

CITY OF READING, OHIO

General Purpose Financial Statements

December 31, 1998

PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS
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July 7, 2000

The Honorable Mayor and Members of the
City Council of the City of Reading

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying general purpose financial statements of the City of Reading, Ohio, (the City) as of and for the year ended December 31, 1998. These general purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 7, 2000 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 grants.

Plattenburg & Associates, Inc.
Certified Public Accountants

CITY OF READING, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Pooled cash and investments	\$198,827	\$858,038	\$20,746	\$247,021
Receivables (net of allowance for uncollectables):				
Taxes	490,419	0	0	0
Accounts	11,108	1,520	0	0
Intergovernmental	49,041	29,554	0	0
Interest	0	0	0	0
Inventory	0	17,975	0	0
Amounts held for deferred compensation	0	0	0	0
Fixed assets (net, where applicable of accumulated depreciation)	0	0	0	0
Other debits:				
Amount available in debt service fund	0	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	<u><u>\$749,395</u></u>	<u><u>\$907,087</u></u>	<u><u>\$20,746</u></u>	<u><u>\$247,021</u></u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$58,656	\$10,499	\$0	\$1,052
Accrued wages and benefits	284,123	21,768	0	0
Interest payable	0	0	0	0
Compensated absences	171,730	15,223	0	0
Due to others	0	0	0	0
Deferred revenue	344,993	0	0	0
Deferred compensation benefits payable	0	0	0	0
Bond anticipation notes payable	0	0	0	0
General obligation bonds payable	0	0	0	0
Total Liabilities	<u><u>859,502</u></u>	<u><u>47,490</u></u>	<u><u>0</u></u>	<u><u>1,052</u></u>
Equity and Other Credits:				
Investment in general fixed assets	0	0	0	0
Retained earnings - unreserved	0	0	0	0
Fund Balances:				
Reserved for encumbrances	3,931	30,635	0	22,200
Reserved for inventory	0	17,975	0	0
Reserved for debt service	0	0	20,746	0
Unreserved, undesignated	(114,038)	810,987	0	223,769
Total Equity and Other Credits	<u><u>(110,107)</u></u>	<u><u>859,597</u></u>	<u><u>20,746</u></u>	<u><u>245,969</u></u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u><u>\$749,395</u></u>	<u><u>\$907,087</u></u>	<u><u>\$20,746</u></u>	<u><u>\$247,021</u></u>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals
		General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
Enterprise	Trust and Agency			
\$407,883	\$537,396	\$0	\$0	\$2,269,911
0	0	0	0	490,419
115,022	0	0	0	127,650
0	0	0	0	78,595
0	0	0	0	0
5,642	0	0	0	23,617
0	0	0	0	0
379,419	0	4,964,594	0	5,344,013
0	0	0	20,746	20,746
0	0	0	461,816	461,816
<u>\$907,966</u>	<u>\$537,396</u>	<u>\$4,964,594</u>	<u>\$482,562</u>	<u>\$8,816,767</u>
\$65,819	\$0	\$0	\$0	\$136,026
17,222	0	0	0	323,113
1,567	0	0	0	1,567
13,531	0	0	440,281	640,765
0	233,183	0	0	233,183
0	0	0	0	344,993
0	0	0	0	0
0	0	0	0	0
325,000	0	0	42,281	367,281
<u>423,139</u>	<u>233,183</u>	<u>0</u>	<u>482,562</u>	<u>2,046,928</u>
0	0	4,964,594	0	4,964,594
484,827	0	0	0	484,827
0	0	0	0	56,766
0	0	0	0	17,975
0	0	0	0	20,746
0	304,213	0	0	1,224,931
<u>484,827</u>	<u>304,213</u>	<u>4,964,594</u>	<u>0</u>	<u>6,769,839</u>
<u>\$907,966</u>	<u>\$537,396</u>	<u>\$4,964,594</u>	<u>\$482,562</u>	<u>\$8,816,767</u>

CITY OF READING, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND
 EXPENDABLE TRUST FUNDS
 For the Year Ended December 31, 1998

*

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
REVENUES:						
Taxes	\$421,899	\$3,806,944	\$0	\$0	\$0	\$4,228,843
Fines, licenses and permits	169,552	23,855	0	0	0	193,407
Intergovernmental	533,077	411,297	0	0	0	944,374
Special assessments	4,261	0	0	0	0	4,261
Charges for services	361,419	6,060	0	169,875	78,272	615,626
Interest	105,523	0	0	0	0	105,523
Other	132,514	98	0	0	0	132,612
Total Revenues	<u>1,728,245</u>	<u>4,248,254</u>	<u>0</u>	<u>169,875</u>	<u>78,272</u>	<u>6,224,646</u>
EXPENDITURES:						
Current:						
General government	1,127,893	320,131	0	2,305	0	1,450,329
Public safety	2,975,409	29,053	0	0	19,542	3,024,004
Public health and welfare	84,487	0	0	0	0	84,487
Leisure time activities	426,720	0	0	0	0	426,720
Community development	147,929	0	0	0	0	147,929
Basic utility service	387,041	0	0	0	55,313	442,354
Transportation and street repair	464	417,793	0	0	0	418,257
Capital outlay	59,682	0	0	116,794	0	176,476
Debt service:						
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total Expenditures	<u>5,209,625</u>	<u>766,977</u>	<u>0</u>	<u>119,099</u>	<u>74,855</u>	<u>6,170,556</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,481,380)</u>	<u>3,481,277</u>	<u>0</u>	<u>50,776</u>	<u>3,417</u>	<u>54,090</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers - in	3,308,023	8,000	42,000	76,000	0	3,434,023
Operating transfers - (out)	(58,000)	(3,276,000)	(41,743)	(58,023)	(25,000)	(3,458,766)
Total Other Financing Sources (Uses)	<u>3,250,023</u>	<u>(3,268,000)</u>	<u>257</u>	<u>17,977</u>	<u>(25,000)</u>	<u>(24,743)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(231,357)</u>	<u>213,277</u>	<u>257</u>	<u>68,753</u>	<u>(21,583)</u>	<u>29,347</u>
FUND BALANCES, BEGINNING OF YEAR	121,250	645,030	20,489	177,216	325,796	1,289,781
INCREASE (DECREASE) IN RESERVE FOR INVENTORY	<u>0</u>	<u>1,290</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,290</u>
FUND BALANCES, END OF YEAR	<u>(\$110,107)</u>	<u>\$859,597</u>	<u>\$20,746</u>	<u>\$245,969</u>	<u>\$304,213</u>	<u>\$1,320,418</u>

See accompanying notes.

