



Dave Yost • Auditor of State

**CITY OF READING
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
2013 - Independent Auditors' Report	1
2013 - Management's Discussion and Analysis	3
2013 - Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	22
Statement of Cash Flows - Proprietary Fund	23
Statement of Assets and Liabilities – Fiduciary Fund	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	47
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) EPA Brownsfield Grant	49
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Streets and Curbs Grant	50
Notes to Required Supplementary Information	51

**CITY OF READING
HAMILTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
2012 - Independent Auditors' Report	53
2012 - Management's Discussion and Analysis	55
2012 - Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	63
Statement Activities.....	64
Fund Financial Statements:	
Balance Sheet – Governmental Funds	66
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities	67
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	68
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	69
Statement of Net Position – Proprietary Fund	70
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	71
Statement of Cash Flows - Proprietary Fund	72
Statement of Assets and Liabilities – Fiduciary Fund	73
Notes to the Basic Financial Statements	75
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	98
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) EPA Brownsfield Grant	100
Notes to Required Supplementary Information	101
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	103
Schedule of Prior Audit Findings	105



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Reading
Hamilton County
1000 Market Street
Reading, Ohio 45215

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Reading, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City'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 City'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 City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading, Hamilton County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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* and *Required budgetary comparison schedules* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 26, 2015

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

The City of Reading's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

Financial Highlights

- The City's total net position increased \$639,696. Net position of governmental activities increased \$732,478, net position of business-type activities decreased by \$92,782.
- The General Fund reported a net change in fund balance of \$364,468.
- Business-type operations reflected operating loss of (\$92,782).

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

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

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

Fund Financial Statements

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

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

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

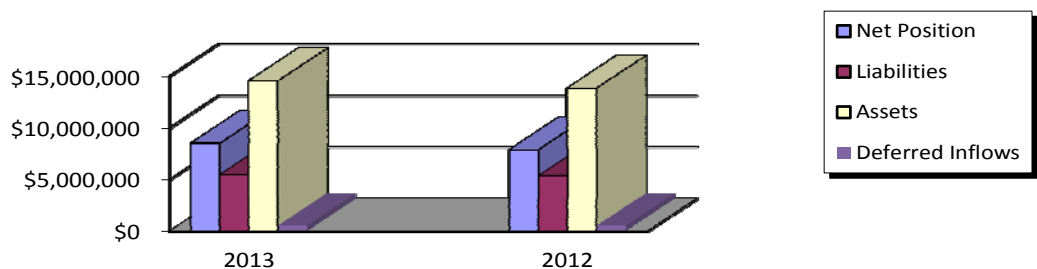
Fiduciary Funds - The City is the fiscal agent for three agency funds. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	\$5,960,648	\$5,776,884	\$269,395	\$313,072	\$6,230,043	\$6,089,956
Capital Assets	7,670,979	7,065,108	642,325	674,927	8,313,304	7,740,035
Total Assets	13,631,627	12,841,992	911,720	987,999	14,543,347	13,829,991
Liabilities:						
Long-Term Liabilities	4,209,491	3,723,497	5,065	100,592	4,214,556	3,824,089
Other Liabilities	1,067,151	1,495,692	201,311	89,281	1,268,462	1,584,973
Total Liabilities	5,276,642	5,219,189	206,376	189,873	5,483,018	5,409,062
Deferred Inflows of Resources	538,324	538,620	0	0	538,324	538,620
Net Position:						
Net Investment In Capital Assets	4,415,836	4,134,503	642,325	674,927	5,058,161	4,809,430
Restricted	3,076,328	2,793,324	0	0	3,076,328	2,793,324
Unrestricted	324,497	156,356	63,019	123,199	387,516	279,555
Total Net Position	\$7,816,661	\$7,084,183	\$705,344	\$798,126	\$8,522,005	\$7,882,309



The City saw an increase in Capital Assets for Governmental Activities mainly due to the start and completion of the various road improvement projects. Long-Term Liabilities increased mainly due to the City issuing two OPWC loans and \$350,000 in various long term general obligation bonds. Business-Type Activities Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Business-Type Activities Other Liabilities increased mainly due to an increase in accounts payable.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2013 to 2012.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$1,201,086	\$1,219,985	\$1,431,513	\$1,474,278	\$2,632,599	\$2,694,263
Operating Grants and Contributions	743,995	970,630	0	0	743,995	970,630
Capital Grants and Contributions	0	100,000	0	0	0	100,000
Total Program Revenues	1,945,081	2,290,615	1,431,513	1,474,278	3,376,594	3,764,893
General Revenues:						
Income Taxes	6,566,647	6,361,808	0	0	6,566,647	6,361,808
Property Taxes	639,428	578,504	0	0	639,428	578,504
Grants and Entitlements	517,384	340,912	0	0	517,384	340,912
Investment Earnings	0	824	0	0	0	824
Other Revenues	103,620	104,326	0	0	103,620	104,326
Total General Revenues	7,827,079	7,386,374	0	0	7,827,079	7,386,374
Total Revenues	9,772,160	9,676,989	1,431,513	1,474,278	11,203,673	11,151,267
Program Expenses:						
General Government	2,196,459	1,897,832	0	0	2,196,459	1,897,832
Public Safety	5,117,536	5,348,411	0	0	5,117,536	5,348,411
Leisure Time Activities	393,684	431,151	0	0	393,684	431,151
Community Development	141,764	152,288	0	0	141,764	152,288
Basic Utility Service	342,531	415,224	0	0	342,531	415,224
Transportation and Street Repair	779,976	942,428	0	0	779,976	942,428
Public Health and Welfare	0	5,277	0	0	0	5,277
Interest and Other Charges	67,732	83,829	0	0	67,732	83,829
Water Utility	0	0	1,524,295	1,507,684	1,524,295	1,507,684
Total Program Expenses	9,039,682	9,276,440	1,524,295	1,507,684	10,563,977	10,784,124
Change in Net Position	732,478	400,549	(92,782)	(33,406)	639,696	367,143
Net Position - Beginning of Year	7,084,183	6,683,634	798,126	831,532	7,882,309	7,515,166
Net Position - End of Year	\$7,816,661	\$7,084,183	\$705,344	\$798,126	\$8,522,005	\$7,882,309

Income taxes increased mainly due to an increase in income tax collections in 2013 as compared to 2012. General Government expenses increased mainly due to increases in personnel costs and general inflationary factors. Transportation and Street Repair expenses decreased due to an decrease in repairs and maintenance to streets. The Business-Type Activities revenues and expenses remained relatively consistent.

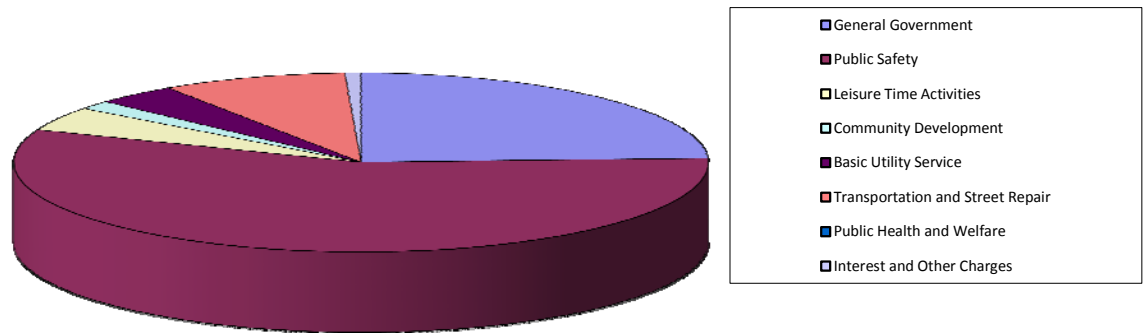
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

Governmental Activities

The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 84% of the City's governmental activities general revenues.

Governmental Activities
Program Expenses for 2013

	Percentage
General Government	24.3%
Public Safety	56.6%
Leisure Time Activities	4.4%
Community Development	1.6%
Basic Utility Service	3.8%
Transportation and Street Repair	8.6%
Public Health and Welfare	0.0%
Interest and Other Charges	0.7%
Total	100.0%



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

Business-Type Activities

The City's business-type activity includes water. This program had operating revenues of \$1,431,513 and operating expenses of \$1,524,295 for fiscal year 2013. Business activities receive no support from tax revenues. The business activities net position at the end of the year was \$705,344, which decreased \$92,782 from 2012. The City had one business-type (enterprise) fund that was a major fund: the Water fund.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

The City's Funds

The City has three major governmental funds: the General Fund, EPA Brownsfield Grant Fund and Capital Improvement Fund. Assets of the General fund comprised \$2,546,295 (41%), the EPA Brownsfield Grant fund comprised \$969,990 (16%), the Streets and Curbs fund comprised \$306,435 (5%) and the Capital Improvement fund comprised \$674,130 (11%) of the total \$6,144,363 governmental funds assets.

General Fund: Fund balance at December 31, 2013 was \$457,320 an increase in fund balance of \$364,468 from 2012. The general fund had an increase in fund balance mainly due to an increase in taxes revenue.

EPA Brownsfield Grant Fund: Fund balance at December 31, 2013 was \$666,390 an increase in fund balance of \$49,175 from 2012. The EPA Brownsfield grant had an increase in fund balance mainly due to a decrease in transportation and street repair expenditures.

Streets and Curbs Fund: Fund balance at December 31, 2013 was \$306,435 an increase in fund balance of \$68,794. The streets and curbs fund had an increase in fund balance due to an increase in intergovernmental revenue.

Capital Improvement Fund: Fund balance at December 31, 2013 was \$371,009 a decrease in fund balance of \$13,106. The capital improvement fund had a decrease in fund balance due to a decrease in intergovernmental revenue.

General Fund Budgeting Highlights

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

As the City completed the year, its General Fund balance reported an actual fund balance of \$234,340, on a Non-GAAP Budgetary Basis.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City overestimated the taxes revenue and charges for services revenue amount and overestimated the general government and public safety expenditures for 2013.

