 school year. The District accepted 256 students during the 2012-13 school year and over 300 students are anticipated for the 2013-2014 school year. The District receives \$5,745 in revenue for each student. The District has netted the equivalent of eight (8) mills of property tax by taking advantage of available capacity. The opportunity to expand the open enrollment is very limited in the future unless the District expends dollars to open more classrooms.

The Board of Education placed a 5.71 mill 7 year emergency renewal operating levy on the ballot November 6, 2012. The levy passed by a 70 percent favorable margin. The levy will generate \$1,170,000 annually and will continue to permit the District to operate its current programs until June 30, 2016. The additional length of the levy will help maintain a stable stream of revenue to the District, while avoiding repeated trips to the ballot for renewal. The renewal did not increase the taxes of property owners.

The District has planned to install a state-of-the-art wireless network system in all of its buildings in preparation for the 2013-2014 school year. The enhanced network will permit the District to better utilize technology with more flexibility. This will allow the District to meet a significant goal in its Strategic Plan of increasing the access to technology for students. To completely fulfill that goal, the District will implement a 1-to-1 iPad program in grades 6 through 12. The goal is to provide students with Google Accounts to take advantage of Google Apps for Education to enhance existing instruction.

A more significant challenge is the District's facilities. The District has 3 buildings, all in excess of 50 years of age. The buildings are safe, clean and maintained but have not received any significant improvements since their construction. The District has made a number of reductions since 2006 and building improvements have been minimal since that time. The District is developing a capital repair plan. A debt financing of \$2,000,000 was closed during fiscal year 2013 in order to address the most immediate needs of the facilities. Roofing, heating systems and water supply systems are the primary improvements scheduled to be used with the proceeds of the financing.

In conclusion, the District has continued to perform its mission at a high level despite numerous changes in school funding over the last 5 years that has compromised its ability to sustain itself financially. The District has been decisive in implementing cost reductions and reducing over 25 positions in the last 6 years and has been creative with the implementation of open enrollment to utilize existing capacity in important programs. It will take the same decisiveness and creativity going forward for the Reading Community City School District to sustain itself.

District Contact Information

This financial report is available to all of the citizens, taxpayers, investors and creditors that may have an interest in the finances of the Reading Community City School District. Anyone having questions regarding this report or desiring additional information may contact Cary L. Furniss, Treasurer at Reading Community City Schools, 1301 Bonnell Avenue, Reading, Ohio 45215, or by phone at 513-842-5108 or by email at cfurniss@readingschools.org.

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Reading Community City School District
Statement of Net Position
June 30, 2013

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$4,955,943 |
| Accrued Interest Receivable | 7,696 |
| Intergovernmental Receivable | 157,040 |
| Prepaid Items | 118,515 |
| Taxes Receivable | 8,242,498 |
| Capital Assets: | |
| Nondepreciable Capital Assets | 582,731 |
| Depreciable Capital Assets, Net | 2,399,671 |
| Total Assets | 16,464,094 |
| Liabilities | |
| Accounts Payable | 148,509 |
| Accrued Wages and Benefits | 1,114,599 |
| Contracts Payable | 61,640 |
| Intergovernmental Payable | 339,479 |
| Matured Compensated Absences Payable | 344,080 |
| Long-Term Liabilities: | |
| Due Within One Year | 305,086 |
| Due in More Than One Year | 3,192,148 |
| Total Liabilities | 5,505,541 |
| Deferred Inflows of Resources | |
| Property Taxes not Levied to Finance Current Year Operations | 4,250,314 |
| Net Position | |
| Net Investment in Capital Assets | 2,035,054 |
| Restricted For: | |
| Capital Projects | 20,749 |
| Other Purposes | 486,660 |
| Unrestricted | 4,165,776 |
| Total Net Position | \$6,708,239 |

See the accompanying notes to the basic financial statements.

Reading Community City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

| | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position |
|---|---------------------|--|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | |
| Governmental Activities | | | | |
| Instruction | | | | |
| Regular | \$7,558,895 | \$922,905 | \$222,936 | (\$6,413,054) |
| Special | 2,546,093 | 252,421 | 857,474 | (1,436,198) |
| Vocational | 2,086 | 0 | 11,282 | 9,196 |
| Other | 537,267 | 63,913 | 0 | (473,354) |
| Support Services | | | | |
| Pupils | 1,051,205 | 112,373 | 114,844 | (823,988) |
| Instructional Staff | 497,813 | 52,807 | 43,223 | (401,783) |
| Board of Education | 47,352 | 5,633 | 0 | (41,719) |
| Administration | 1,422,113 | 169,088 | 0 | (1,253,025) |
| Fiscal | 359,988 | 41,671 | 20,052 | (298,265) |
| Operation and Maintenance of Plant | 1,266,879 | 136,281 | 0 | (1,130,598) |
| Pupil Transportation | 253,177 | 57,362 | 966 | (194,849) |
| Central | 54,721 | 5,653 | 7,200 | (41,868) |
| Operation of Non-Instructional Services | 1,552,036 | 231,865 | 1,324,008 | 3,837 |
| Extracurricular Activities | 554,008 | 156,924 | 3,259 | (393,825) |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 63,933 | 0 | 0 | (63,933) |
| Issuance Costs | 71,709 | 0 | 0 | (71,709) |
| Total Governmental Activities | \$17,839,275 | \$2,208,896 | \$2,605,244 | (13,025,135) |
| | | General Revenues | | |
| | | Property Taxes Levied for General Purposes | | 7,575,700 |
| | | Grants and Entitlements not Restricted to Specific Programs | | 4,960,259 |
| | | Contributions and Donations | | 375 |
| | | Investment Earnings | | 17,189 |
| | | Miscellaneous | | 213,987 |
| | | Total General Revenues | | 12,767,510 |
| | | Change in Net Position | | (257,625) |
| | | Net Assets Beginning of Year - Restated | | 6,965,864 |
| | | Net Assets End of Year | | \$6,708,239 |

See the accompanying notes to the basic financial statements.