CITY OF READING, OHIO
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES
 IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 ALL GOVERNMENTAL FUND TYPES
 For the Fiscal Year Ended December 31, 1998

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local taxes	\$282,155	\$336,930	\$54,775	\$4,016,200	\$3,806,944	(\$209,256)
Intergovernmental revenues	490,020	525,241	35,221	1,360,000	412,103	(947,897)
Charges for services	320,000	361,419	41,419	5,000	6,060	1,060
Fines, licenses and permits	172,000	169,682	(2,318)	0	24,335	24,335
Interest revenue	160,000	112,198	(47,802)	0	0	0
Special assessments	7,500	4,261	(3,239)	23,000	0	(23,000)
All other revenues	24,000	132,514	108,514	500	98	(402)
Total Revenues	1,455,675	1,642,245	186,570	5,404,700	4,249,540	(1,155,160)
EXPENDITURES:						
Current:						
Public safety	3,034,635	2,903,263	131,372	42,176	29,053	13,123
Public health and welfare	92,100	83,133	8,967	0	0	0
Leisure time activities	457,250	420,308	36,942	0	0	0
Community development	181,923	150,183	31,740	0	0	0
Basic utility services	390,000	386,309	3,691	0	0	0
Transportation and street repair	9,000	464	8,536	704,927	404,437	300,490
General government	1,702,164	1,112,881	589,283	969,000	318,182	650,818
Capital outlay	77,000	59,682	17,318	0	0	0
Debt service:						
Principal	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total Expenditures	5,944,072	5,116,223	827,849	1,716,103	751,672	964,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,488,397)	(3,473,978)	1,014,419	3,688,597	3,497,868	(190,729)
OTHER FINANCING SOURCES (USES):						
Operating transfers - in	4,100,000	3,308,023	(791,977)	0	8,000	8,000
Operating transfers - (out)	(65,000)	(58,000)	7,000	(3,276,000)	(3,276,000)	0
Proceeds from sale of fixed assets	0	0	0	0	0	0
Total Other Financing Sources (Uses)	4,035,000	3,250,023	(784,977)	(3,276,000)	(3,268,000)	8,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(453,397)	(223,955)	229,442	412,597	229,868	(182,729)
Fund Balance at Beginning of Year	419,087	419,087	0	628,169	628,169	0
Fund Balance at End of Year	(\$34,310)	\$195,132	\$229,442	\$1,040,766	\$858,037	(\$182,729)

The notes to the financial statements are an integral part of this statement.

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$4,298,355	\$4,143,874	(\$154,481)
0	0	0	68,000	0	(68,000)	1,918,020	937,344	(980,676)
0	0	0	90,000	169,875	79,875	415,000	537,354	122,354
0	0	0	0	0	0	172,000	194,017	22,017
0	0	0	0	0	0	160,000	112,198	(47,802)
0	0	0	0	0	0	30,500	4,261	(26,239)
530,000	0	(530,000)	0	0	0	554,500	132,612	(421,888)
530,000	0	(530,000)	158,000	169,875	11,875	7,548,375	6,061,660	(1,486,715)
0	0	0	0	0	0	3,076,811	2,932,316	144,495
0	0	0	0	0	0	92,100	83,133	8,967
0	0	0	0	0	0	457,250	420,308	36,942
0	0	0	8,200	8,200	0	190,123	158,383	31,740
0	0	0	0	0	0	390,000	386,309	3,691
0	0	0	0	0	0	713,927	404,901	309,026
1,037	1,037	0	16,305	16,305	0	2,688,506	1,448,405	1,240,101
0	0	0	182,909	116,711	66,198	259,909	176,393	83,516
25,000	25,000	0	0	0	0	25,000	25,000	0
58,963	15,706	43,257	0	0	0	58,963	15,706	43,257
85,000	41,743	43,257	207,414	141,216	66,198	7,952,589	6,050,854	1,901,735
445,000	(41,743)	(486,743)	(49,414)	28,659	78,073	(404,214)	10,806	415,020
400,000	42,000	(358,000)	0	76,000	76,000	4,500,000	3,434,023	(1,065,977)
0	0	0	(58,023)	(58,023)	0	(3,399,023)	(3,392,023)	7,000
0	0	0	0	0	0	0	0	0
400,000	42,000	(358,000)	(58,023)	17,977	76,000	1,100,977	42,000	(1,058,977)
845,000	257	(844,743)	(107,437)	46,636	154,073	696,763	52,806	(643,957)
20,490	20,490	0	178,185	178,185	0	1,245,931	1,245,931	0
\$865,490	\$20,747	(\$844,743)	\$70,748	\$224,821	\$154,073	\$1,942,694	\$1,298,737	(\$643,957)

CITY OF READING, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 For the Year Ended December 31, 1998

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING REVENUES:	
Charges for services	\$1,244,396
Other	<u>230,000</u>
Total Operating Revenue	<u>1,474,396</u>
OPERATING EXPENSES:	
Personal services	237,575
Fringe benefits	54,610
Supplies and materials	1,223,080
Depreciation	51,073
Cost of services	0
Other	<u>1,037</u>
Total Operating Expenses	<u>1,567,375</u>
OPERATING INCOME (LOSS)	<u>(92,979)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(15,374)
Intergovernmental revenue	0
Miscellaneous revenue (expense)	<u>304</u>
Total Nonoperating Revenues (Expenses)	<u>(15,070)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(108,049)</u>
OPERATING TRANSFERS:	
Operating transfers - in	41,743
Operating transfers - (out)	<u>(17,000)</u>
Total Operating Transfers	<u>24,743</u>
NET INCOME (LOSS)	(83,306)
RETAINED EARNINGS BEGINNING OF YEAR	<u>568,133</u>
RETAINED EARNINGS END OF YEAR	<u><u>\$484,827</u></u>

See accompanying notes.