Capital Assets and Debt Administration

Capital Assets

At year end, the City had \$8,313,304 invested in land, buildings and improvements, equipment and infrastructure. Table 3 shows 2013 balances compared to 2012:

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

Table 3
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$1,449,975	\$1,311,475	\$6,135	\$6,135	\$1,456,110	\$1,317,610
Buildings and Improvements	1,605,949	1,556,400	102,532	102,532	1,708,481	1,658,932
Equipment	3,917,408	3,854,950	215,567	215,567	4,132,975	4,070,517
Infrastructure	5,433,560	4,793,686	1,479,654	1,479,654	6,913,214	6,273,340
Accumulated Depreciation	<u>(4,735,913)</u>	<u>(4,451,403)</u>	<u>(1,161,563)</u>	<u>(1,128,961)</u>	<u>(5,897,476)</u>	<u>(5,580,364)</u>
Total Net Capital Assets	<u>\$7,670,979</u>	<u>\$7,065,108</u>	<u>\$642,325</u>	<u>\$674,927</u>	<u>\$8,313,304</u>	<u>\$7,740,035</u>

The increases in net capital assets was the result of the various road improvements in 2013.

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

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City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

Debt

At year-end the City had \$3,043,757 in general obligation bonds, notes, loans and capital leases.

Table 4
Outstanding Debt at Year End

		<u>2013</u>	<u>2012</u>
Governmental Activities			
<u>Bonds and Notes Payable</u>			
2013 Various Purpose Bonds	0.00%	\$350,000	\$0
2003 Streetscape Bonds	4.59%	500,000	550,000
2009 Real Estate Acquisition Note	6.80%	150,000	200,000
2011 Dump Truck Acquisition Bonds	2.00%-4.50%	165,000	180,000
2011 Fire Truck Acquisition Bonds	2.00%-5.00%	290,000	340,000
Subtotal Bonds and Notes		<u>1,455,000</u>	<u>1,270,000</u>
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	241,963	256,196
2011 Jefferson Avenue Improvements	0.00%	613,828	647,929
2012 Knollcrest Drive Improvements	0.00%	7,414	7,815
2012 Trillium Court & Krylon Drive Improvements	0.00%	339,892	358,264
2013 Jefferson / Willow / Voorhees Road Improvements	0.00%	319,474	0
2013 Harmes Avenue Improvements	0.00%	33,100	0
Subtotal Loans		<u>1,555,671</u>	<u>1,270,204</u>
<u>Capital Leases Payable</u>			
2 Police Cars	6.10%	<u>33,086</u>	<u>48,216</u>
Total Government Activities		<u><u>3,043,757</u></u>	<u><u>2,588,420</u></u>

See Notes 8 - 9 in the notes to the basic financial statements for further details on the City's long-term obligations.

Economic Factors

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

Contacting the City's Financial Department

This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Auditor, City of Reading, 1000 Market Street, Reading, Ohio 45215.

City of Reading, Ohio
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash	\$2,338,709	\$93,836	\$2,432,545
Receivables (Net):			
Taxes	2,068,307	0	2,068,307
Accounts	183,545	105,804	289,349
Intergovernmental	427,859	0	427,859
Internal Balances	(69,755)	69,755	0
Land Held for Resale	1,011,983	0	1,011,983
Nondepreciable Capital Assets	1,449,975	6,135	1,456,110
Depreciable Capital Assets, Net	6,221,004	636,190	6,857,194
Total Assets	13,631,627	911,720	14,543,347
Liabilities:			
Accounts Payable	173,391	182,588	355,979
Accrued Wages and Benefits	577,039	18,723	595,762
Accrued Interest Payable	16,721	0	16,721
General Obligation Notes Payable	300,000	0	300,000
Long-Term Liabilities:			
Due Within One Year	581,868	4,900	586,768
Due In More Than One Year	3,627,623	165	3,627,788
Total Liabilities	5,276,642	206,376	5,483,018
Deferred Inflows of Resources:			
Property Taxes	538,324	0	538,324
Total Deferred Inflows of Resources	538,324	0	538,324
Net Position:			
Net Investment in Capital Assets	4,415,836	642,325	5,058,161
Restricted for:			
Debt Service	385	0	385
Capital Projects	1,154,924	0	1,154,924
State Highway	108,792	0	108,792
EPA Brownsfield Grant	922,745	0	922,745
Streets and Curbs	306,435	0	306,435
Drug Enforcement	73,977	0	73,977
Motor Vehicle Permissive	236,454	0	236,454
Other Purposes	272,616	0	272,616
Unrestricted	324,497	63,019	387,516
Total Net Position	\$7,816,661	\$705,344	\$8,522,005

See accompanying notes to the basic financial statements:

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for	Operating Grants	Governmental	Business-Type	
		Services and Sales	and Contributions	Activities	Activities	
Governmental Activities:						
General Government	\$2,196,459	\$293,965	\$79,641	(\$1,822,853)	\$0	(\$1,822,853)
Public Safety	5,117,536	454,125	0	(4,663,411)	0	(4,663,411)
Leisure Time Activities	393,684	77,275	0	(316,409)	0	(316,409)
Community Development	141,764	30,561	0	(111,203)	0	(111,203)
Basic Utility Service	342,531	342,660	0	129	0	129
Transportation and Street Repair	779,976	2,500	664,354	(113,122)	0	(113,122)
Interest and Other Charges	67,732	0	0	(67,732)	0	(67,732)
Total Governmental Activities	9,039,682	1,201,086	743,995	(7,094,601)	0	(7,094,601)
Business-Type Activities:						
Water Utility	1,524,295	1,431,513	0	0	(92,782)	(92,782)
Total Business-Type Activities	1,524,295	1,431,513	0	0	(92,782)	(92,782)
Totals	\$10,563,977	\$2,632,599	\$743,995	(7,094,601)	(92,782)	(7,187,383)
General Revenues:						
				6,566,647	0	6,566,647
				360,417	0	360,417
				279,011	0	279,011
				517,384	0	517,384
				103,620	0	103,620
Total General Revenues				7,827,079	0	7,827,079
Change in Net Position				732,478	(92,782)	639,696
Net Position - Beginning of Year				7,084,183	798,126	7,882,309
Net Position - End of Year				\$7,816,661	\$705,344	\$8,522,005

See accompanying notes to the basic financial statements.

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City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2013

	General	EPA Brownsfield Grant	Streets and Curbs	Capital Improvement	Other Governmental Funds
Assets:					
Equity in Pooled Cash	\$538,573	\$47,245	\$306,435	\$98,158	\$1,348,298
Receivables (Net):					
Taxes	1,775,533	0	0	292,774	0
Accounts	78,241	0	0	80,000	25,304
Intergovernmental	153,948	0	0	0	273,911
Interfund	0	0	0	113,960	0
Land Held for Resale	0	922,745	0	89,238	0
Total Assets	2,546,295	969,990	306,435	674,130	1,647,513
Liabilities:					
Accounts Payable	149,426	0	0	2,347	21,618
Accrued Wages and Benefits	527,460	0	0	0	49,579
Accrued Interest Payable	0	3,600	0	0	0
Interfund Payable	118,765	0	0	0	64,950
General Obligation Notes Payable	0	300,000	0	0	0
Total Liabilities	795,651	303,600	0	2,347	136,147
Deferred Inflows of Resources:					
Property Taxes	292,774	0	0	292,774	0
Income Taxes	895,790	0	0	0	0
Grants and Other Taxes	104,760	0	0	0	230,729
Unavailable Revenue	0	0	0	8,000	0
Total Deferred Inflows of Resources	1,293,324	0	0	300,774	230,729
Fund Balances:					
Nonspendable	0	922,745	0	89,238	0
Restricted	0	0	306,435	281,771	1,340,483
Unassigned	457,320	(256,355)	0	0	(59,846)
Total Fund Balances	457,320	666,390	306,435	371,009	1,280,637
Total Liabilities, Deferred Inflows and Fund Balances	\$2,546,295	\$969,990	\$306,435	\$674,130	\$1,647,513

See accompanying notes to the basic financial statements.

Total
Governmental
Funds

\$2,338,709

2,068,307

183,545

427,859

113,960

1,011,983

6,144,363

173,391

577,039

3,600

183,715

300,000

1,237,745

585,548

895,790

335,489

8,000

1,824,827

1,011,983

1,928,689

141,119

3,081,791

\$6,144,363

City of Reading, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2013

Total Governmental Fund Balance \$3,081,791

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

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

Capital assets used in the operation of Governmental Funds 7,670,979

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

Income Taxes	\$895,790	
Intergovernmental	\$47,224	
Special Assessments	335,489	
Other Receivables	<u>8,000</u>	
		1,286,503

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (13,121)

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

Compensated Absences (1,165,734)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (3,043,757)

Net Position of Governmental Activities \$7,816,661

See accompanying notes to the basic financial statements.

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City of Reading, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2013

	General	EPA Brownsfield Grant	Streets and Curbs	Capital Improvement	Other Governmental Funds
Revenues:					
Property and Other Taxes	\$363,104	\$0	\$0	\$281,665	\$0
Income Taxes	6,588,551	0	0	0	0
Charges for Services	678,324	0	0	0	267,452
Intergovernmental	306,912	0	428,300	0	546,104
Fines, Licenses & Permits	204,616	0	0	0	33,349
Other Revenues	102,801	0	0	500	820
Total Revenues	8,244,308	0	428,300	282,165	847,725
Expenditures:					
Current:					
General Government	1,955,391	0	0	0	12,500
Public Safety	4,907,830	0	0	0	26,519
Leisure Time Activities	321,496	0	0	0	0
Community Development	140,959	0	0	0	805
Basic Utility Service	342,531	0	0	0	0
Transportation and Street Repair	0	1,425	70,095	0	363,812
Capital Outlay	0	0	751,561	446,524	209,366
Debt Service:					
Principal	50,000	0	67,107	80,130	50,000
Interest and Other Charges	13,600	7,919	0	35,098	13,300
Total Expenditures	7,731,807	9,344	888,763	561,752	676,302
Excess of Revenues Over (Under) Expenditures	512,501	(9,344)	(460,463)	(279,587)	171,423
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	3,650	0	0	0	0
Issuance of Long-Term Capital-Related Debt	0	0	352,574	350,000	0
Transfers In	25,000	58,519	176,683	0	0
Transfers (Out)	(176,683)	0	0	(83,519)	0
Total Other Financing Sources (Uses)	(148,033)	58,519	529,257	266,481	0
Net Change in Fund Balance	364,468	49,175	68,794	(13,106)	171,423
Fund Balance - Beginning of Year	92,852	617,215	237,641	384,115	1,109,214
Fund Balance - End of Year	\$457,320	\$666,390	\$306,435	\$371,009	\$1,280,637

See accompanying notes to the basic financial statements.