Reading Community City School District
Balance Sheet
Governmental Funds
June 30, 2013

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,731,200 | \$1,781,575 | \$443,168 | \$4,955,943 |
| Accrued Interest Receivable | 7,696 | 0 | 0 | 7,696 |
| Interfund Receivable | 5,300 | 0 | 0 | 5,300 |
| Intergovernmental Receivable | 0 | 0 | 157,040 | 157,040 |
| Prepaid Items | 106,549 | 0 | 11,966 | 118,515 |
| Taxes Receivable | 8,242,498 | 0 | 0 | 8,242,498 |
| Total Assets | \$11,093,243 | \$1,781,575 | \$612,174 | \$13,486,992 |
| Liabilities | | | | |
| Accounts Payable | \$128,387 | \$0 | \$20,122 | \$148,509 |
| Accrued Wages and Benefits | 1,041,243 | 0 | 73,356 | 1,114,599 |
| Contracts Payable | 0 | 61,640 | 0 | 61,640 |
| Interfund Payable | 0 | 0 | 5,300 | 5,300 |
| Intergovernmental Payable | 312,743 | 0 | 26,736 | 339,479 |
| Matured Compensated Absences Payable | 344,080 | 0 | 0 | 344,080 |
| Total Liabilities | 1,826,453 | 61,640 | 125,514 | 2,013,607 |
| Deferred Inflows of Resources | | | | |
| Property Taxes not Levied to Finance Current Year Operations | 4,250,314 | 0 | 0 | 4,250,314 |
| Unavailable Revenue: | | | | |
| Property Taxes | 1,109,184 | 0 | 0 | 1,109,184 |
| Grants | 0 | 0 | 77,473 | 77,473 |
| Total Deferred Inflows of Resources | 5,359,498 | 0 | 77,473 | 5,436,971 |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Prepaid Items | 106,549 | 0 | 11,966 | 118,515 |
| Restricted for: | | | | |
| Capital Outlay | 0 | 1,719,935 | 0 | 1,719,935 |
| Food Service | 0 | 0 | 230,264 | 230,264 |
| Other Purposes | 0 | 0 | 14,006 | 14,006 |
| Nonpublic Schools | 0 | 0 | 100,769 | 100,769 |
| Extracurricular Activities | 0 | 0 | 52,708 | 52,708 |
| Committed to: | | | | |
| Other Purposes | 202,183 | 0 | 0 | 202,183 |
| Assigned to: | | | | |
| Student and Staff Support | 43,914 | 0 | 0 | 43,914 |
| Other Purposes | 174,885 | 0 | 0 | 174,885 |
| Unassigned | 3,379,761 | 0 | (526) | 3,379,235 |
| Total Fund Balances | 3,907,292 | 1,719,935 | 409,187 | 6,036,414 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$5,733,745 | \$1,781,575 | \$534,701 | \$8,050,021 |

See the accompanying notes to the basic financial statements.

Reading Community City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total Governmental Fund Balances \$6,036,414

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. These assets consist of:

| | | |
|----------------------------|-------------|-----------|
| Land | 419,344 | |
| Construction in progress | 163,387 | |
| Land improvements | 152,324 | |
| Buildings and improvements | 4,066,949 | |
| Furniture and equipment | 2,293,524 | |
| Accumulated depreciation | (4,113,126) | |
| | 2,982,402 | 2,982,402 |

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

| | | |
|-------------------|-----------|-----------|
| Property taxes | 1,109,184 | |
| Intergovernmental | 77,473 | |
| | 1,186,657 | 1,186,657 |

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

| | | |
|---------------------------------|-------------|-------------|
| Lease purchase agreement | (90,255) | |
| General obligation bond payable | (123,000) | |
| Certificates of participation | (2,000,000) | |
| Capital lease | (515,669) | |
| Compensated absences | (768,310) | |
| | (3,497,234) | (3,497,234) |

Net Position of Governmental Activities \$6,708,239

See the accompanying notes to the basic financial statements.