CITY OF READING, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 For the Year Ended December 31, 1998

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING ACTIVITIES:	
Operating income (loss)	(\$92,979)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	51,073
Changes in assets and liabilities:	
(Increase) decrease in receivables	(10,271)
(Increase) decrease in inventory	(2,272)
Increase (decrease) in accounts payable	(192,835)
Increase (decrease) in accrued liabilities	<u>4,712</u>
Net Cash Provided (Used) by Operating Activities	<u>(242,572)</u>
NONCAPITAL FINANCING ACTIVITIES:	
Miscellaneous Revenue	304
Operating transfers - in	41,743
Operating transfers - (out)	<u>(17,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>25,047</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid	(15,374)
Acquisition of fixed assets	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(15,374)</u>
NET INCREASE (DECREASE) IN CASH	(232,899)
CASH BEGINNING OF YEAR	<u>640,782</u>
CASH END OF YEAR	<u><u>\$407,883</u></u>

See accompanying notes.

CITY OF READING

Notes To Financial Statements December 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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.

For financial reporting purposes, the City's financial statements include all funds and account groups of the primary government (the City). Potential component units were considered for inclusion in the financial statements. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the City) are financially accountable. The City would consider an organization to be a component unit if:

1. The City appoints a voting majority of the organization's governing body; and (a) is able to impose its will on that organization; or (b) there is a potential for the organization to provide specific financial burdens on the City; or
2. The organization is fiscally dependent upon the City; or
3. The nature of the relationship between the City and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the City misleading.

The City included no component units in the financial statements.

B. Basis of Presentation

The financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are summarized by type in the combined financial statements. The following fund types and account groups are used by the City:

Governmental Fund Types:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by city ordinances or federal and state statutes or grant provisions.

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

Enterprise Fund - The enterprise fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

Trust and Agency Funds - Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, and agency funds.

Account Groups:

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. Because these assets and obligations are long-term, they are neither spendable resources nor require current appropriation.

General Fixed Assets Account Group - This account group accounts for all fixed assets required for general City purposes, excluding fixed assets of the proprietary and fiduciary fund types.

General Long-Term Obligations Account Group - This account group accounts for long-term obligations of the City, except those accounted for in the proprietary and fiduciary fund types.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The measurement focus of governmental funds and expendable trust funds is upon the flow of current financial resources. Governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which for City purposes is considered to be 30 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Those revenues considered susceptible to accrual include, but are not limited to, property taxes, franchise taxes, state levied/shared taxes, special assessments, interest revenue, and charges for services.

The proprietary funds' measurement focus is upon the flow of economic resources. The proprietary funds and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

D. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year for the period January 1 to December 31, of the following year. Annual budgets are adopted for all funds.

Estimated Resources - The county budget commission certifies its actions to the City by September 1. As part of this examination the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented by City Council during the year as new information becomes available. (The budget may be revised by management without City Council approval if the revised budget does not exceed total appropriations at the fund level). Appropriations may not exceed estimated resources.

Expenditures may not legally exceed appropriations at the fund level for all budgeted funds. During the year, various supplemental appropriations were necessary.

Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

Encumbrances - The City of Reading is required to use the encumbrances method of accounting by Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

Encumbrances outstanding at year end for governmental funds are reported as reservations of fund balances and do not represent expenditures or liabilities.

Budget Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types are presented on the budgetary basis to provide a relevant comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

- * Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- * Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The adjustments necessary to convert results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis (as reported)	(\$231,357)	\$213,227	\$257	\$68,753
Adjustments:				
Revenue Accruals, Net	(86,000)	1,336	0	0
Expenditure Accruals, Net	<u>93,402</u>	<u>15,305</u>	<u>0</u>	<u>(22,117)</u>
BUDGET BASIS	<u>(\$223,955)</u>	<u>\$229,868</u>	<u>\$257</u>	<u>\$46,636</u>

E. Inventory

Inventory is stated at cost, which approximates market, using the first-in, first-out (FIFO) method of identification. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

F. Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group. No depreciation is recorded for general fixed assets.

Fixed assets used in proprietary fund type operations are recorded in the enterprise fund. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Automobiles and trucks	5-20 years
Machinery and equipment	5-20 years
Buildings and improvements	15-40 years

Public domain assets (infrastructure) such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

Fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value at the time received. Interest on constructed fixed assets is capitalized.

G. Interfund Transactions

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management.

H. Fund Balance Reserves

Reserves indicate portions of fund equity legally segregated for a specific future use and/or not appropriable for expenditures.

I. Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", the City records a liability for vacation time and sick leave when the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "compensated absences payable". The remaining portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the Water Enterprise Fund when earned, and the related liability is reported within the fund.

K. Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled and invested in short-term investments in order to provide improved cash management. Investments are stated at cost, which approximates market value except for investments for deferred compensation which are stated at market value. For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

L. Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

M. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

2. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property used in business, located in the City. Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1.

Assessed values are established by the County Auditor at 35 percent of appraised market value for real property. A revaluation of all real property is required to be completed every six years, with a statistical update every third year. The last revaluation was completed in 1996. Public utility property taxes on tangible personal property are assessed at true value (generally net book value). Tangible personal property used in business (except public utility business) is assessed at 25 percent of average value for inventories and 25 percent of true value for all other personal property.

The property tax calendar is as follows:

Levy date	April 1, 1997
Lien date	January 1, 1997
Tax bill mailed	January 20, 1998
First installment payment due	February 15, 1998
Second installment payment due	July 15, 1998

The assessed valuation upon which the 1996 levy was based is as follows:

	<u>Assessed Value</u>
Real property (other than public utility)	\$138,698,360
Public utility real and personal tangible property	10,189,700
Tangible personal property (other than public utility)	<u>45,117,500</u>
Total Assessed Valuation	<u>\$194,005,560</u>

In accordance with NCGA Statement 1 property taxes that are measurable but not available at fiscal year end are recorded as a receivable with the corresponding revenue deferred until available. Delinquent property tax amounts, net of allowance for uncollectibles, are recorded if material in amount.