Total
Governmental
Funds

\$644,769
6,588,551
945,776
1,281,316
237,965
104,121

9,802,498

1,967,891
4,934,349
321,496
141,764
342,531
435,332
1,407,451

247,237
69,917

9,867,968

(65,470)

3,650
702,574
260,202
(260,202)

706,224

640,754

2,441,037

\$3,081,791

City of Reading, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2013

Net Change in Fund Balance - Total Governmental Funds		\$640,754
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	\$1,127,258	
Depreciation Expense	<u>(415,389)</u>	711,869
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(105,998)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income Taxes	(\$21,904)	
Delinquent Property Taxes	(5,308)	
Intergovernmental	(2,626)	
Other	<u>(500)</u>	(30,338)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		247,237
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		2,185
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		(30,657)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		
		<u>(702,574)</u>
Change in Net Position of Governmental Activities		<u>\$732,478</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2013

	<u>Water</u>
Current Assets:	
Equity in Pooled Cash	\$93,836
Receivables (Net):	
Accounts	105,804
Interfund	<u>69,755</u>
Total Current Assets	<u>269,395</u>
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>636,190</u>
Total Noncurrent Assets	<u>642,325</u>
Total Assets	<u>911,720</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	182,588
Accrued Wages and Benefits	18,723
Compensated Absences	<u>4,900</u>
Total Current Liabilities	<u>206,211</u>
Long-Term Liabilities:	
Compensated Absences	<u>165</u>
Total Noncurrent Liabilities	<u>165</u>
Total Liabilities	<u>206,376</u>
Net Position:	
Net Investment in Capital Assets	642,325
Unrestricted	<u>63,019</u>
Total Net Position	<u><u>\$705,344</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2013

	<u>Water</u>
Operating Revenues:	
Charges for Services	<u>\$1,431,513</u>
 Total Operating Revenues	 <u>1,431,513</u>
Operating Expenses:	
Personal Services	243,743
Contractual Services	111,499
Materials and Supplies	1,136,451
Depreciation	<u>32,602</u>
 Total Operating Expenses	 <u>1,524,295</u>
Operating Income (Loss)	<u>(92,782)</u>
 Net Position - Beginning of Year, Restated	 <u>798,126</u>
Net Position - End of Year	<u>\$705,344</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2013

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,441,605
Cash Payments to Employees	(338,739)
Cash Payments to Suppliers	<u>(1,136,451)</u>
Net Cash Provided (Used) by Operating Activities	<u>(33,585)</u>
Net Increase (Decrease) in Cash and Cash Equivale	(33,585)
Cash and Cash Equivalents - Beginning of Year	<u>127,421</u>
Cash and Cash Equivalents - End of Year	<u>93,836</u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(92,782)
Adjustments:	
Depreciation	32,602
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	10,092
Increase (Decrease) in Payables	111,499
Increase (Decrease) in Accrued Liabilities	<u>(94,996)</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$33,585)</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2013

	<u>Agency</u>
Assets:	
Equity in Pooled Cash	\$898,810
Receivables (Net):	
Accounts	<u>211,872</u>
Total Assets	<u><u>1,110,682</u></u>
Liabilities:	
Other Liabilities	<u>1,110,682</u>
Total Liabilities	<u><u>\$1,110,682</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Fund Accounting

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

Governmental Funds

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

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

EPA Brownsfield Grant Fund – This special revenue fund accounts for financial resources used for the EPA Brownsfield Grant for the City.

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

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

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

Proprietary Funds

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: agency funds, pension trust funds, investment trust funds and private-purpose trust funds. The City has three Agency funds. The Sewer Disposal Trust Fund (Agency Fund) accounts for money collected for sewer services to be paid to the Metropolitan Sewer District for services provided. The City also has a Warranty Bonds Fund (Agency Fund) to account for warranty bonds collected. The City also has a Mayor's Court Cash Fund (Agency Fund) to account for amounts held on behalf of other governments and bonds deposited with the court pending final disposition of various causes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City currently has no trust funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, income taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accounts receivable. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenses/Expenditures

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

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

Equity in Pooled Cash

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

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

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

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. The City received no investment earnings in 2013.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Fund Balance

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

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

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

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

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

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

The City applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance is available. The City considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

Net position represent 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 borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$3,076,328 in restricted net position, none were restricted by enabling legislation.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Operating Revenues and Expenses

The City, in its proprietary fund, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

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

Interfund Activity

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

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

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

Estimates

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

Note 3 – Equity in Pooled Cash

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash."

State statute requires the classification of monies held by the City into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

treasury, in depository accounts payable or withdrawable on demand.

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2013, \$2,861,638 of the City's bank balance of \$3,361,638 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

At year end the City held no investments.

Note 4 – Receivables

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

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

lien December 31, 2013, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

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

	<u>Amount</u>
Real Property	\$171,292,640
Public Utility	<u>8,411,380</u>
Total	<u>\$179,704,020</u>

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

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

Income Taxes

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

Additional increases in the income tax rate require voter approval.

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

Note 5 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and employee health and accident insurance.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 6 – Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,311,475	\$138,500	\$0	\$1,449,975
Capital Assets, being depreciated:				
Buildings and Improvements	1,556,400	49,549	0	1,605,949
Equipment	3,854,950	299,335	236,877	3,917,408
Infrastructure	4,793,686	639,874	0	5,433,560
Total Capital Assets, being depreciated	<u>10,205,036</u>	<u>988,758</u>	<u>236,877</u>	<u>10,956,917</u>
Totals at Historical Cost	<u>11,516,511</u>	<u>1,127,258</u>	<u>236,877</u>	<u>12,406,892</u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,308,933	68,409	0	1,377,342
Equipment	2,754,864	237,314	130,879	2,861,299
Infrastructure	387,606	109,666	0	497,272
Total Accumulated Depreciation	<u>4,451,403</u>	<u>415,389</u>	<u>130,879</u>	<u>4,735,913</u>
Governmental Activities Capital Assets, Net	<u>\$7,065,108</u>	<u>\$711,869</u>	<u>\$105,998</u>	<u>\$7,670,979</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital Assets, not being depreciated:				
Land	\$6,135	\$0	\$0	\$6,135
Capital Assets, being depreciated:				
Building and Improvements	102,532	0	0	102,532
Equipment	215,567	0	0	215,567
Infrastructure	1,479,654	0	0	1,479,654
Total Capital Assets, being depreciated	<u>1,797,753</u>	<u>0</u>	<u>0</u>	<u>1,797,753</u>
Totals at Historical Cost	<u>1,803,888</u>	<u>0</u>	<u>0</u>	<u>1,803,888</u>
Less Accumulated Depreciation:				
Building and Improvements	54,724	1,494	0	56,218
Equipment	162,999	12,808	0	175,807
Infrastructure	911,238	18,300	0	929,538
Total Accumulated Depreciation	<u>1,128,961</u>	<u>32,602</u>	<u>0</u>	<u>1,161,563</u>
Business-Type Activities Capital Assets, Net	<u>\$674,927</u>	<u>(\$32,602)</u>	<u>\$0</u>	<u>\$642,325</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Depreciation expense was charged to governmental functions as follows:

General Government	\$74,202
Public Safety	148,125
Leisure Time Activities	35,343
Transportation and Street Repair	<u>157,719</u>
Total Depreciation Expense	<u><u>\$415,389</u></u>

Note 7 – Notes Payable

A summary of the note transactions for the current year end are as follows:

Governmental Activities:	Beginning Balance	Issued	Retired	Ending Balance
Capital Improvement Fund:				
2.40% Public Improvement	\$350,000	\$0	(\$350,000)	\$0
2.40% Public Improvement	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Total	<u><u>\$350,000</u></u>	<u><u>\$300,000</u></u>	<u><u>(\$350,000)</u></u>	<u><u>\$300,000</u></u>

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 8 – Long-Term Debt

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

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds and Notes</u>						
2013 Various Purpose Bonds	2.72%	\$0	\$350,000	\$0	\$350,000	\$58,333
2003 Streetscape Bonds	4.59%	550,000	0	(50,000)	500,000	50,000
2009 Real Estate Acquisition Note	6.80%	200,000	0	(50,000)	150,000	50,000
2011 Dump Truck Acquisition Bonds	2.00-4.50%	180,000	0	(15,000)	165,000	20,000
2011 Fire Truck Acquisition Bonds	2.00-5.00%	340,000	0	(50,000)	290,000	55,000
Total General Obligation Bonds and Notes		<u>1,270,000</u>	<u>350,000</u>	<u>(165,000)</u>	<u>1,455,000</u>	<u>233,333</u>
OPWC Loans:						
Waxwing Drive Improvement	0.00%	256,196	0	(14,233)	241,963	14,233
Jefferson Avenue Improvements	0.00%	647,929	0	(34,101)	613,828	34,102
Knollcrest Drive Improvements	0.00%	7,815	0	(401)	7,414	401
Trillium Court & Krylon Drive Improvements	0.00%	358,264	0	(18,372)	339,892	18,372
Jefferson/Willow/Voorhees Improvements		0	319,474	0	319,474	7,987
Harmes Avenue Improvements		0	33,100	0	33,100	828
Total Loans		<u>1,270,204</u>	<u>352,574</u>	<u>(67,107)</u>	<u>1,555,671</u>	<u>75,923</u>
Capital Lease	6.10%	48,216	0	(15,130)	33,086	16,053
Total Long-Term Liabilities Bonds, Notes, Loans and Leases		2,588,420	702,574	(247,237)	2,691,183	325,309
Compensated Absences		<u>1,135,077</u>	<u>287,983</u>	<u>(257,326)</u>	<u>1,165,734</u>	<u>256,559</u>
Total Governmental Activities		<u>\$3,723,497</u>	<u>\$990,557</u>	<u>(\$504,563)</u>	<u>\$3,856,917</u>	<u>\$581,868</u>
Business-Type Activities						
Compensated Absences		<u>\$100,592</u>	<u>\$19,059</u>	<u>(\$114,586)</u>	<u>\$5,065</u>	<u>\$4,900</u>

In 2013, the City issued \$350,000 in Various purpose bond with an average interest rate of 2.72%. These bonds will be paid off in 2019.

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

The annual requirements to pay principal and interest on long-term debt at December 31, 2013 are as follows:

Year Ending December 31	General		OPWC Loan Principal
	Obligation Bonds Principal	Interest	
2014	\$233,333	\$56,170	\$75,922
2015	233,333	48,038	84,737
2016	233,334	41,907	84,737
2017	188,333	30,825	84,737
2018	193,333	23,093	84,737
2019-2023	373,334	41,512	423,685
2024-2028	0	0	423,683
2029-2033	0	0	284,618
2034	0	0	8,815
Total	<u>\$1,455,000</u>	<u>\$241,545</u>	<u>\$1,555,671</u>

Note 9 – Leases

Lessee

The City has entered into a capital lease for two police cars.