Reading Community City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|-----------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$7,496,966 | \$0 | \$0 | \$7,496,966 |
| Intergovernmental | 5,389,297 | 0 | 2,113,182 | 7,502,479 |
| Interest | 16,998 | 154 | 37 | 17,189 |
| Tuition and Fees | 1,822,459 | 0 | 0 | 1,822,459 |
| Extracurricular Activities | 25,341 | 0 | 143,315 | 168,656 |
| Contributions and Donations | 28,866 | 0 | 4,225 | 33,091 |
| Customer Sales and Services | 37,372 | 0 | 180,409 | 217,781 |
| Miscellaneous | 142,666 | 0 | 71,321 | 213,987 |
| Total Revenues | 14,959,965 | 154 | 2,512,489 | 17,472,608 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | | | | |
| Regular | 7,423,675 | 0 | 225,462 | 7,649,137 |
| Special | 2,159,825 | 0 | 424,186 | 2,584,011 |
| Vocational | 0 | 0 | 2,086 | 2,086 |
| Other | 537,267 | 0 | 0 | 537,267 |
| Support Services | | | | |
| Pupils | 968,488 | 0 | 106,246 | 1,074,734 |
| Instructional Staff | 488,368 | 0 | 41,541 | 529,909 |
| Board of Education | 47,352 | 0 | 0 | 47,352 |
| Administration | 1,480,318 | 0 | 0 | 1,480,318 |
| Fiscal | 337,842 | 0 | 20,880 | 358,722 |
| Operation and Maintenance of Plant | 1,145,612 | 24,822 | 0 | 1,170,434 |
| Pupil Transportation | 206,705 | 0 | 46,472 | 253,177 |
| Central | 47,521 | 0 | 7,200 | 54,721 |
| Operation of Non-Instructional Services | 103,072 | 0 | 1,413,869 | 1,516,941 |
| Extracurricular Activities | 389,892 | 0 | 156,755 | 546,647 |
| Capital Outlay | 528,406 | 358,512 | 5,900 | 892,818 |
| Debt Service | | | | |
| Principal | 107,421 | 0 | 0 | 107,421 |
| Interest and Fiscal Charges | 71,709 | 0 | 0 | 71,709 |
| Issuance Costs | 0 | 63,933 | 0 | 63,933 |
| Total Expenditures | 16,043,473 | 447,267 | 2,450,597 | 18,941,337 |
| Excess of Revenues Over (Under) Expenditures | (1,083,508) | (447,113) | 61,892 | (1,468,729) |
| Other Financing Sources (Uses) | | | | |
| Certificates of Participation Issued | 0 | 2,000,000 | 0 | 2,000,000 |
| Inception of Capital Lease | 515,669 | 0 | 0 | 515,669 |
| Transfers In | 0 | 0 | 51,600 | 51,600 |
| Transfers Out | (51,600) | 0 | 0 | (51,600) |
| Total Other Financing Sources (Uses) | 464,069 | 2,000,000 | 51,600 | 2,515,669 |
| Net Change in Fund Balances | (619,439) | 1,552,887 | 113,492 | 1,046,940 |
| Beginning Fund Balances, July 1 - Restated | 4,526,731 | 167,048 | 295,695 | 4,989,474 |
| Ending Fund Balances, June 30 | \$3,907,292 | \$1,719,935 | \$409,187 | \$6,036,414 |

See the accompanying notes to the basic financial statements.

Reading Community City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds \$1,046,940

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|-------------------------|------------------|---------|
| Capital asset additions | 892,818 | |
| Depreciation expense | <u>(233,970)</u> | |
| | | 658,848 |

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

| | | |
|----------------------|---------------|---------|
| Property tax revenue | 78,734 | |
| Intergovernmental | <u>30,308</u> | |
| | | 109,042 |

Proceeds from the issuance of certificates of participation in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (2,000,000)

The inception of capital lease in governmental funds increase long-term liabilities on the statement of net position but are not reported as revenues on the statement of activities. (515,669)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities.

| | | |
|-------------------------------------|---------------|---------|
| Lease purchase principal retirement | 68,421 | |
| Bond principal retirement | <u>39,000</u> | |
| | | 107,421 |

Some items 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. These activities consist of:

| | | |
|----------------------------------|----------------|----------------|
| Decrease in compensated absences | <u>335,793</u> | |
| | | <u>335,793</u> |

Change in Net Position of Governmental Activities (\$257,625)

See the accompanying notes to the basic financial statements.