3. RETIREMENT SYSTEM

A. Public Employees Retirement System

Plan Description: The City of Reading contributes to PERS, a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PERS Retirement Board. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 466-2085.

Funding Policy: The ORC provides statutory authority for employee and employer contributions. The 1998 employee contribution rate is 8.5%, and the employer contribution rate is 8.44% of covered payroll. The contribution requirements of plan members and the City of Reading are established and may be amended by the PERS Retirement Board. The City's contributions for the years ending December 31, 1998, 1997, and 1996 were \$138,155, \$143,038, and \$140,508 respectively, equal to the required contributions for each year.

Other Postemployment Benefits

In addition to the pension benefit obligation described above, the PERS of Ohio also provides postemployment health care benefits to age and service retirants with ten (10) or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postretirement health care through their contributions to PERS. The portion of the current year employer contribution rate (identified above) that was used to fund health care for the year was 5.11 percent of covered payroll, which amounted to \$83,646.

B. Police and Firemen's Disability and Pension Fund

Plan Description: The City of Reading contributes to PFDPF, a cost-sharing multiple-employer defined benefit pension plan. PFDPF provides retirement and disability benefits to plan members and death benefits to beneficiaries. Chapter 742 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PFDPF Retirement Board. PFDPF issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 466-2085.

Funding Policy: The ORC provides statutory authority for employee and employer contributions. The employee contribution rates are 10% for both police and firefighters. The 1998 employer contribution rate for employers was 19.5% and 24% of covered payroll for police and firefighters respectively. The contribution requirements of plan members of the City of Reading are established and may be amended by the PFDPF Retirement Board. The City's contributions for the last three years were equal to the required contributions for year and were as follows:

<u>December 31:</u>	<u>Police</u>	<u>Fire</u>
1998	\$166,405	\$172,692
1997	162,356	173,672
1996	157,062	164,247

Other Postemployment Benefits

The PFDPF System of Ohio provides postemployment health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a two-thirds basis. The Ohio Revised Code provides statutory authority for employer contributions and allows the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the PFDPF System of Ohio. Most retirees are required to contribute a portion of the cost of their health care coverage.

The portion of the current year City contribution that was used to fund postemployment health care benefits was \$55,468 and \$46,771 representing 6.50 percent of covered payroll for police and firefighters respectively. Funding and accounting are on a pay-as-you-go basis. As of December 31, 1997, the number of participants eligible to receive health care benefits was 11,239 for police and 9,025 for fire. The PFDPF System of Ohio does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1997 were \$76,459,832.

4. ENTERPRISE FUND DEBT

	<u>Balance</u> <u>01/01/98</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>12/31/98</u>
General Obligation Bonds:			
Water systems improvements, 4.5%	<u>\$350,000</u>	<u>(\$ 25,000)</u>	<u>\$325,000</u>

The annual requirements to pay principal and interest on enterprise fund debt at December 31, 1998 are as follows:

	<u>Bond Anticipation Notes</u>	
	<u>Principal</u>	<u>Interest</u>
1998	<u>\$350,000</u>	<u>\$15,374</u>

The bonds will be repaid from the resources of the water fund.

5. FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	<u>Balance 01/01/98</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/98</u>
Land	\$ 824,325	\$ 0	\$ 0	\$ 824,325
Buildings & Improvements	1,065,170	0	0	1,065,170
Machinery & Equipment	<u>3,008,562</u>	<u>66,537</u>	<u>0</u>	<u>3,075,099</u>
Total	<u>\$4,898,057</u>	<u>\$ 66,537</u>	<u>\$ 0</u>	<u>\$4,964,594</u>

A summary of changes in enterprise fund fixed assets is as follows:

	<u>Balance 12/31/98</u>
Land	\$ 7,092
Buildings & Improvements	1,151,864
Machinery & Equipment	<u>122,420</u>
Total	<u>\$ 1,281,376</u>
Accumulated Depreciation	<u>(901,957)</u>
Net fixed assets	<u>\$ 379,419</u>

6. CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Pooled Cash and Investments.

A. Legal Requirements

Statutes require the classification of monies held by the City into three categories. Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories.

State legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eight days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

B. Deposits

At year end, the carrying amount of the City's deposits was \$421,001 and the bank balance was \$625,447. Of the bank balance:

1. \$141,506 was covered by federal depository insurance.
2. All remaining deposits were covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. The entire amount above is defined by GASB statement No. 3 as being collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

C. Investments:

The Governmental Accounting Standards Board has established risk categories for investments as follows:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Unclassified - Investments in Star Money Fund are unclassified since they are not evidenced by securities that exist in physical or book entry form.

At year-end the carrying amount and market value of investments were as follows:

<u>Description</u>	<u>Category</u>	<u>Total Carrying Value</u>	<u>Total Market Value</u>
Star Money Fund	Unclassified	\$1,848,911	\$1,848,911

7. PRIOR YEARS' DEBT DEFEASANCE

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. U.S. government securities were purchased and placed in the trust funds. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's General Long-Term Debt Account Group.

As of December 31, 1998, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$985,000.

Subsequent to the creation of the irrevocable trust fund, it was discovered that the Trustee had made an error in calculating the amount needed to fully service the defeased debt. This amount has been recorded in the City's General Long-Term Debt Account Group and totals \$42,281 as of December 31, 1998. Annual requirements to pay principal and interest at December 31, 1998 are as follows:

	<u>Principal</u>	<u>Interest</u>
1999	\$10,570	\$2,273
2000	10,570	1,704
2001	10,570	1,136
2002	<u>10,571</u>	<u>568</u>
	<u>\$42,281</u>	<u>\$5,681</u>

8. 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.

9. 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.

10. CHANGE IN ACCOUNTING PRINCIPLE

The Internal Revenue Code previously required that Section 457 deferred compensation plan assets remain the property of the employer government until available to the employee or beneficiary. Under these regulations, plan assets are recorded in the City's Deferred Compensation agency fund.