The lease for the vehicles meet the criteria of capital lease as defined by FASB guidance, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee.

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

Fiscal Year Ending December 31,	Long-Term Debt
2014	\$18,071
2015	18,071
Total Minimum Lease Payments	36,142
Less: Amount Representing Interest	(3,056)
Present Value of Minimum Lease Payments	<u>\$33,086</u>

Capital assets acquired under capital leases in accordance with FASB guidance are as follows:

Vehicles	\$66,287
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Lessor

The City leased certain land to R.J. Viox, LLC.

The lease meets the criteria of a capital lease as defined by FASB guidance and therefore has been

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

recorded as a sale since all the benefits and risks of ownership have been transferred to the lessee.

The City's net investment in the lease consists of the \$450,000 cost of the land. Of the original amount of unearned revenue of \$5,000, \$500 was recognized as revenue for the current year. The land being leased is located in Reading, Ohio and the lessee can purchase the land for \$1 at the end of the lease. This is a no interest 20 year lease with payments of \$417 per month since Viox's payroll exceeds \$13,000,000 during the year. The lessee has built its own building on the land and therefore the lease has been treated as a capital lease.

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

Fiscal Year Ending December 31,	Payments Receivable
2014	\$5,000
2015	5,000
2016	5,000
2017	5,000
2018	5,000
2019-2023	25,000
2024-2028	25,000
2029	5,000
Total	80,000
Less: Amount Representing Interest*	0
Total Minimum Lease Payments Receivable	<u>\$80,000</u>

* – no interest lease

Note 10 – Pension Plans

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The CO Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the CO Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377, or by

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

visiting the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$253,138, \$269,490, and \$294,768 respectively. The full amount has been contributed for 2012 and 2011, and 96 percent has been contributed for 2013.

Ohio Police and Fire Pension Fund

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

From January 1, 2013 thru July 1, 2013, plan members were required to contribute 10.0% (as in prior years) of their annual covered salary. From July 2, 2013 thru December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary, while employers (the City) are required to contribute 19.5% for police officers and 24.0% for firefighters. The City's contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 were \$272,678 (police) and \$236,490 (fire), \$303,603 (police) and \$277,277 (fire), and \$302,658 (police) and \$292,657 (fire), respectively. The 70% (police) and 76% (fire) has been contributed for 2013 and the full amount has been contributed for 2012 and 2011.

Note 11 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health card coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the City contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from City's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The City's actual contributions for the current year, which were used to fund postemployment benefits, were \$18,074 for 2013; \$76,993 for 2012; and \$84,215 for 2011. The full amount has been contributed for 2012 and 2011, and 96 percent has been contributed for 2013.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Ohio Police and Fire Pension Fund

Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employee contributions allocated to health care was 4.69% of covered payroll for January 1, 2013 through May 31, 2013, and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Information from City's Records

The City's contributions to OP&F were \$16,052 for police and \$12,550 for fire for the period of January 1, 2013 through March 31, 2013; and were \$30,087 for police and \$20,484 for fire for the period of June 1, 2013 through December 31, 2013; \$105,047 for police and \$77,915 for fire for the year ending December 31, 2012 and \$104,723 for police and \$82,237 for fire for the year ending December 31, 2011, respectively, was allocated to the healthcare plan. The actual contributions for 2011 and 2012 were 100% and 73% has been contributed for 2013.

Note 12 – Contingencies

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

Note 13 – Interfund Transactions

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$0	\$118,765	\$25,000	\$176,683
EPA Brownsfield Grant	0	0	58,519	0
Streets and Curbs	0	0	176,683	0
Capital Improvement Fund	113,960	0	0	83,519
Other Governmental Funds	0	64,950	0	0
Water Fund	69,755	0	0	0
Total All Funds	<u>\$183,715</u>	<u>\$183,715</u>	<u>\$260,202</u>	<u>\$260,202</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. A GAAP transfer of \$25,000 into the General Fund was made to reimburse the General Fund for lease receipts to be recorded in the proper fund.

Note 14 – Accountability

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

<u>Other Governmental Funds:</u>	
General Sinking	\$ 59,846

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 15 – Fund Balances

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

Fund Balances	General	EPA Brownsfield Grant	Streets and Curbs	Capital Improvement	Other Governmental Funds	Total
Nonspendable:						
Land Held For Resale	\$0	\$922,745	\$0	\$89,238	\$0	\$1,011,983
Total Nonspendable	0	922,745	0	89,238	0	1,011,983
Restricted for:						
Street Maintenance and Repair	0	0	0	0	137,397	137,397
State Highway Improvement	0	0	0	0	94,313	94,313
Mayor's Court Computer	0	0	0	0	14,779	14,779
DUI Enforcement	0	0	0	0	9,447	9,447
Streets and Curbs	0	0	306,435	0	0	306,435
Drug Enforcement	0	0	0	0	73,977	73,977
Motor Vehicle Permissive	0	0	0	0	201,937	201,937
Alcohol Education	0	0	0	0	12,715	12,715
Grant	0	0	0	0	38,184	38,184
Special Assessment Debt Service	0	0	0	0	385	385
Stadium	0	0	0	0	24,857	24,857
Fire/EMS Capital Improvement	0	0	0	0	550,848	550,848
Municipal Road	0	0	0	0	128,378	128,378
Stadium Track Improvement	0	0	0	0	274	274
Growth	0	0	0	0	50,191	50,191
Reading Road Development	0	0	0	0	494	494
OPWC SCIP	0	0	0	0	2,307	2,307
Capital Improvement	0	0	0	281,771	0	281,771
Total Restricted	0	0	306,435	281,771	1,340,483	1,928,689
Unassigned (Deficit)	457,320	(256,355)	0	0	(59,846)	141,119
Total Fund Balance	<u>\$457,320</u>	<u>\$666,390</u>	<u>\$306,435</u>	<u>\$371,009</u>	<u>\$1,280,637</u>	<u>\$3,081,791</u>

Note 16 – Change in Accounting Principle

GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This Statement 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. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$353,774	\$353,774	\$363,104	\$9,330
Fines, Licenses & Permits	194,973	194,973	200,115	5,142
Intergovernmental	300,032	300,032	307,945	7,913
Charges for Services	659,893	659,893	677,296	17,403
Other Revenues	80,673	80,673	82,801	2,128
Total Revenues	1,589,345	1,589,345	1,631,261	41,916
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	1,223,043	1,258,124	1,258,670	(546)
Materials and Supplies	470,808	484,313	484,523	(210)
Total General Government	1,693,851	1,742,437	1,743,193	(756)
<u>Public Safety</u>				
Personal Services	4,970,284	5,112,850	5,115,069	(2,219)
Materials and Supplies	118,396	121,792	121,845	(53)
Total Public Safety	5,088,680	5,234,642	5,236,914	(2,272)
<u>Leisure Time Activities</u>				
Personal Services	136,188	140,094	140,155	(61)
Materials and Supplies	182,584	187,821	187,903	(82)
Total Leisure Time Activities	318,772	327,915	328,058	(143)
<u>Community Development</u>				
Personal Services	6,410	6,594	6,597	(3)
Materials and Supplies	131,944	135,729	135,788	(59)
Total Community Development	138,354	142,323	142,385	(62)
<u>Basic Utility Service</u>				
Contractual Services	318,887	328,034	328,176	(142)
Total Basic Utility Service	318,887	328,034	328,176	(142)

Continued

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Debt Service:				
Principal Retirement	48,585	49,978	50,000	(22)
Interest and Fiscal Charges	13,215	13,594	13,600	(6)
Total Expenditures	7,620,344	7,838,923	7,842,326	(3,403)
Excess of Revenues Over (Under) Expenditures	(6,030,999)	(6,249,578)	(6,211,065)	38,513
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	3,556	3,556	3,650	94
Transfers In	6,025,099	6,025,099	6,184,000	158,901
Transfers (Out)	(49,556)	(50,978)	(51,000)	(22)
Total Other Financing Sources (Uses)	5,979,099	5,977,677	6,136,650	158,973
Net Change in Fund Balance	(51,900)	(271,901)	(74,415)	197,486
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	308,755	308,755	308,755	0
Fund Balance End of Year	\$256,855	\$36,854	\$234,340	\$197,486

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2013

	EPA Brownsfield Grant Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	30,000	30,000	0	(30,000)
Expenditures:				
Current:				
Transportation & Street Repair	30,000	30,000	1,425	28,575
Total Expenditures	30,000	30,000	1,425	28,575
Net Change in Fund Balance	0	0	(1,425)	(1,425)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	48,669	48,669	48,669	0
Fund Balance End of Year	\$48,669	\$48,669	\$47,244	(\$1,425)

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Streets and Curbs Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$57,219	\$57,219	\$70,805	\$13,586
Total Revenues	57,219	57,219	70,805	13,586
Expenditures:				
Current:				
Transportation & Street Repair	134,553	134,553	120,219	14,334
Capital Outlay	65,447	65,447	58,475	6,972
Total Expenditures	200,000	200,000	178,694	21,306
Excess of Revenues Over (Under) Expenditures	(142,781)	(142,781)	(107,889)	34,892
Other Financing Sources (uses):				
Transfers In	142,781	142,781	176,683	33,902
Total Other Financing Sources (Uses)	142,781	142,781	176,683	33,902
Net Change in Fund Balance	0	0	68,794	68,794
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	237,640	237,640	237,640	0
Fund Balance End of Year	\$237,640	\$237,640	\$306,434	\$68,794

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2013

Note 1 - Budgetary Process

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

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

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

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

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

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2013

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General fund, the EPA Brownsfield Grant fund and the Street and Curbs fund.

Net Change in Fund Balance

	General	EPA Brownsfield Grant	Street and Curbs
GAAP Basis Adjustments	\$364,468	\$49,175	\$68,794
Revenue Accruals	(412,447)	0	(656,857)
Expenditure Accruals	(108,473)	7,919	1,009,431
Issuance of Debt	0	0	(352,574)
Transfers In	(41,600)	(58,519)	0
Transfers (Out)	125,683	0	0
Encumbrances	(901)	0	0
Funds Budgeted Elsewhere	(1,145)	0	0
Budget Basis	<u>(\$74,415)</u>	<u>(\$1,425)</u>	<u>\$68,794</u>



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Reading
Hamilton County
1000 Market Street
Reading, Ohio 45215

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Reading, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City'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 City'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 City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading, Hamilton County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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* and *Required budgetary comparison schedules* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 26, 2015

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

The City of Reading's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

Financial Highlights

- The City's total net position increased \$367,143. Net position of governmental activities increased \$400,549, net position of business-type activities decreased by \$33,406.
- The General Fund reported a net change in fund balance of (\$81,122).
- Business-type operations reflected operating loss of (\$33,406).