Reading Community City School District
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund*
For the Fiscal Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with |
|---|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$6,601,420 | \$7,496,830 | \$7,496,966 | \$136 |
| Intergovernmental | 5,204,243 | 5,342,972 | 5,389,297 | 46,325 |
| Interest | 12,000 | 12,000 | 14,841 | 2,841 |
| Tuition and Fees | 1,522,000 | 1,522,000 | 1,795,888 | 273,888 |
| Rent | 5,000 | 5,000 | 0 | (5,000) |
| Contributions and Donations | 0 | 0 | 375 | 375 |
| Customer Sales and Services | 16,250 | 16,250 | 37,372 | 21,122 |
| Miscellaneous | 109,500 | 109,500 | 111,606 | 2,106 |
| Total Revenues | 13,470,413 | 14,504,552 | 14,846,345 | 341,793 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | | | | |
| Regular | 7,162,195 | 7,372,706 | 7,301,113 | 71,593 |
| Special | 2,064,489 | 2,205,095 | 2,147,761 | 57,334 |
| Vocational | 822 | 494 | 0 | 494 |
| Other | 592,335 | 593,944 | 537,470 | 56,474 |
| Support Services | | | | |
| Pupils | 992,040 | 966,660 | 937,471 | 29,189 |
| Instructional Staff | 436,908 | 484,811 | 475,482 | 9,329 |
| Board of Education | 60,744 | 62,944 | 48,119 | 14,825 |
| Administration | 1,533,463 | 1,515,251 | 1,425,436 | 89,815 |
| Fiscal | 334,975 | 371,568 | 336,725 | 34,843 |
| Operation and Maintenance of Plant | 1,172,694 | 1,219,469 | 1,174,262 | 45,207 |
| Pupil Transportation | 252,321 | 245,658 | 209,199 | 36,459 |
| Central | 69,365 | 66,309 | 62,674 | 3,635 |
| Operation of Non-Instructional Services | 17,172 | 16,935 | 16,799 | 136 |
| Extracurricular Activities | 401,950 | 396,827 | 374,402 | 22,425 |
| Capital Outlay | 21,225 | 22,874 | 22,674 | 200 |
| Debt Service | | | | |
| Principal | 117,422 | 107,422 | 107,421 | 1 |
| Interest and Fiscal Charges | 10,219 | 71,710 | 71,709 | 1 |
| Total Expenditures | 15,240,339 | 15,720,677 | 15,248,717 | 471,960 |
| Excess of Revenues Under Expenditures | (1,769,926) | (1,216,125) | (402,372) | 813,753 |
| Other Financing Sources (Uses) | | | | |
| Advances In | 0 | 0 | 61,066 | 61,066 |
| Transfers Out | (62,400) | (55,000) | (55,000) | 0 |
| Advances Out | 0 | 0 | (20,400) | (20,400) |
| Total Other Financing Sources (Uses) | (62,400) | (55,000) | (14,334) | 40,666 |
| Net Change in Fund Balances | (1,832,326) | (1,271,125) | (416,706) | 854,419 |
| Beginning Fund Balances, July 1-Restated | 2,308,177 | 2,308,177 | 2,308,177 | 0 |
| Prior Year Encumbrances Appropriated | 332,784 | 332,784 | 332,784 | 0 |
| Ending Fund Balances, June 30 | \$808,635 | \$1,369,836 | \$2,224,255 | \$854,419 |

See the accompanying notes to the basic financial statements.

Reading Community City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

| | Private Purpose Trust | Agency |
|--|--------------------------|-----------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$111,697</u> | <u>\$39,348</u> |
| Liabilities | | |
| Due to Students | | <u>\$39,348</u> |
| Total Liabilities | | <u>\$39,348</u> |
| Net Position | | |
| Held in Trust for Scholarships | <u>\$111,697</u> | |

See the accompanying notes to the basic financial statements.

Reading Community City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| Additions | |
| Contributions and Donations | \$6,424 |
| Interest | <u>10</u> |
| Total Additions | 6,434 |
| Deductions | |
| Payments in Accordance With Trust Agreements | <u>2,200</u> |
| Total Deductions | <u>2,200</u> |
| Change in Net Position | 4,234 |
| Net Position Beginning of Year | <u>107,463</u> |
| Net Position End of Year | <u><u>\$111,697</u></u> |

See the accompanying notes to the basic financial statements.

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Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 1 – Description of the District and Reporting Entity

Reading Community City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the District. The Board controls the District's three instructional support facilities staffed by 112 certified, 27 non-certified and 8 administrative employees providing education to approximately 1,531 students.

The District was established in 1863 and was later organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. The District serves 3.14 square miles including all of the City of Reading, a small area of the City of Evendale, and a portion of Sycamore Township. The City of Reading was incorporated as a village in 1851. It is located in southwest Ohio, in the north-central portion of Hamilton County.

Financial Reporting Entity

The reporting entity is composed of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Reading Community City School District, this includes general operations, food service, preschool and student related activities of the District.

The District reviewed potential component units for possible inclusion in the reporting entity. Component units are legally separate organizations for which the District is financially accountable. The District would be financially accountable for an organization if the District appointed a voting majority of the organization's governing board and (1) the District was able to significantly influence the programs or services performed or provided by the organization; or (2) the District was legally entitled to or can otherwise access the organization's resources; the District was legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District was obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District determined that it has no component units that meet these criteria.

The District is associated with three organizations two of which are defined as jointly governed organizations and the other is an insurance purchasing pool. These organizations are the Great Oaks Institute of Technology and Career Development, the Hamilton/Clermont Cooperative Association and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in notes 9 and 14 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

A. **Basis of Presentation**

The District'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.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. 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 and 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District 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 liabilities is reported as fund balance. The following are the District's major governmental funds:

The general fund is the general operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

The capital projects fund is a fund provided to account for all transactions related to the acquiring, constructing, or improving of permanent improvements. This fund received debt proceeds to provide for such projects.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and an agency fund. The District's private purpose trust fund is used to account for scholarships to students. The District's agency fund accounts for student managed activities.

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total 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 current liabilities are generally 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 financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows, 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 District, available means expected to be received within sixty days of fiscal year-end.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year end: investment earnings, grants and property taxes available for advance.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources in the governmental funds and as revenue on the statement of activities.

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 the governmental funds.

E. Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes in one bank account with individual fund cash balance integrity maintained through the District's financial records. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2013, investments were limited to certificates of deposit and money market funds. Investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Under existing Ohio statutes, all investment earnings are allocated to the General Fund except those specifically related to auxiliary services fund, agency funds, certain trust funds and those funds individually authorized by Board resolution. Interest revenue credited to the general fund and capital projects fund during fiscal year 2013 amounted to \$16,998 and \$154, respectively. Interest revenue was also posted to other governmental funds as follows: food service fund, \$15 and auxiliary services fund, \$22.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts would represent intended uses established by the District’s Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District 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.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

All capital assets of the District are general capital assets, which 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.

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 fair market values as of the date received. The District maintains a capitalization threshold of two thousand, five hundred dollars (\$2,500). The District does not possess any infrastructure. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|-------------------------|-------------|
| Land Improvements | 20 years |
| Buildings | 50 years |
| Building Improvements | 20-30 years |
| Furniture and Equipment | 5-20 years |

I. 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators after 15 years of current service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

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, compensated absences and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment in the current year.

Bonds, certificates of participation, and capital leases that will be paid from governmental funds are recognized as liabilities in the fund financial statements when due.

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

The government-wide statement of net position reports \$507,409 of restricted net position, of which none is restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. 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 could differ from those estimates.

M. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the government-wide financial statements.

N. Parochial Schools

Within the District's boundaries, St. Nicholas Academy and Mount Notre Dame High School are operated through the Cincinnati Archdiocese. St. Peter and Paul Elementary is a chartered non-public elementary. Current state and federal legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The receipt and expenditure of these state monies is reflected in a special revenue fund for financial reporting purposes.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Basis of Budgeting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budget 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed by the Board of Education.

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

P. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

Note 3 – Fund Deficits

At June 30, 2013, the following fund had a fund deficit:

| | |
|------------------------------|-------|
| Non-Major Governmental Fund: | |
| Special Revenue Fund: | |
| IDEA Fund | \$526 |

The fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

Note 4 – Basis of Budgeting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the basis of budgeting as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual for the general fund is presented on the basis of budgeting to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 4 – Basis of Budgeting (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) but have no effect on fund balance for GAAP.
4. As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, rotary, and public school support funds.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund.

| <u>Change in Fund Balance</u> | |
|--|--------------------|
| GAAP basis | (\$619,439) |
| Net adjustment for revenue accruals | (469,960) |
| Net adjustment for expenditure accruals | 1,129,023 |
| Adjustment for encumbrances | (453,780) |
| (Excess) deficit of funds combined with general fund for reporting purposes | <u>(2,550)</u> |
| Budget basis | <u>(\$416,706)</u> |

Note 5 – Deposits and Investments

State statutes require the classification of monies held by the District into three categories.

Active deposits are those monies required to be kept in a “cash” or “near-cash” status for immediate use by the District. Such monies must be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are 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.

Interim monies may be invested or deposited in the following securities provided they mature or are redeemable within one year from the date of purchase:

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 5 – Deposits and Investments (Continued)

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 5 – Deposits and Investments (Continued)

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a custodial credit risk policy. However, protection of the District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. At year-end, the District's bank balance was \$5,172,911, which was covered by the Federal Deposit Insurance Corporation or by the financial institutions' public entity deposit pools in the manner described above.

Investments: The District's investments are summarized as follows:

| <u>Description</u> | <u>Fair Value</u> | <u>Average Maturity (Years)</u> |
|--|-------------------|---------------------------------|
| Federated Government Money Market Fund | \$3,208 | N/A |

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. Investments in the money market fund were rated AAAM by Standard & Poor's.

Custodial Credit Risk – Custodial credit risk occurs if, in the event of a failure of a counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment securities are registered in the name of the District.

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio for five years.

Concentration of Credit Risk – This is the risk that can be attributed to the magnitude of a government's investment in a single issuer. The District's investment policy allows investments in eligible securities as described in the Ohio Revised Code. As of June 30, 2013, all of the District's investments were in money market funds.

Note 6 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year is from July through June. The District in the second half of the fiscal year receives first half tax collections. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property taxes received in calendar year 2013 represent the collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 6 – Property Taxes (Continued)

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources. The amount available as an advance at June 30, 2013, was \$2,883,000 in the general fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2013 taxes were collected are:

| | 2012 Second-Half Collections | | 2013 First-Half Collections | |
|--|------------------------------|---------|-----------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$176,402,940 | 96.21% | \$174,938,980 | 95.66% |
| Public Utility Personal Property | 6,948,500 | 3.79% | 7,938,190 | 4.34% |
| Total Assessed Value | \$183,351,440 | 100.00% | \$182,877,170 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | | \$73.37 | | \$73.37 |

Note 7 - Receivables

Receivables at June 30, 2013, consisted of taxes, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. The principal items of receivables follows:

| | Taxes | Intergovernmental | Interest |
|---------------------------------|-------------|-------------------|----------|
| General Fund | \$8,242,498 | \$0 | \$7,696 |
| Non-Major Special Revenue Funds | 0 | 157,040 | 0 |
| Total | \$8,242,498 | \$157,040 | \$7,696 |