Recent changes to the Internal Revenue Code require Section 457 plan assets to be held in trust for the exclusive benefit of the employees. These plans must establish trust agreements prior to January 1, 1999. GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," requires that such assets held in trust, not be reflected on the government's financial statements.

During 1998, the Ohio Public Employees Deferred Compensation Plan adopted a trust agreement. Accordingly, agency fund assets as of January 1, 1998 have been reduced by \$1,207,754.

PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

July 7, 2000

Honorable City Council
City of Reading, Ohio

We have audited the general purpose financial statements of the City of Reading, Ohio (the City), as of and for the year ended December 31, 1998, and have issued our report thereon dated July 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Auditor of State and the Honorable City Council of the City of Reading, Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.
Certified Public Accountants

CITY OF READING, OHIO

General Purpose Financial Statements

December 31, 1999

PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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July 7, 2000

The Honorable Mayor and Members of the
City Council of the City of Reading

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying general purpose financial statements of the City of Reading, Ohio, (the City) as of and for the year ended December 31, 1999. These general purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 7, 2000 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 grants.

Plattenburg & Associates, Inc.
Certified Public Accountants

CITY OF READING, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Pooled cash and investments	\$305,958	\$680,314	\$21,782	\$322,365
Receivables (net of allowance for uncollectables):				
Taxes	363,112	0	0	0
Accounts	9,212	1,200	0	0
Intergovernmental	90,682	28,148	0	0
Interest	0	0	0	0
Inventory	0	17,975	0	0
Amounts held for deferred compensation	0	0	0	0
Fixed assets (net, where applicable of accumulated depreciation)	0	0	0	0
Other debits:				
Amount available in debt service fund	0	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	<u>\$768,964</u>	<u>\$727,637</u>	<u>\$21,782</u>	<u>\$322,365</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$55,974	\$29,784	\$0	\$1,380
Accrued wages and benefits	252,376	18,999	0	0
Interest payable	0	0	0	0
Compensated absences	169,908	15,859	0	0
Due to others	0	0	0	0
Deferred revenue	325,161	0	0	0
Deferred compensation benefits payable	0	0	0	0
Bond anticipation notes payable	0	0	0	0
General obligation bonds payable	0	0	0	0
Total Liabilities	<u>803,419</u>	<u>64,642</u>	<u>0</u>	<u>1,380</u>
Equity and Other Credits:				
Investment in general fixed assets	0	0	0	0
Retained earnings - unreserved	0	0	0	0
Fund Balances:				
Reserved for encumbrances	63,011	48,826	0	0
Reserved for inventory	0	17,975	0	0
Reserved for debt service	0	0	21,782	0
Unreserved, undesignated	(97,466)	596,194	0	320,985
Total Equity and Other Credits	<u>(34,455)</u>	<u>662,995</u>	<u>21,782</u>	<u>320,985</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$768,964</u>	<u>\$727,637</u>	<u>\$21,782</u>	<u>\$322,365</u>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals
		General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
Enterprise	Trust and Agency			
\$507,226	\$591,554	\$0	\$0	\$2,429,199
0	0	0	0	363,112
122,075	0	0	0	132,487
0	0	0	0	118,830
0	0	0	0	0
5,642	0	0	0	23,617
0	0	0	0	0
403,426	0	4,226,566	0	4,629,992
0	0	0	21,782	21,782
0	0	0	399,876	399,876
<u>\$1,038,369</u>	<u>\$591,554</u>	<u>\$4,226,566</u>	<u>\$421,658</u>	<u>\$8,118,895</u>
\$7,759	\$0	\$0	\$0	\$94,897
15,805	0	0	0	287,180
1,591	0	0	0	1,591
12,609	0	0	389,947	588,323
0	239,239	0	0	239,239
0	0	0	0	325,161
0	0	0	0	0
0	0	0	0	0
300,000	0	0	31,711	331,711
<u>337,764</u>	<u>239,239</u>	<u>0</u>	<u>421,658</u>	<u>1,868,102</u>
0	0	4,226,566	0	4,226,566
700,605	0	0	0	700,605
0	0	0	0	111,837
0	0	0	0	17,975
0	0	0	0	21,782
0	352,315	0	0	1,172,028
<u>700,605</u>	<u>352,315</u>	<u>4,226,566</u>	<u>0</u>	<u>6,250,793</u>
<u>\$1,038,369</u>	<u>\$591,554</u>	<u>\$4,226,566</u>	<u>\$421,658</u>	<u>\$8,118,895</u>

CITY OF READING, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND
 EXPENDABLE TRUST FUNDS
 For the Year Ended December 31, 1999

*

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Debt Service	Expendable Trust	(Memorandum Only)
REVENUES:					
Taxes	\$203,284	\$3,985,451	\$0	\$0	\$4,188,735
Fines, licenses and permits	183,167	23,233	0	0	206,400
Intergovernmental	751,732	387,937	0	0	1,139,669
Special assessments	4,181	0	0	0	4,181
Charges for services	308,586	0	0	222,842	608,489
Interest	105,363	0	0	0	105,363
Other	66,314	0	0	0	66,314
Total Revenues	<u>1,622,627</u>	<u>4,396,621</u>	<u>0</u>	<u>222,842</u>	<u>6,319,151</u>
EXPENDITURES:					
Current:					
General government	1,098,424	379,735	0	0	1,478,159
Public safety	3,078,855	0	0	63,110	3,141,965
Public health and welfare	83,870	0	0	0	83,870
Leisure time activities	439,066	0	0	0	439,066
Community development	137,411	0	0	0	137,411
Basic utility service	316,138	0	0	2,000	318,138
Transportation and street repair	844	432,867	0	0	433,711
Capital outlay	0	0	0	260,326	260,326
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Other	0	0	0	0	0
Total Expenditures	<u>5,154,608</u>	<u>812,602</u>	<u>0</u>	<u>260,326</u>	<u>6,292,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,531,981)</u>	<u>3,584,019</u>	<u>0</u>	<u>(37,484)</u>	<u>26,505</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers - in	3,789,999	12,109	1,036	112,500	3,976,795
Operating transfers - (out)	(182,366)	(3,792,730)	0	0	(4,000,096)
Total Other Financing Sources (Uses)	<u>3,607,633</u>	<u>(3,780,621)</u>	<u>1,036</u>	<u>112,500</u>	<u>(23,301)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>75,652</u>	<u>(196,602)</u>	<u>1,036</u>	<u>75,016</u>	<u>3,204</u>
FUND BALANCES, BEGINNING OF YEAR	(110,107)	859,597	20,746	245,969	1,320,418
INCREASE (DECREASE) IN RESERVE FOR INVENTORY	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>(\$34,455)</u>	<u>\$662,995</u>	<u>\$21,782</u>	<u>\$320,985</u>	<u>\$1,323,622</u>

See accompanying notes.