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

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

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

Fund Financial Statements

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

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

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

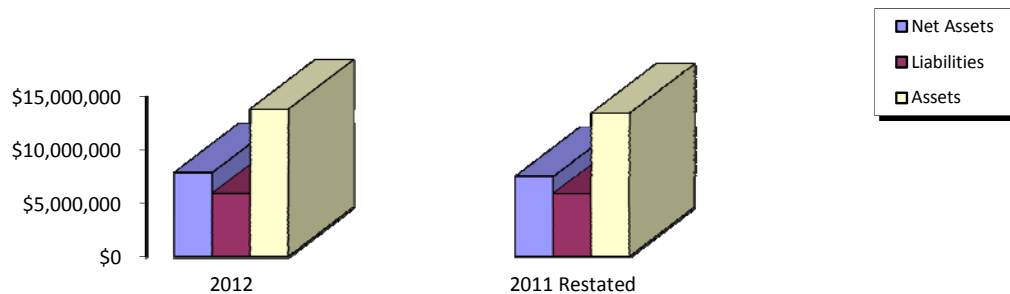
Fiduciary Funds - The City is the fiscal agent for three agency funds. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated
Assets:						
Current and Other Assets	\$5,776,884	\$6,002,322	\$313,072	\$266,650	\$6,089,956	\$6,268,972
Capital Assets	7,065,108	6,462,609	674,927	707,530	7,740,035	7,170,139
Total Assets	12,841,992	12,464,931	987,999	974,180	13,829,991	13,439,111
Liabilities:						
Long-Term Liabilities	3,723,497	3,581,457	100,592	99,385	3,824,089	3,680,842
Other Liabilities	2,034,312	2,199,840	89,281	43,263	2,123,593	2,243,103
Total Liabilities	5,757,809	5,781,297	189,873	142,648	5,947,682	5,923,945
Net Position:						
Net Investment in Capital Assets	4,134,503	3,606,448	674,927	707,530	4,809,430	4,313,978
Restricted	2,793,324	2,472,956	0	0	2,793,324	2,472,956
Unrestricted	156,356	604,230	123,199	124,002	279,555	728,232
Total Net Position	\$7,084,183	\$6,683,634	\$798,126	\$831,532	\$7,882,309	\$7,515,166



The City saw an increase in Capital Assets for Governmental Activities mainly due to the start and completion of the Trillium and Krylon road improvement project. Long-Term Liabilities increased mainly due to the City issuing two OPWC loans and a capital lease. Business-Type Activities Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Business-Type Activities Other Liabilities increased mainly due to an increase in accounts payable.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2012 to 2011.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated
Program Revenues:						
Charges for Services	\$1,219,985	\$1,394,660	\$1,474,278	\$1,416,692	\$2,694,263	\$2,811,352
Operating Grants, Contributions	970,630	1,113,063	0	0	970,630	1,113,063
Capital Grants and Contributions	100,000	86,300	0	0	100,000	86,300
Total Program Revenues	2,290,615	2,594,023	1,474,278	1,416,692	3,764,893	4,010,715
General Revenues:						
Income Taxes	6,361,808	6,229,949	0	0	6,361,808	6,229,949
Property Taxes	578,504	709,368	0	0	578,504	709,368
Grants and Entitlements	340,912	774,783	0	0	340,912	774,783
Investment Earnings	824	1,389	0	0	824	1,389
Other	104,326	67,548	0	0	104,326	67,548
Total General Revenues	7,386,374	7,783,037	0	0	7,386,374	7,783,037
Total Revenues	9,676,989	10,377,060	1,474,278	1,416,692	11,151,267	11,793,752
Program Expenses:						
General Government	1,897,832	1,943,296	0	0	1,897,832	1,943,296
Public Safety	5,348,411	5,647,431	0	0	5,348,411	5,647,431
Leisure Time Activities	431,151	435,229	0	0	431,151	435,229
Community Development	152,288	174,053	0	0	152,288	174,053
Basic Utility Service	415,224	473,346	0	0	415,224	473,346
Transportation and Street Repair	942,428	771,072	0	0	942,428	771,072
Public Health and Welfare	5,277	5,190	0	0	5,277	5,190
Interest and Fiscal Charges	83,829	81,878	0	0	83,829	81,878
Water Utility	0	0	1,507,684	1,500,796	1,507,684	1,500,796
Total Program Expenses	9,276,440	9,531,495	1,507,684	1,500,796	10,784,124	11,032,291
Increase (Decrease) in Net Position before Transfers	400,549	845,565	(33,406)	(84,104)	367,143	761,461
Transfers - Internal Activities	0	(11,330)	0	11,330	0	0
Change in Net Position	400,549	834,235	(33,406)	(72,774)	367,143	761,461
Net Position - Beginning of Year	6,683,634	5,849,399	831,532	904,306	7,515,166	6,753,705
Net Position - End of Year	\$7,084,183	\$6,683,634	\$798,126	\$831,532	\$7,882,309	\$7,515,166

Operating and Capital Grants and Contributions decreased in 2012 as compared to 2011 due to a decrease in grant monies received for various projects throughout the City. Grants and Entitlements decreased mainly due to a decrease in estate tax advances. General Government expenses decreased mainly due to the City making a conservative effort to cut costs. Transportation and Street Repair expenses increased due to an increase in repairs and maintenance to streets. The Business-Type Activities revenues and expenses remained relatively consistent.

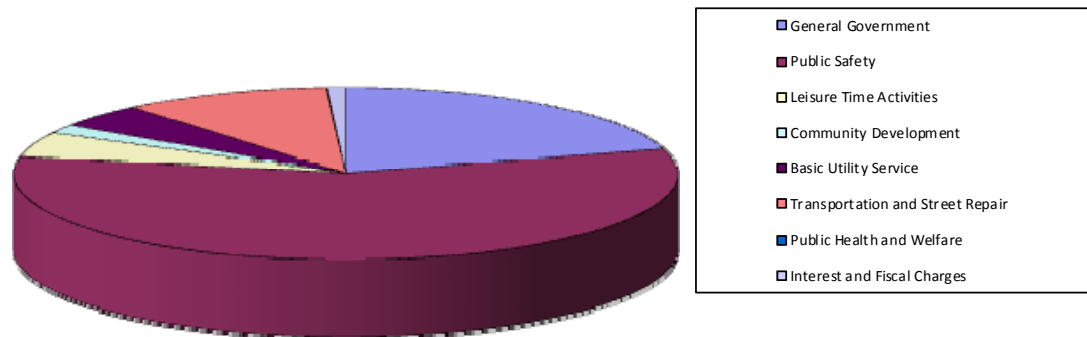
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

Governmental Activities

The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 86% of the City's governmental activities general revenues.

Governmental Activities
Program Expenses for 2012

	<u>Percentage</u>
General Government	20.46%
Public Safety	57.66%
Leisure Time Activities	4.65%
Community Development	1.64%
Basic Utility Service	4.48%
Transportation and Street Repair	10.16%
Public Health and Welfare	0.06%
Interest and Fiscal Charges	0.89%
Total	<u><u>100.00%</u></u>



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

Business-Type Activities

The City's business-type activity includes water. This program had operating revenues of \$1,474,278 and operating expenses of \$1,507,684 for fiscal year 2012. Business activities receive no support from tax revenues. The business activities net position at the end of the year was \$798,126, which decreased \$33,406 from 2011. The City had one business-type (enterprise) fund that was a major fund: the Water fund.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

The City's Funds

The City has three major governmental funds: the General Fund, EPA Brownsfield Grant Fund and Capital Improvement Fund. Assets of the General fund comprised \$2,614,965 (44%), the EPA Brownsfield Grant fund comprised \$971,415 (16%) and the Capital Improvement fund comprised \$688,191 (12%) of the total \$5,960,599 governmental funds assets.

General Fund: Fund balance at December 31, 2012 was \$92,852 a decrease in fund balance of \$81,122 from 2011. The general fund had a decrease in fund balance mainly due to a decrease in taxes and intergovernmental revenue.

EPA Brownsfield Grant Fund: Fund balance at December 31, 2012 was \$617,215 a decrease in fund balance of \$39,082 from 2011. The EPA Brownsfield grant had a decrease in fund balance mainly due to a decrease in intergovernmental revenue.

Capital Improvement Fund: Fund balance at December 31, 2012 was \$384,115 a decrease in fund balance of \$19,001. The capital improvement fund had a decrease in fund balance due to an increase in principal and interest expenditures.

General Fund Budgeting Highlights

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

As the City completed the year, its General Fund balance reported an actual fund balance of \$256,854, on a Non-GAAP Budgetary Basis.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City overestimated the taxes revenue and charges for services revenue amount and overestimated the general government and public safety expenditures for 2012.

Capital Assets and Debt Administration

Capital Assets

At year end, the City had \$7,740,035 invested in land, buildings and improvements, equipment and infrastructure. Table 3 shows 2012 balances compared to 2011:

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

Table 3
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 restated	2012	2011 restated	2012	2011 restated
Land	\$1,311,475	\$1,311,475	\$6,135	\$6,135	\$1,317,610	\$1,317,610
Construction in Progress	0	284,222	0	0	0	284,222
Buildings and Improvements	1,556,400	1,620,579	102,532	102,532	1,658,932	1,723,111
Equipment	3,854,950	3,765,174	215,567	215,567	4,070,517	3,980,741
Infrastructure	4,793,686	3,724,564	1,479,654	1,479,654	6,273,340	5,204,218
Accumulated Depreciation	<u>(4,451,403)</u>	<u>(4,243,405)</u>	<u>(1,128,961)</u>	<u>(1,096,358)</u>	<u>(5,580,364)</u>	<u>(5,339,763)</u>
Total Net Capital Assets	<u>\$7,065,108</u>	<u>\$6,462,609</u>	<u>\$674,927</u>	<u>\$707,530</u>	<u>\$7,740,035</u>	<u>\$7,170,139</u>

The increases in net capital assets was the result of the various improvements to Trilium and Kaylor Roads in 2012.