Reading Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|--|--------------------------|-----------|-----------|--------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$419,344 | \$0 | \$0 | \$419,344 |
| Construction in Progress | 0 | 163,387 | 0 | 163,387 |
| Total Capital Assets, Not Being Depreciated | 419,344 | 163,387 | 0 | 582,731 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 152,324 | 0 | 0 | 152,324 |
| Buildings and Improvements | 3,872,330 | 194,619 | 0 | 4,066,949 |
| Furniture and Equipment | 1,758,712 | 534,812 | 0 | 2,293,524 |
| Total Capital Assets, Being Depreciated | 5,783,366 | 729,431 | 0 | 6,512,797 |
| Less Accumulated Depreciated | | | | |
| Land Improvements | (93,869) | (10,383) | 0 | (104,252) |
| Buildings and Improvements | (2,632,694) | (87,787) | 0 | (2,720,481) |
| Furniture and Equipment | (1,152,593) | (135,800) | 0 | (1,288,393) |
| Total Accumulated Depreciation | (3,879,156) | (233,970) | 0 | (4,113,126) |
| Total Capital Assets, Being Depreciated, Net | 1,904,210 | 495,461 | 0 | 2,399,671 |
| Governmental Activities Capital Assets, Net | \$2,323,554 | \$658,848 | \$0 | \$2,982,402 |

Depreciation expense was charged as follows:

| | |
|---|------------------|
| Instruction: | |
| Regular | \$81,660 |
| Support Services: | |
| Pupils | 323 |
| Instructional Staff | 12,364 |
| Administration | 722 |
| Operation and Maintenance of Plant | 96,445 |
| Operation of Non-Instructional Services | 35,095 |
| Extracurricular Activities | 7,361 |
| Total | <u>\$233,970</u> |

Note 9 – Risk Management

A. Property and Liability

The District 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. During fiscal year 2013, the District contracted with Ohio School Plan underwritten by Hylant Group for general liability insurance with a \$7,000,000 aggregate limit covering all employees and volunteers of the District.

The Ohio School Plan also provides property and Fleet Insurance and property holds a \$1,000 deductible and the maintenance vehicles have a \$500 deductible for comprehensive and collision and a \$1,000,000 limit per occurrence.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 9 – Risk Management (Continued)

The Ohio School Plan maintains a \$20,000 performance bond for the Board President and a \$50,000 public official bond for the Treasurer. The Ohio School Plan maintains a \$50,000 employee dishonesty blanket bond for all employees.

Settlements have not exceeded insurance coverage in any of the last three fiscal years. There was no significant decrease in coverage from the prior year.

B. Worker’s Compensation

The District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Note 10 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with advice of the actuary, allocates the employer contribution rate among the four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For the fiscal year ending June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The District’s contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$213,091, \$200,576, and \$182,474, respectively; 94.80 percent has been contributed for fiscal year 2013 and 100 percent for 2012 and 2011.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 10 – Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 10 – Defined Benefit Pension Plans (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$973,798, \$959,264, and \$983,538, respectively; 99.60 percent has been contributed for fiscal year 2013 and 100 percent for 2012 and 2011.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, none of the members of the Board of Education have elected Social Security.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 11 – Postemployment Benefits

A. School Employees Retirement System

Post-Employment Benefits

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent. For the District, contributions for the years ended June 30, 2013, 2012, and 2011, were \$12,037, \$11,891, and \$11,743, respectively; 94.80 percent has been contributed for fiscal year 2013 and 100 percent for 2012 and 2011.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care for the years ended June 30, 2013, 2012 and 2011, were \$33,227, \$40,912, and \$22,095, respectively; 94.80 percent has been contributed for fiscal year 2013 and 100 percent for 2012 and 2011.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 11 – Postemployment Benefits (Continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$74,908, \$73,790, and \$75,657, for fiscal years 2013, 2012, and 2011, respectively; 99.60 percent has been contributed for fiscal year 2013 and 100 percent for 2012 and 2011.

Note 12 – Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, Board resolutions and State laws. Eligible classified employees and administrators earn ten to twenty-three days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 sick days of leave for each year under contract. During regular employment, sick leave may be accumulated, up to a maximum of 300 days for teachers, 300 days for administrators and 240 days for classified. Upon retirement, severance pay is based upon one-fourth of the accrual of sick days up to a maximum of 74 days for teachers, 75 days for administrators and 60 days for classified.

Reading Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12 – Employee Benefits (Continued)

B. Insurance Benefits

The District provides medical, dental and life insurance and accidental death and dismemberment insurance to most employees through the Greater Cincinnati Insurance Consortium. Employees generally must work in excess of 25 hours per week to be eligible for insurance benefits.

Note 13 – Long-Term Obligations

Long-term obligations activity of the District for the fiscal year ended June 30, 2013, was as follows:

| | Principal Outstanding June 30, 2012 | Additions | Deductions | Principal Outstanding June 30, 2013 | Due Within One Year |
|-------------------------------|---|-------------|-------------|---|------------------------|
| Governmental Activities: | | | | | |
| General Obligations Bond 2011 | \$162,000 | \$0 | \$39,000 | \$123,000 | \$40,000 |
| Certificates of Participation | 0 | 2,000,000 | 0 | 2,000,000 | 20,000 |
| Total Debt | 162,000 | 2,000,000 | 39,000 | 2,123,000 | 60,000 |
| Lease Purchase Agreement | 158,676 | 0 | 68,421 | 90,255 | 71,770 |
| Capital Lease | 0 | 515,669 | 0 | 515,669 | 173,316 |
| Total Lease Obligations | 158,676 | 515,669 | 68,421 | 605,924 | 245,086 |
| Compensated Absences | 1,104,103 | 768,310 | 1,104,103 | 768,310 | 0 |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | \$1,424,779 | \$3,283,979 | \$1,211,524 | \$3,497,234 | \$305,086 |

General Obligation Bonds – In fiscal year 2011, the District issued \$200,000 in General Obligation Bonds at an interest rate of 2.5 percent. These bonds were issued for purposes of acquiring equipment for the District and will be retired from the general fund.