CITY OF READING, OHIO
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES
 IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 ALL GOVERNMENTAL FUND TYPES
 For the Fiscal Year Ended December 31, 1999

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local taxes	\$282,160	\$310,759	\$28,599	\$3,940,500	\$3,985,451	\$44,951
Intergovernmental revenues	530,550	710,091	179,541	399,000	389,343	(9,657)
Charges for services	7,500	4,181	(3,319)	7,200	0	(7,200)
Fines, licenses and permits	320,000	308,586	(11,414)	24,000	23,553	(447)
Interest revenue	175,000	185,063	10,063	0	0	0
Special assessments	170,000	105,363	(64,637)	0	0	0
All other revenues	64,000	66,314	2,314	1,000	0	(1,000)
Total Revenues	1,549,210	1,690,357	141,147	4,371,700	4,398,347	26,647
EXPENDITURES:						
Current:						
Public safety	3,155,725	3,125,110	30,615	55,381	0	55,381
Public health and welfare	86,498	84,950	1,548	0	0	0
Leisure time activities	461,634	442,522	19,112	0	0	0
Community development	138,914	112,342	26,572	0	0	0
Basic utility services	351,000	349,595	1,405	0	0	0
Transportation and street repair	10,000	844	9,156	750,994	416,247	334,747
General government	1,191,526	1,138,508	53,018	384,023	379,203	4,820
Capital outlay	0	0	0	0	0	0
Debt service:						
Principal	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total Expenditures	5,395,297	5,253,871	141,426	1,190,398	795,450	394,948
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,846,087)	(3,563,514)	282,573	3,181,302	3,602,897	421,595
OTHER FINANCING SOURCES (USES):						
Operating transfers - in	3,800,000	3,790,000	(10,000)	0	12,109	12,109
Operating transfers - (out)	(183,866)	(182,366)	1,500	(3,792,730)	(3,792,730)	0
Proceeds from sale of fixed assets	0	0	0	0	0	0
Total Other Financing Sources (Uses)	3,616,134	3,607,634	(8,500)	(3,792,730)	(3,780,621)	12,109
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(229,953)	44,120	274,073	(611,428)	(177,724)	433,704
Fund Balance at Beginning of Year	198,828	198,828	0	858,038	858,038	0
Fund Balance at End of Year	(\$31,125)	\$242,948	\$274,073	\$246,610	\$680,314	\$433,704

The notes to the financial statements are an integral part of this statement.

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$4,222,660	\$4,296,210	\$73,550
0	0	0	0	0	0	929,550	1,099,434	169,884
0	0	0	333,000	222,842	(110,158)	347,700	227,023	(120,677)
0	0	0	0	0	0	344,000	332,139	(11,861)
0	0	0	0	0	0	175,000	185,063	10,063
0	0	0	0	0	0	170,000	105,363	(64,637)
0	0	0	0	0	0	65,000	66,314	1,314
0	0	0	333,000	222,842	(110,158)	6,253,910	6,311,546	57,636
0	0	0	0	0	0	3,211,106	3,125,110	85,996
0	0	0	0	0	0	86,498	84,950	1,548
0	0	0	0	0	0	461,634	442,522	19,112
0	0	0	0	0	0	138,914	112,342	26,572
0	0	0	0	0	0	351,000	349,595	1,405
0	0	0	0	0	0	760,994	417,091	343,903
0	0	0	0	0	0	1,575,549	1,517,711	57,838
0	0	0	265,437	259,998	5,439	265,437	259,998	5,439
25,000	25,000	0	0	0	0	25,000	25,000	0
36,000	12,964	23,036	0	0	0	36,000	12,964	23,036
61,000	37,964	23,036	265,437	259,998	5,439	6,912,132	6,347,283	564,849
(61,000)	(37,964)	23,036	67,563	(37,156)	(104,719)	(658,222)	(35,737)	622,485
17,500	39,000	21,500	0	112,500	112,500	3,817,500	3,953,609	136,109
0	0	0	0	0	0	(3,976,596)	(3,975,096)	1,500
0	0	0	0	0	0	0	0	0
17,500	39,000	21,500	0	112,500	112,500	(159,096)	(21,487)	137,609
(43,500)	1,036	44,536	67,563	75,344	7,781	(817,318)	(57,224)	760,094
20,746	20,746	0	247,021	247,021	0	1,324,633	1,324,633	0
(\$22,754)	\$21,782	\$44,536	\$314,584	\$322,365	\$7,781	\$507,315	\$1,267,409	\$760,094

CITY OF READING, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 For the Year Ended December 31, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING REVENUES:	
Charges for services	\$1,388,399
Other	<u>0</u>
Total Operating Revenue	<u>1,388,399</u>
OPERATING EXPENSES:	
Personal services	220,748
Fringe benefits	74,302
Supplies and materials	862,927
Depreciation	24,332
Cost of services	0
Other	<u>0</u>
Total Operating Expenses	<u>1,182,309</u>
OPERATING INCOME (LOSS)	<u>206,090</u>
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(12,988)
Intergovernmental revenue	0
Miscellaneous revenue (expense)	<u>(625)</u>
Total Nonoperating Revenues (Expenses)	<u>(13,613)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>192,477</u>
OPERATING TRANSFERS:	
Operating transfers - in	37,964
Operating transfers - (out)	<u>(14,663)</u>
Total Operating Transfers	<u>23,301</u>
NET INCOME (LOSS)	215,778
RETAINED EARNINGS BEGINNING OF YEAR	<u>484,827</u>
RETAINED EARNINGS END OF YEAR	<u><u>\$700,605</u></u>

See accompanying notes.