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

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City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2012
(Unaudited)

Debt

At year-end the City had \$2,588,420 in general obligation bonds, notes, loans and capital leases.

Table 4
Outstanding Debt at Year End

		2012	2011
Governmental Activities			
<u>Bonds and Notes Payable</u>			
2003 Various Purpose Bonds	1.40-5.00%	\$0	\$200,000
2003 Streetscape Bonds	4.59%	550,000	600,000
2009 Real Estate Acquisition Note	6.80%	200,000	250,000
2011 Dump Truck Acquisition Bonds	2.00%-4.50%	180,000	195,000
2011 Fire Truck Acquisition Bonds	2.00%-5.00%	340,000	390,000
Subtotal Bonds and Notes		1,270,000	1,635,000
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	256,196	270,429
2011 Jefferson Avenue Improvements	0.00%	647,929	682,030
2012 Knollcrest Drive Improvements	0.00%	7,815	0
2012 Trillium Court & Krylon Drive Improvements	0.00%	358,264	0
Subtotal Loans		1,270,204	952,459
<u>Capital Leases Payable</u>			
2 Police Cars	6.10%	48,216	0
Total Government Activities		2,588,420	2,587,459
Total Debt		\$2,588,420	\$2,587,459

See Notes 8 - 9 in the notes to the basic financial statements for further details on the City's long-term obligations.

Economic Factors

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

Contacting the City's Financial Department

This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Auditor, City of Reading, 1000 Market Street, Reading, Ohio 45215.

City of Reading, Ohio
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash	\$2,124,946	\$127,421	\$2,252,367
Receivables:			
Taxes	2,094,605	0	2,094,605
Accounts Intergovernmental	183,715	115,896	299,611
Internal Balances	431,390	0	431,390
Land Held for Resale	(69,755)	69,755	0
Nondepreciable Capital Assets	1,011,983	0	1,011,983
Depreciable Capital Assets, Net	1,311,475	6,135	1,317,610
	5,753,633	668,792	6,422,425
Total Assets	12,841,992	987,999	13,829,991
Liabilities:			
Accounts Payable	220,187	71,089	291,276
Accrued Wages and Benefits	905,999	18,192	924,191
Accrued Interest Payable	19,506	0	19,506
Unearned Revenue	538,620	0	538,620
General Obligation Notes Payable	350,000	0	350,000
Long-Term Liabilities:			
Due Within One Year	504,564	19,059	523,623
Due In More Than One Year	3,218,933	81,533	3,300,466
Total Liabilities	5,757,809	189,873	5,947,682
Net Position:			
Net Investment in Capital Assets	4,134,503	674,927	4,809,430
Restricted for:			
Debt Service	1,190	0	1,190
Capital Projects	1,178,585	0	1,178,585
State Highway	83,060	0	83,060
EPA Brownsfield Grant	922,745	0	922,745
Streets and Curbs	229,826	0	229,826
Drug Enforcement	79,623	0	79,623
Motor Vehicle Permissive	169,378	0	169,378
Other Purposes	128,917	0	128,917
Unrestricted	156,356	123,199	279,555
Total Net Position	\$7,084,183	\$798,126	\$7,882,309

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2012

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,897,832	\$303,779	\$0	\$0
Public Safety	5,348,411	451,533	908	0
Leisure Time Activities	431,151	79,127	0	0
Community Development	152,288	28,586	0	0
Basic Utility Service	415,224	356,960	0	0
Transportation and Street Repair	942,428	0	969,722	100,000
Public Health and Welfare	5,277	0	0	0
Interest and Fiscal Charges	83,829	0	0	0
Total Governmental Activities	9,276,440	1,219,985	970,630	100,000
Business-Type Activities:				
Water Utility	1,507,684	1,474,278	0	0
Total Business-Type Activities	1,507,684	1,474,278	0	0
Totals	\$10,784,124	\$2,694,263	\$970,630	\$100,000

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
 Capital Projects Purposes
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Contributions
Investments Earnings
Other Revenues

Total General Revenues

Change in Net Position

Net Position - Beginning of Year, Restated

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$1,594,053)	\$0	(\$1,594,053)
(4,895,970)	0	(4,895,970)
(352,024)	0	(352,024)
(123,702)	0	(123,702)
(58,264)	0	(58,264)
127,294	0	127,294
(5,277)	0	(5,277)
(83,829)	0	(83,829)
<u>(6,985,825)</u>	<u>0</u>	<u>(6,985,825)</u>
<u>0</u>	<u>(33,406)</u>	<u>(33,406)</u>
<u>0</u>	<u>(33,406)</u>	<u>(33,406)</u>
<u>(6,985,825)</u>	<u>(33,406)</u>	<u>(7,019,231)</u>
6,361,808	0	6,361,808
297,547	0	297,547
280,957	0	280,957
340,912	0	340,912
348	0	348
824	0	824
103,978	0	103,978
<u>7,386,374</u>	<u>0</u>	<u>7,386,374</u>
400,549	(33,406)	367,143
<u>6,683,634</u>	<u>831,532</u>	<u>7,515,166</u>
<u>\$7,084,183</u>	<u>\$798,126</u>	<u>\$7,882,309</u>

City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2012

	General	EPA Brownsfield Grant	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash	\$582,894	\$48,670	\$104,417	\$1,388,965	\$2,124,946
Receivables:					
Taxes	1,799,029	0	295,576	0	2,094,605
Accounts	75,116	0	85,000	23,599	183,715
Intergovernmental	157,926	0	0	273,464	431,390
Interfund	0	0	113,960	0	113,960
Land Held for Resale	0	922,745	89,238	0	1,011,983
Total Assets	2,614,965	971,415	688,191	1,686,028	5,960,599
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	202,263	0	0	17,924	220,187
Accrued Wages and Benefits	880,109	0	0	25,890	905,999
Accrued Interest Payable	0	4,200	0	0	4,200
Interfund Payable	118,765	0	0	64,950	183,715
Deferred Revenue	1,320,976	0	304,076	230,409	1,855,461
General Obligation Notes Payable	0	350,000	0	0	350,000
Total Liabilities	2,522,113	354,200	304,076	339,173	3,519,562
Fund Balances:					
Nonspendable	0	922,745	89,238	0	1,011,983
Restricted	0	0	294,877	1,406,701	1,701,578
Unassigned	92,852	(305,530)	0	(59,846)	(272,524)
Total Fund Balances	92,852	617,215	384,115	1,346,855	2,441,037
Total Liabilities and Fund Balances	\$2,614,965	971,415	\$688,191	\$1,686,028	\$5,960,599

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2012

Total Governmental Fund Balance		\$2,441,037
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.		7,065,108
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	\$917,694	
Delinquent Property Taxes	52,532	
Intergovernmental	338,115	
Other	<u>8,500</u>	
		1,316,841
In the statement of net position interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(15,306)
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,135,077)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(2,588,420)</u>
Net Position of Governmental Activities		<u>\$7,084,183</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2012

	General	EPA Brownsfield Grant	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$6,614,734	\$0	\$278,758	\$0	\$6,893,492
Fines, Licenses & Permits	176,011	0	0	23,492	199,503
Charges for Services	702,299	0	0	300,119	1,002,418
Investment Earnings	824	0	0	0	824
Intergovernmental	355,192	0	100,045	1,105,484	1,560,721
Other Revenues	67,709	0	500	36,617	104,826
Total Revenues	7,916,769	0	379,303	1,465,712	9,761,784
Expenditures:					
Current:					
General Government	1,864,376	0	0	0	1,864,376
Public Safety	5,049,516	0	0	30,659	5,080,175
Leisure Time Activities	383,501	0	0	0	383,501
Community Development	151,748	0	0	540	152,288
Basic Utility Service	415,224	0	0	0	415,224
Transportation and Street Repair	2,714	28,454	0	694,907	726,075
Public Health and Welfare	5,277	0	0	0	5,277
Capital Outlay	0	0	145,374	881,741	1,027,115
Debt Service:					
Principal Retirement	50,000	0	283,071	107,720	440,791
Interest and Fiscal Charges	17,000	10,628	46,146	14,659	88,433
Total Expenditures	7,939,356	39,082	474,591	1,730,226	10,183,255
Excess of Revenues Over (Under) Expenditures	(22,587)	(39,082)	(95,288)	(264,514)	(421,471)
Other Financing Sources (Uses):					
Issuance of Capital Leases	0	0	66,287	0	66,287
Issuance of Long-Term Capital-Related Debt	0	0	0	375,465	375,465
Transfers In	5,000	0	15,000	48,535	68,535
Transfers (Out)	(63,535)	0	(5,000)	0	(68,535)
Total Other Financing Sources (Uses)	(58,535)	0	76,287	424,000	441,752
Net Change in Fund Balance	(81,122)	(39,082)	(19,001)	159,486	20,281
Fund Balance Beginning of Year, Restated	173,974	656,297	403,116	1,187,369	2,420,756
Fund Balance End of Year	\$92,852	\$617,215	\$384,115	\$1,346,855	\$2,441,037

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2012

Net Change in Fund Balance - Total Governmental Funds \$20,281

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

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

Capital assets used in governmental activities	\$999,344	
Depreciation Expense	<u>(396,845)</u>	
		602,499

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

Income Taxes	\$42,475	
Delinquent Property Taxes	4,398	
Intergovernmental	(131,168)	
Other	<u>(500)</u>	
		(84,795)

Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 440,791

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 4,604

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

Compensated Absences (141,079)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (441,752)

Change in Net Position of Governmental Activities \$400,549

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Fund
December 31, 2012

	<u>Water</u>
Assets:	
Equity in Pooled Cash	\$127,421
Receivables:	
Accounts	115,896
Interfund	<u>69,755</u>
Total Current Assets	<u>313,072</u>
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>668,792</u>
Total Assets	<u>987,999</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	71,089
Accrued Wages and Benefits	18,192
Compensated Absences	<u>19,059</u>
Total Current Liabilities	<u>108,340</u>
Long-Term Liabilities:	
Compensated Absences	<u>81,533</u>
Total Long-Term Liabilities	<u>81,533</u>
Total Liabilities	<u>189,873</u>
Net Position:	
Net Investment in Capital Assets	674,927
Unrestricted	<u>123,199</u>
Total Net Position	<u><u>\$798,126</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended December 31, 2012

	<u>Water</u>
Operating Revenues:	
Charges for Services	<u>\$1,474,278</u>
Total Operating Revenues	<u>1,474,278</u>
Operating Expenses:	
Personal Services	378,330
Contractual Services	54,723
Materials and Supplies	1,042,028
Depreciation	<u>32,603</u>
Total Operating Expenses	<u>1,507,684</u>
Operating Income (Loss)	<u>(33,406)</u>
Change in Net Position	(33,406)
Net Position - Beginning of Year, Restated	<u>831,532</u>
Net Position - End of Year	<u><u>\$798,126</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended December 31, 2012

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,482,924
Cash Payments to Employees	(385,828)
Cash Payments to Suppliers	<u>(1,042,028)</u>
Net Cash Provided (Used) by Operating Activities	<u>55,068</u>
Net Increase (Decrease) in Cash and Cash Equivalents	55,068
Cash and Cash Equivalents - Beginning of Year	<u>72,353</u>
Cash and Cash Equivalents - End of Year	<u><u>127,421</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(33,406)
Adjustments:	
Depreciation	32,603
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	8,646
Increase (Decrease) in Payables	54,723
Increase (Decrease) in Accrued Liabilities	<u>(7,498)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$55,068</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2012

	<u>Agency</u>
Assets:	
Equity in Pooled Cash	\$849,568
Receivables:	
Accounts	<u>223,794</u>
Total Assets	<u><u>1,073,362</u></u>
Liabilities:	
Other Liabilities	<u>1,073,362</u>
Total Liabilities	<u><u>\$1,073,362</u></u>

See accompanying notes to the basic financial statements.