Certificates of Participation – In fiscal year 2013, the District authorized certificates of participation financing for the acquisition, construction, equipping, improving, installation and renovation of school facilities, including roof repair and/or replacement. The District is required to make annual payments with interest rates ranging from 2 percent to 4.125 percent. The final payment is due on December 1, 2032. Lease payments will be made from the District's general fund.

Future principal and interest requirements for the general obligations bonds are as follows:

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|--------------------------------|-----------|----------|-----------|
| 2014 | \$40,000 | \$2,826 | \$42,826 |
| 2015 | 41,000 | 1,820 | 42,820 |
| 2016 | 42,000 | 789 | 42,789 |
| Total | \$123,000 | \$5,435 | \$128,435 |

Reading Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 – Long-Term Obligations (Continued)

Future principal and interest requirements for the certificates of participation are as follows:

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|--------------------------------|--------------------|------------------|--------------------|
| 2014 | \$20,000 | \$68,978 | \$88,978 |
| 2015 | 20,000 | 68,578 | 88,578 |
| 2016 | 45,000 | 67,928 | 112,928 |
| 2017 | 85,000 | 66,628 | 151,628 |
| 2018 | 90,000 | 64,765 | 154,765 |
| 2019-2023 | 485,000 | 282,630 | 767,630 |
| 2024-2028 | 570,000 | 193,610 | 763,610 |
| 2029-2033 | 685,000 | 72,996 | 757,996 |
| Total | <u>\$2,000,000</u> | <u>\$886,113</u> | <u>\$2,886,113</u> |

Capital Leases – In fiscal year 2013, the District entered into a lease agreement with Apple Inc. for the purchase of equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Capital assets acquired by the lease were initially capitalized in the statement of net position for governmental activities in the amount of \$515,669 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. This lease will be paid from the general fund.

In June 2001, the District authorized financing for improvements to the junior/senior high school of \$800,000 with a lease-purchase agreement through the Ohio Association of School Business Officials’ Expanded Asset Pooled Financing Program. The District was required to make payments of interest only at a variable interest rate with the principal due in May 2004. In May 2004, the District refinanced the lease-purchase with a new lease in the amount of \$696,000. The District refinanced the lease again in April 2007 for the remaining balance of \$468,820. The new lease calls for quarterly payments of principal and interest at a rate of 3.9 percent with a final maturity in fiscal year 2015. Lease payments will be made from the District’s general fund.

Future minimum lease payments are as follows:

| Fiscal Year Ending June 30: | General Long- Term Debt |
|---|----------------------------|
| 2013 | \$249,221 |
| 2014 | 193,101 |
| 2015 | 174,393 |
| Total Minimum Lease Payments | 616,715 |
| Less Amounts Representing Interest | (10,791) |
| Present Value of Minimum Lease Payments | \$605,924 |

The District’s overall legal debt margin was \$14,335,945 with an unvoted debt margin of \$182,877 at June 30, 2013.

Compensated absences will be paid from the general fund.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 14 – Jointly Governed Organizations

A. Hamilton/Clermont Cooperative Association

The District is a participant in a consortium of school districts that operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is a jointly governed organization among a two county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports H/CCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, OH 45231.

B. Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the thirty-six participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to The Great Oaks Institute of Technology and Career Development, Mr. Robert Giuffre, Treasurer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 15 – Set-Aside Calculations

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

| | <u>Capital Acquisition</u> |
|---|--------------------------------|
| Set-Aside Balance as of June 30, 2012 | \$0 |
| Current Year Set-Aside Requirements | 274,283 |
| Qualifying Offsets | <u>(2,000,000)</u> |
| Totals | <u>(\$1,725,717)</u> |
| Set-Aside Balance Carried Forward to Future Years | <u>\$0</u> |
| Set-Aside Balance as of June 30, 2013 | <u>\$0</u> |

The District had qualifying offsets during the fiscal year that reduced the capital acquisition set-aside amount below zero. The capital acquisition negative amount is not permitted to be carried forward to the next fiscal year.

Note 16 - Contingencies

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Reading Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 – Contingencies (Continued)

Litigation

The District is not currently party to legal proceedings.

Note 17 – Interfund Activity

A. Interfund Transfers

Transfers made during the year ended June 30, 2013, were as follows:

| Fund | Transfers To | Transfers From |
|----------------------------------|-----------------|-------------------|
| Major Fund: | | |
| General Fund | \$0 | \$51,600 |
| Non-Major Governmental Fund: | | |
| District Managed Activities Fund | 51,600 | 0 |
| Total | \$51,600 | \$51,600 |

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

B. Interfund Receivables/Payables

As of June 30, 2013, receivables and payables that resulted from various interfund transactions were as follows:

| Fund | Interfund Receivable | Interfund Payable |
|------------------------------|-------------------------|----------------------|
| Major Fund: | | |
| General Fund | \$5,300 | \$0 |
| Non-Major Governmental Fund: | | |
| Race to the Top Fund | 0 | 5,300 |
| Total | \$5,300 | \$5,300 |

The amounts due to the general fund from non-major governmental funds are the result of the District moving unrestricted balances to support programs and projects accounted for in other funds. The general fund will be reimbursed when funds become available in non-major governmental funds, which is expected to be received within one year.