CITY OF READING, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 For the Year Ended December 31, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING ACTIVITIES:	
Operating income (loss)	\$206,090
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	24,332
Changes in assets and liabilities:	
(Increase) decrease in receivables	(7,053)
(Increase) decrease in inventory	0
Increase (decrease) in accounts payable	(83,060)
Increase (decrease) in accrued liabilities	<u>(2,315)</u>
Net Cash Provided (Used) by Operating Activities	<u>137,994</u>
NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers - in	37,964
Operating transfers - (out)	<u>(14,663)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>23,301</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid	(13,613)
Acquisition of fixed assets	<u>(48,339)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(61,952)</u>
NET INCREASE (DECREASE) IN CASH	99,343
CASH BEGINNING OF YEAR	<u>407,883</u>
CASH END OF YEAR	<u><u>\$507,226</u></u>

See accompanying notes.

CITY OF READING, OHIO

**Notes To Financial Statements
December 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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.

For financial reporting purposes, the City's financial statements include all funds and account groups of the primary government (the City). Potential component units were considered for inclusion in the financial statements. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the City) are financially accountable. The City would consider an organization to be a component unit if:

- 1 The City appoints a voting majority of the organization's governing body; and (a) is able to impose its will on that organization; or (b) there is a potential for the organization to provide specific financial burdens on the City; or
- 2 The organization is fiscally dependent upon the City; or
- 3 The nature of the relationship between the City and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the City misleading.

The City included no component units in the financial statements.

B. Basis of Presentation

The financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are summarized by type in the combined financial statements. The following fund types and account groups are used by the City:

Governmental Fund Types:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by city ordinances or federal and state statutes or grant provisions.

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

Enterprise Fund - The enterprise fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

Trust and Agency Funds - Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, and agency funds.

Account Groups:

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. Because these assets and obligations are long-term, they are neither spendable resources nor require current appropriation.

General Fixed Assets Account Group - This account group accounts for all fixed assets required for general City purposes, excluding fixed assets of the proprietary and fiduciary fund types.

General Long-Term Obligations Account Group - This account group accounts for long-term obligations of the City, except those accounted for in the proprietary and fiduciary fund types.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The measurement focus of governmental funds and expendable trust funds is upon the flow of current financial resources. Governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which for City purposes is considered to be 30 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Those revenues considered susceptible to accrual include, but are not limited to, property taxes, franchise taxes, state levied/shared taxes, special assessments, interest revenue, and charges for services.

The proprietary funds' measurement focus is upon the flow of economic resources. The proprietary funds and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

D. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year for the period January 1 to December 31, of the following year. Annual budgets are adopted for all funds.

Estimated Resources - The county budget commission certifies its actions to the City by September 1. As part of this examination the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented by City Council during the year, as new information becomes available. (The budget may be revised by management without City Council approval if the revised budget does not exceed total appropriations at the fund level). Appropriations may not exceed estimated resources.

Expenditures may not legally exceed appropriations at the fund level for all budgeted funds. During the year, various supplemental appropriations were necessary.

Unencumbered appropriation balances lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

Encumbrances - The City of Reading is required to use the encumbrances method of accounting by Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

Encumbrances outstanding at year end for governmental funds are reported as reservations of fund balances and do not represent expenditures or liabilities.

Budget Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types are presented on the budgetary basis to provide a relevant comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

- * Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- * Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The adjustments necessary to convert results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis (as reported)	\$75,652	(\$196,602)	\$1,036	\$75,016
Adjustments:				
Revenue Accruals, Net	67,731	1,726	37,964	0
Expenditure Accruals, Net	<u>(99,263)</u>	<u>17,152</u>	<u>(37,964)</u>	<u>328</u>
BUDGET BASIS	<u>\$ 44,120</u>	<u>(\$177,724)</u>	<u>\$ 1,036</u>	<u>\$75,344</u>

E. Inventory

Inventory is stated at cost, which approximates market, using the first-in, first-out (FIFO) method of identification. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

F. Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group. No depreciation is recorded for general fixed assets.

Fixed assets used in proprietary fund type operations are recorded in the enterprise fund. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Automobiles and trucks	5-20 years
Machinery and equipment	5-20 years
Buildings and improvements	15-40 years

Public domain assets (infrastructure) such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value at the time received. Interest on constructed fixed assets is capitalized.

G. Interfund Transactions

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management.

H. Fund Balance Reserves

Reserves indicate portions of fund equity legally segregated for a specific future use and/or not appropriate for expenditures.

I. Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", the City records a liability for vacation time and sick leave when the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "compensated absences payable". The remaining portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the Water Enterprise Fund when earned, and the related liability is reported within the fund.

K. Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled and invested in short-term investments in order to provide improved cash management. Investments are stated at cost, which approximates market value except for investments for deferred compensation, which are stated at market value. For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

L. Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

M. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

2. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property used in business, located in the City. Real property taxes are levied each January 1 on the assessed value listed as of the prior January 1.

Assessed values are established by the County Auditor at 35 percent of appraised market value for real property. A revaluation of all real property is required to be completed every six years, with a statistical update every third year. The last revaluation was completed in 1996. Public utility property taxes on tangible personal property are assessed at true value (generally net book value). Tangible personal property used in business (except public utility business) is assessed at 25 percent of average value for inventories and 25 percent of true value for all other personal property.

The property tax calendar is as follows:

Levy date	April 1, 1998
Lien date	January 1, 1998
Tax bill mailed	January 20, 1999
First installment payment due	February 15, 1999
Second installment payment due	July 15, 1999

The assessed valuation upon which the 1996 levy was based is as follows:

	<u>Assessed Value</u>
Real property (other than public utility)	\$138,692,400
Public utility real and personal tangible property	10,595,450
Tangible personal property (other than public utility)	<u>40,950,750</u>
Total Assessed Valuation	<u>\$190,238,600</u>

In accordance with NCGA Statement 1 property taxes that are measurable but not available at fiscal year end are recorded as a receivable with the corresponding revenue deferred until available. Delinquent property tax amounts, net of allowance for uncollectibles, are recorded if material in amount.