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. For proprietary funds the City has elected not to follow subsequent private-sector guidance. The most significant of the City’s accounting policies are described below.

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

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

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Fund Accounting

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

Governmental Funds

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

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

EPA Brownsfield Grant Fund – This special revenue fund accounts for financial resources used for the EPA Brownsfield Grant for the City.

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

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

Proprietary Funds

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: agency funds, pension trust funds, investment trust funds and private-purpose trust funds. The City has three Agency funds. The Sewer Disposal Trust Fund (Agency Fund) accounts for money collected for sewer services to be paid to the Metropolitan Sewer District for services provided. The City also has a Warranty Bonds Fund (Agency Fund) to account for warranty bonds collected. The City also has a Mayor's Court Cash Fund (Agency Fund) to account for amounts held on behalf of other governments and bonds deposited with the court pending final disposition of various causes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City currently has no trust funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of the current year-end, but which were levied to finance future operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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

Equity in Pooled Cash

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

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

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

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues during 2012 amounted to \$824 in the General Fund.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Fund Balance

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

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

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

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

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

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

The City applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance is available. The City considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

Net position represent 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 borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$2,793,324 in restricted net position, none were restricted by enabling legislation.

Operating Revenues and Expenses

The City, in its proprietary fund, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

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

Interfund Activity

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

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

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

Estimates

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 3 – Equity in Pooled Cash

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash."

State statute requires the classification of monies held by the City into three categories:

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

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2012, \$2,721,442 of the City's bank balance of \$3,221,442 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

At year end the City held no investments.

Note 4 – Receivables

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

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

	Amount
Real Property	\$171,828,140
Public Utility	7,555,860
Total	<u>\$179,384,000</u>

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

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

Income Taxes

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

Additional increases in the income tax rate require voter approval.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 5 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and employee health and accident insurance.

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

Note 6 – Capital Assets

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,311,475	\$0	\$0	1,311,475
Construction in Progress	284,222	0	284,222	0 0
Total Capital Assets, not being depreciated	<u>1,595,697</u>	<u>0</u>	<u>284,222</u>	<u>1,311,475</u>
Capital Assets, being depreciated:				
Buildings and Improvements	1,620,579	0	64,179	1,556,400
Equipment	3,765,174	214,444	124,668	3,854,950
Infrastructure	3,724,564	1,069,122	0	4,793,686
Total Capital Assets, being depreciated	<u>9,110,317</u>	<u>1,283,566</u>	<u>188,847</u>	<u>10,205,036</u>
Totals at Historical Cost	<u><u>10,706,014</u></u>	<u><u>1,283,566</u></u>	<u><u>473,069</u></u>	<u><u>11,516,511</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,313,040	60,072	64,179	1,308,933
Equipment	2,639,628	239,904	124,668	2,754,864
Infrastructure	290,737	96,869	0	387,606
Total Accumulated Depreciation	<u>4,243,405</u>	<u>396,845</u>	<u>188,847</u>	<u>4,451,403</u>
Governmental Activities Capital Assets, Net	<u><u>\$6,462,609</u></u>	<u><u>\$886,721</u></u>	<u><u>\$284,222</u></u>	<u><u>\$7,065,108</u></u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital Assets, not being depreciated:				
Land	\$6,135	\$0	\$0	\$6,135
Capital Assets, being depreciated:				
Building and Improvements	102,532	0	0	102,532
Equipment	215,567	0	0	215,567
Infrastructure	1,479,654	0	0	1,479,654
Total Capital Assets, being depreciated	1,797,753	0	0	1,797,753
Totals at Historical Cost	1,803,888	0	0	1,803,888
Less Accumulated Depreciation:				
Building and Improvements	53,230	1,494	0	54,724
Equipment	150,190	12,809	0	162,999
Infrastructure	892,938	18,300	0	911,238
Total Accumulated Depreciation	1,096,358	32,603	0	1,128,961
Business-Type Activities Capital Assets, Net	\$707,530	(\$32,603)	\$0	\$674,927

Depreciation expense was charged to governmental functions as follows:

General Government	\$37,461
Public Safety	166,424
Leisure Time Activities	46,530
Transportation and Street Repair	146,430
Total Depreciation Expense	\$396,845

Note 7 – Notes Payable

A summary of the note transactions for the current year end are as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Governmental Activities:				
EPA Brownsfield Grant Fund:				
2.60% Real Estate Acquisition Note	\$150,000	\$0	(\$150,000)	\$0
2.60% Public Improvement	350,000	0	(350,000)	0
Capital Improvement Fund:				
2.40% Public Improvement	0	350,000	0	350,000
Total	\$500,000	\$350,000	(\$500,000)	\$350,000

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 8 – Long-Term Debt

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

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds and Notes</u>						
2003 Various Purpose Bonds	1.40-5.00%	\$200,000	\$0	(\$200,000)	\$0	\$0
2003 Streetscape Bonds	4.59%	600,000	0	(50,000)	550,000	50,000
2009 Real Estate Acquisition Note	6.80%	250,000	0	(50,000)	200,000	50,000
2011 Dump Truck Acquisition Bonds	2.00-4.50%	195,000	0	(15,000)	180,000	15,000
2011 Fire Truck Acquisition Bonds	2.00-5.00%	390,000	0	(50,000)	340,000	50,000
Total General Obligation Bonds and Notes		<u>1,635,000</u>	<u>0</u>	<u>(365,000)</u>	<u>1,270,000</u>	<u>165,000</u>
OPWC Loans:						
Waxwing Drive Improvement	0.00%	270,429	0	(14,233)	256,196	14,233
Jefferson Avenue Improvements	0.00%	682,030	0	(34,101)	647,929	34,102
Knollcrest Drive Improvements	0.00%	0	8,015	(200)	7,815	401
Trillium Court & Krylon Drive Improvements	0.00%	0	367,450	(9,186)	358,264	18,372
Total Loans		<u>952,459</u>	<u>375,465</u>	<u>(57,720)</u>	<u>1,270,204</u>	<u>67,108</u>
Capital Lease		<u>0</u>	<u>66,287</u>	<u>(18,071)</u>	<u>48,216</u>	<u>15,130</u>
Total Long-Term Liabilities Bonds, Notes, Loans and Leases		<u>2,587,459</u>	<u>441,752</u>	<u>(440,791)</u>	<u>2,588,420</u>	<u>247,238</u>
Compensated Absences		<u>993,998</u>	<u>395,675</u>	<u>(254,596)</u>	<u>1,135,077</u>	<u>257,326</u>
Total Governmental Activities		<u>\$3,581,457</u>	<u>\$837,427</u>	<u>(\$695,387)</u>	<u>\$3,723,497</u>	<u>\$504,564</u>
Business-Type Activities						
Compensated Absences		<u>\$99,385</u>	<u>\$19,191</u>	<u>(\$17,984)</u>	<u>\$100,592</u>	<u>\$19,059</u>
Total Business-Type Activities		<u>\$99,385</u>	<u>\$19,191</u>	<u>(\$17,984)</u>	<u>\$100,592</u>	<u>\$19,059</u>

In 2012, the City issued a \$375,465 in Ohio Public Works Commission (OPWC) Loans to finance the various improvements to Knollcrest Drive, Trillium Court and Krylon Drive. These loans are interest free and will be paid off in 2032.

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

The annual requirements to pay principal and interest on long-term debt at December 31, 2012 are as follows:

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Year Ending December 31	General		OPWC Loan Principal
	Obligation Bonds		
	Principal	Interest	
2013	\$165,000	\$49,245	\$67,108
2014	175,000	46,650	67,108
2015	175,000	40,105	67,108
2016	175,000	35,560	67,108
2017	130,000	26,065	67,108
2018-2022	400,000	57,550	335,540
2023-2027	50,000	2,295	335,540
2028-2032	0	0	263,784
Total	<u>\$1,270,000</u>	<u>\$257,470</u>	<u>\$1,270,404</u>

Note 9 – Leases

Lessee

The City has entered into a capital lease for two police cars.

The lease for the vehicles meet the criteria of capital lease as defined by FASB guidance, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee.

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

Fiscal Year Ending December 31,	Long-Term Debt
2013	\$18,071
2014	18,071
2015	18,071
Total Minimum Lease Payments	54,213
Less: Amount Representing Interest	(5,997)
Present Value of Minimum Lease Payments	<u>\$48,216</u>

Capital assets acquired under capital leases in accordance with FASB guidance are as follows:

Vehicles	\$66,287
----------	----------

Lessor

The City leased certain land to R.J. Viox, LLC.

The lease meets the criteria of a capital lease as defined by FASB guidance and therefore has been recorded as a sale since all the benefits and risks of ownership have been transferred to the lessee.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The City's net investment in the lease consists of the \$450,000 cost of the land. Of the original amount of unearned revenue of \$5,000, \$500 was recognized as revenue for the current year. The land being leased is located in Reading, Ohio and the lessee can purchase the land for \$1 at the end of the lease. This is a no interest 20 year lease with payments of \$417 per month since Viox's payroll exceeds \$13,000,000 during the year. The lessee has built its own building on the land and therefore the lease has been treated as a capital lease.