Note 18 – Claims Servicing Pool

The District participates as a member of the Greater Cincinnati Insurance Consortium (the Consortium), a shared risk pool, comprised of twelve Hamilton County school districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one (1) representative selected from each participating district and the educational service center. Each member pays an administrative fee to the pool. The Consortium converted from a fully-insured consortium through an independent third party insurance company to a self-funded insurance consortium with stop loss coverage effective July 1, 2007. Anthem Blue Cross Blue Shield provides claims review and processing.

Reading Community City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 19 – Restatement of Beginning Balances

Certain accruals were recorded as of June 30, 2012 that were determined in fiscal year 2013 to not be collectible or payable from previously recognized funds. In addition, a previously reported non-major capital projects fund is required to be recognized as major for 2013. The correction of those accruals and the major fund recognition had the following effects on beginning balances.

| | Governmental Activities | General Fund | Capital Projects Fund | Other Governmental Funds |
|--|----------------------------|-----------------|-----------------------------|--------------------------------|
| Fund Balances/Net Position, As Reported, 6/30/12 | \$6,966,089 | \$4,527,415 | \$0 | \$462,059 |
| Restatements | (225) | (684) | 0 | 684 |
| Major Fund Recognition | 0 | 0 | 167,048 | (167,048) |
| Fund Balances/Net Position, As Restated, 6/30/12 | \$6,965,864 | \$4,526,731 | \$167,048 | \$295,695 |

Note 20 – Change in Accounting Principles

For the year ended June 30, 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, and Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 60 provides guidance on accounting and reporting for service concession arrangements (SCAs). This statement had no impact on the District’s financial statements.

GASB Statement No. 61 provides guidance on information presented about the financial reporting entity and its component units. It also amends the criteria for blending in certain circumstances. This statement had no impact on the District’s financial statements.

GASB Statement No. 62 incorporates FASB, APB, and ARB pronouncements, not conflicting with GASB pronouncements, issued on or before November 30, 1989, into the GASB authoritative literature. This statement had no impact on the District’s financial statements.

GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This change was incorporated in the District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

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READING COMMUNITY CITY SCHOOLS
HAMILTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|---------------------|----------------------|---------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| Non-Cash Assistance (Donated Food): | | | | | | |
| National School Lunch Program | | 10.555 | \$ - | \$ 38,118 | \$ - | \$ 46,290 |
| Cash Assistance: | | | | | | |
| School Breakfast | 05PU | 10.553 | 95,591 | - | 95,591 | 0 |
| National School Lunch Program | LLP4 | 10.555 | 344,911 | - | 344,911 | - |
| Total U.S. Department of Agriculture | | | <u>440,502</u> | <u>38,118</u> | <u>440,502</u> | <u>46,290</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education - Grants to States (IDEA Part B) | 6BSF | 84.027 | 353,874 | - | 379,876 | - |
| Total Special Education Cluster | | | <u>353,874</u> | <u>-</u> | <u>379,876</u> | <u>-</u> |
| Title I Part A Cluster: | | | | | | |
| Title I Grants to Local Education Agencies | C1S1 | 84.010 | 404,584 | - | 400,518 | - |
| Total Title I Part A Cluster | | | <u>404,584</u> | <u>-</u> | <u>400,518</u> | <u>-</u> |
| Improving Teacher Quality State Grants | TRS1 | 84.367 | 46,869 | - | 46,869 | - |
| Race to the Top Incentive Grants | | 84.395 | 37,611 | - | 41,948 | - |
| My Voice | | 84.395 | 17,736 | - | - | - |
| Total U.S. Department of Education | | | <u>860,674</u> | <u>-</u> | <u>869,210</u> | <u>-</u> |
| Total | | | <u>\$ 1,301,176</u> | <u>\$ 38,118</u> | <u>\$ 1,309,712</u> | <u>\$ 46,290</u> |

The accompanying notes are an integral part of this schedule.

**READING COMMUNITY CITY SCHOOLS
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Reading Community City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

Note D – MATCHING

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds



Dave Yost • Auditor of State

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

Reading Community City School
Hamilton County
1301 Bonnell Avenue
Reading, Ohio 45215

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reading Community City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2013, wherein we noted that the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material of financial misstatement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Reading Community City School
Hamilton County
1301 Bonnell Avenue
Reading, Ohio 45215

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Reading Community City School District's, Hamilton County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Reading Community City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Reading Community City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Government's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2013

**READING COMMUNITY CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Child Nutrition Cluster - CFDA 10.553, 10.5535 Special Education (Title 6-B) - CFDA 84.027 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Reading Community City School District
Hamilton County
1301 Bonnell Avenue
Reading, Ohio 45215

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Reading Community City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 21, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2013

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

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READING COMMUNITY CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 12, 2013**