3. RETIREMENT SYSTEM

A. Public Employees Retirement System

Plan Description: The City of Reading contributes to PERS, a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PERS Retirement Board. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 466-2085.

Funding Policy: The ORC provides statutory authority for employee and employer contributions. The 1999 employee contribution rate is 8.5%, and the employer contribution rate is 8.44% of covered payroll. The contribution requirements of plan members and the City of Reading are established and may be amended by the PERS Retirement Board. The City's contributions for the years ending December 31, 1999, 1998, and 1997 were \$142,272, \$138,155, and \$143,038 respectively, equal to the required contributions for each year.

Other Postemployment Benefits

In addition to the pension benefit obligation described above, the PERS of Ohio also provides postemployment health care benefits to age and service retirants with ten (10) or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postretirement health care through their contributions to PERS. The portion of the current year employer contribution rate (identified above) that was used to fund health care for the year was 5.11 percent of covered payroll, which amounted to \$86,139.

B. Police and Firemen's Disability and Pension Fund

Plan Description: The City of Reading contributes to PFDPF, a cost-sharing multiple-employer defined benefit pension plan. PFDPF provides retirement and disability benefits to plan members and death benefits to beneficiaries. Chapter 742 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the PFDPF Retirement Board. PFDPF issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 466-2085.

Funding Policy: The ORC provides statutory authority for employee and employer contributions. The employee contribution rates are 10% for both police and firefighters. The 1999 employer contribution rate for employers was 19.5% and 24% of covered payroll for police and firefighters respectively. The contribution requirements of plan members of the City of Reading are established and may be amended by the PFDPF Retirement Board. The City's contributions for the last three years were equal to the required contributions for year and were as follows:

<u>December 31:</u>	<u>Police</u>	<u>Fire</u>
1999	\$184,925	\$182,465
1998	166,405	172,692
1997	162,356	173,672

Other Postemployment Benefits

The PFDPF System of Ohio provides postemployment health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a two-thirds basis. The Ohio Revised Code provides statutory authority for employer contributions and allows the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the PFDPF System of Ohio. Most retirees are required to contribute a portion of the cost of their health care coverage.

The portion of the current year City contribution that was used to fund postemployment health care benefits was \$66,383 and \$53,219 representing 7.00 percent of covered payroll for police and firefighters respectively. Funding and accounting are on a pay-as-you-go basis. As of December 31, 1998, the number of participants eligible to receive health care benefits was 11,424 for police and 9,186 for fire. The PFDPF System of Ohio does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790.

4. ENTERPRISE FUND DEBT

	<u>Balance</u> <u>01/01/99</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>12/31/99</u>
General Obligation Bonds:			
Water systems improvements, 4.5%	<u>\$325,000</u>	<u>(\$ 25,000)</u>	<u>\$300,000</u>

The annual requirements to pay principal and interest on enterprise fund debt at December 31, 1999 are as follows:

	<u>Bond Anticipation Notes</u>	
	<u>Principal</u>	<u>Interest</u>
1999	<u>\$300,000</u>	<u>\$12,988</u>

The bonds will be repaid from the resources of the water fund.

5. FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	<u>Balance 01/01/99</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/99</u>
Land	\$ 824,325	\$ 0	(\$105,055)	\$ 719,270
Buildings & Improvements	1,065,170	102,689	0	1,167,859
Machinery & Equipment	<u>3,075,099</u>	<u>46,926</u>	<u>(782,588)</u>	<u>2,339,437</u>
Total	<u>\$4,964,594</u>	<u>\$149,615</u>	<u>(\$887,643)</u>	<u>\$4,226,566</u>

A summary of enterprise fund fixed assets is as follows:

	<u>Balance 12/31/99</u>
Land	\$ 10,467
Buildings & improvements	1,096,429
Machinery & equipment	<u>113,875</u>
Total	<u>\$1,220,771</u>
Accumulated Depreciation	(<u>817,345</u>)
Net fixed assets	<u>\$ 403,426</u>

6. CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Pooled Cash and Investments.

A. Legal Requirements

Statutes require the classification of monies held by the City into three categories. Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories.

State legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured

by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eight days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

B. Deposits

At year-end, the carrying amount of the City's deposits was \$95,179 and the bank balance was \$168,044. Of the bank balance:

1. \$123,555 was covered by federal depository insurance.
2. All remaining deposits were covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. The entire amount above is defined by GASB statement No. 3 as being collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

C. Investments:

The Governmental Accounting Standards Board has established risk categories for investments as follows:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Unclassified - Investments in Star Money Fund are unclassified since they are not evidenced by securities that exist in physical or book entry form.

At year end the carrying amount and market value of investments were as follows:

<u>Description</u>	<u>Category</u>	<u>Total Carrying Value</u>	<u>Total Market Value</u>
Star Money Fund	Unclassified	\$2,334,020	\$2,334,020

7. PRIOR YEARS' DEBT DEFEASANCE

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. U.S. government securities were purchased and placed in the trust funds. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's General Long-Term Debt Account Group.

As of December 31, 1999, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$720,000.

Subsequent to the creation of the irrevocable trust fund, it was discovered that the Trustee had made an error in calculating the amount needed to fully service the defeased debt. This amount has been recorded in the City's General Long-Term Debt Account Group and totals \$31,711 as of December 31, 1999. Annual requirements to pay principal and interest at December 31, 1999 are as follows:

	<u>Principal</u>	<u>Interest</u>
2000	10,570	1,705
2001	10,570	1,136
2002	<u>10,571</u>	<u>568</u>
	<u>\$31,711</u>	<u>\$3,409</u>

8. 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.

9. 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.

PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

July 7, 2000

Honorable City Council
City of Reading, Ohio

We have audited the general purpose financial statements of the City of Reading, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated July 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Auditor of State and the Honorable City Council of the City of Reading, Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.
Certified Public Accountants



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OFFICE OF THE AUDITOR

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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
SEPTEMBER 28, 2000**