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

Fiscal Year Ending December 31,	Payments Receivable
2013	\$5,000
2014	5,000
2015	5,000
2016	5,000
2017	5,000
2018-2022	25,000
2023-2027	25,000
2028-2029	10,000
Total	85,000
Less: Amount Representing Interest*	0
Total Minimum Lease Payments Receivable	<u>\$85,000</u>

* – no interest lease

Note 10 – Pension Plans

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The CO Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the CO Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2012, 2011 and 2010 were \$269,490, \$294,768, and \$293,447 respectively. The full amount has been contributed for 2011 and 2010, and 89 percent has been contributed for 2012.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers (the City) are required to contribute 19.5% for police officers and 24.0% for firefighters. The City's contributions to OP&F for the years ending December 31, 2012, 2011 and 2010 were \$303,603 (police) and \$277,277 (fire), \$302,658 (police) and \$292,657 (fire), and \$295,951 (police) and \$279,079 (fire), respectively. The 23% (police) and 22% (fire) has been contributed for 2012 and the full amount has been contributed for 2011 and 2010.

Note 11 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health card coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the City contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from City's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The City's actual contributions for the current year, which were used to fund postemployment benefits, were \$76,993 for 2012; \$84,215 for 2011; and \$21,320 for the period January 1 through February 28, 2010, and \$85,413 for the period of March 1 through December 31, 2010. The full amount has been contributed for 2011 and 2010, and 89 percent has been contributed for 2012.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Ohio Police and Fire Pension Fund

Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Information from City's Records

The City's contributions to OP&F for the year ending December 31, 2012 were \$105,047 (police) and \$77,915 (fire); December 31, 2011 were \$104,723 (police) and \$82,237 (fire); and for the year ending December 31, 2010 were \$102,399 (police) and \$78,421 (fire); respectively, and were allocated to the healthcare plan. The full amount has been contributed for 2010 and 2011 and 23% (police) and 22% (fire) has been contributed for 2012.

Note 12 – Contingencies

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

Note 13 – Interfund Transactions

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$0	\$118,765	\$5,000	\$63,535
Capital Improvement Fund	113,960	0	15,000	5,000
Other Governmental Funds	0	64,950	48,535	0
Water Fund	69,755	0	0	0
Total All Funds	<u>\$183,715</u>	<u>\$183,715</u>	<u>\$68,535</u>	<u>\$68,535</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. A GAAP transfer of \$5,000 into the General Fund was made to reimburse the General Fund for lease receipts to be recorded in the proper fund.

Note 14 – Accountability

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

<u>Other Governmental Funds:</u>	
General Sinking	\$ 59,846

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 15 – Fund Balances

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

Fund Balances	General	EPA Brownsfield Grant	Capital Improvement	Other Governmental Funds	Total
Nonspendable:					
Land Held For Resale	\$0	\$922,745	\$89,238	\$0	\$1,011,983
Total Nonspendable	0	922,745	89,238	0	1,011,983
Restricted for:					
Street Maintenance and Repair	0	0	0	58,115	58,115
State Highway Improvement	0	0	0	68,560	68,560
Mayor's Court Computer	0	0	0	3,155	3,155
DUI Enforcement	0	0	0	8,595	8,595
Streets and Curbs	0	0	0	237,641	237,641
Drug Enforcement	0	0	0	79,623	79,623
Motor Vehicle Permissive	0	0	0	134,796	134,796
Alcohol Education	0	0	0	12,715	12,715
Grant	0	0	0	38,068	38,068
Special Assessment Debt Service	0	0	0	1,190	1,190
Stadium	0	0	0	17,175	17,175
Fire/EMS Capital Improvement	0	0	0	546,674	546,674
Municipal Road	0	0	0	147,128	147,128
Stadium Track Improvement	0	0	0	274	274
Growth	0	0	0	50,191	50,191
Reading Road Development	0	0	0	494	494
OPWC SCIP	0	0	0	2,307	2,307
Capital Improvement	0	0	294,877	0	294,877
Total Restricted	0	0	294,877	1,406,701	1,701,578
Unassigned (Deficit)	92,852	(305,530)	0	(59,846)	(272,524)
Total Fund Balance	<u>\$92,852</u>	<u>\$617,215</u>	<u>\$384,115</u>	<u>\$1,346,855</u>	<u>\$2,441,037</u>

Note 16 – Change in Accounting Principles

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2012

Note 17 – Prior Period Adjustment

In 2012, the City raised its capitalization threshold from \$100 to \$5,000. The City has been leasing a portion of land to R.J. Viox, LLC since 2009 and the City previously estimated they would receive \$25,000 per year in lease payments. In 2012, R.J. Viox, LLC payroll exceeded \$13,000,000 and per the lease agreement, the City will only receive \$5,000 per year in lease payments if the payroll exceeds \$13,000,000. The City does not believe R.J. Viox, LLC’s payroll will go below \$13,000,000 over the life of the lease. A prior period adjustment has been made to change in estimate of Accounts Receivable and to Capital Assets and has the following effect on net position and fund balance.

	Governmental Activities	Business Type Activities
Net Position - December 31, 2011	\$7,292,932	\$840,521
Accounts Receivable	(363,750)	0
Capital Assets	(245,548)	(8,989)
Net Position - January 1, 2012, Restated	<u>\$6,683,634</u>	<u>\$831,532</u>
	<u>Capital Improvement</u>	
Fund Balance - December 31, 2011	\$730,490	
Accounts Receivable	(327,374)	
Fund Balance - January 1, 2012, Restated	<u>\$403,116</u>	

Note 18 - Subsequent Events

In 2013, the City purchased land on 10 East Vine Street for \$100,000 and intends to hold it for resale. The City paid for the land out of the Capital Improvement Fund.

In 2013, the City issued 2 OPWC Loans. The first loan was for \$320,400 to fund Jefferson, Willow and Voorhees street improvements. The second loan was for \$107,900 to fund Harmes Avenue street improvements. Both loans are interest free and will be paid off in 2033. These OPWC loans will be paid out of the streets and curbs fund.

In 2013, the City issued \$350,000 in Various Purposes Bonds at an interest rate of 2.72%. The bonds will mature on December 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$385,059	\$385,059	\$367,784	(\$17,275)
Fines, Licenses & Permits	186,180	186,180	177,827	(8,353)
Intergovernmental	502,937	502,937	480,373	(22,564)
Charges for Services	744,845	744,845	711,429	(33,416)
Investment Earnings	863	863	824	(39)
Other Revenues	55,371	55,371	52,887	(2,484)
Total Revenues	1,875,255	1,875,255	1,791,124	(84,131)
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	1,222,147	1,222,147	1,146,819	75,328
Materials and Supplies	587,556	587,556	551,342	36,214
Total General Government	1,809,703	1,809,703	1,698,161	111,542
<u>Public Safety</u>				
Personal Services	4,940,010	4,940,010	4,635,529	304,481
Materials and Supplies	264,766	264,766	248,447	16,319
Total Public Safety	5,204,776	5,204,776	4,883,976	320,800
<u>Leisure Time Activities</u>				
Personal Services	243,509	243,509	228,500	15,009
Materials and Supplies	169,817	169,817	159,350	10,467
Total Leisure Time Activities	413,326	413,326	387,850	25,476
<u>Community Development</u>				
Personal Services	8,399	8,399	7,881	518
Materials and Supplies	160,398	160,398	150,512	9,886
Total Community Development	168,797	168,797	158,393	10,404
<u>Basic Utility Service</u>				
Contractual Services	309,608	309,608	290,525	19,083
Total Basic Utility Service	309,608	309,608	290,525	19,083
<u>Transportation & Street Repair</u>				
Materials and Supplies	2,892	2,892	2,714	178
Total Transportation & Street Repair	2,892	2,892	2,714	178
<u>Public Health and Welfare</u>				
Materials and Supplies	5,624	5,624	5,277	347
Total Public Health and Welfare	5,624	5,624	5,277	347

Continued

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Debt Service:				
Principal Retirement	53,284	53,284	50,000	3,284
Interest and Fiscal Charges	18,117	18,117	17,000	1,117
Total Expenditures	<u>7,986,127</u>	<u>7,986,127</u>	<u>7,493,896</u>	<u>492,231</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,110,872)</u>	<u>(6,110,872)</u>	<u>(5,702,772)</u>	<u>408,100</u>
Other financing sources (uses):				
Transfers In	6,106,745	6,106,745	5,832,775	(273,970)
Total Other Financing Sources (Uses)	<u>6,106,745</u>	<u>6,106,745</u>	<u>5,832,775</u>	<u>(273,970)</u>
Net Change in Fund Balance	(4,127)	(4,127)	130,003	134,130
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	126,851	126,851	126,851	0
Fund Balance End of Year	<u>\$122,724</u>	<u>\$122,724</u>	<u>\$256,854</u>	<u>\$134,130</u>

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2012

	EPA Brownsfield Grant Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$300,000	\$385,131	\$385,077	(\$54)
Total Revenues	300,000	385,131	385,077	(54)
Expenditures:				
Current:				
Transportation & Street Repair	300,000	485,900	437,176	48,724
Total Expenditures	300,000	485,900	437,176	48,724
Net Change in Fund Balance	0	(100,769)	(52,099)	48,670
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	100,769	100,769	100,769	0
Fund Balance End of Year	\$100,769	\$0	\$48,670	\$48,670

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2012

Note 1 - Budgetary Process

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

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

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

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

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

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2012

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General fund and the EPA Brownsfield Grant fund.

Net Change in Fund Balance

	General	EPA Brownsfield Grant
GAAP Basis	(\$81,122)	(\$39,082)
Revenue Accruals	(102,219)	385,077
Expenditure Accruals	500,446	(398,094)
Transfers In	(123,268)	0
Transfer Out	63,535	0
Encumbrances	(51,901)	0
Funds Budgeted Elsewhere	(75,468)	0
Budget Basis	<u>\$130,003</u>	<u>(\$52,099)</u>



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*

City of Reading
Hamilton County
1000 Market Street
Reading, Ohio 45215

To the City Council:

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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Reading, Hamilton County, (the City) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 26, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City'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 City'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 City'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 City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement 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 City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City'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

May 26, 2015

**CITY OF READING
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-1	Various misstatements in the financial statements.	No	Partially corrected. Moved to management letter.

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Dave Yost • Auditor of State

CITY OF READING

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
JULY 14, 2015**