

CITY OF READING, OHIO

General Purpose Financial Statements

December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and
Members of City Council
City of Reading
1000 Market Street
Reading, Ohio 45215

We have reviewed the Independent Auditor's Report of the City of Reading, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

August 13, 2002

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PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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June 3, 2002

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, 2001. 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 auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2001, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 3, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* and should be read in conjunction with this report in considering the results of our audit.

Plattenburg & Associates, Inc.
Certified Public Accountants

City of Reading Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Pooled cash and investments	\$271,630	\$526,502	\$21,482	\$529,050
Receivables (net of allowance for uncollectables):				
Taxes	1,179,895	0	0	308,478
Accounts	42,375	1,435	0	0
Intergovernmental	115,197	157,398	0	0
Interfund	0	0	0	113,960
Inventory	0	9,221	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>\$1,609,097</u>	<u>\$694,556</u>	<u>\$21,482</u>	<u>\$951,488</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$188,817	\$36,359	\$0	\$8,403
Accrued wages and benefits	330,021	25,644	0	0
Interest payable	0	0	0	1,109
Interfund payable	113,960	0	64,950	0
Compensated absences	164,759	6,528	0	0
Due to others	0	0	0	0
Deferred revenue	843,878	131,630	0	308,478
Notes payable	0	0	0	0
Bond anticipation notes payable	0	0	0	759,900
General obligation bonds payable	0	0	0	0
Total Liabilities	<u>1,641,435</u>	<u>200,161</u>	<u>64,950</u>	<u>1,077,890</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	65,712	66,710	0	30,827
Reserved for inventory	0	9,221	0	0
Reserved for debt service	0	0	(43,468)	0
Unreserved, undesignated	(98,050)	418,464	0	(157,229)
Total Equity and Other Credits	<u>(32,338)</u>	<u>494,395</u>	<u>(43,468)</u>	<u>(126,402)</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$1,609,097</u>	<u>\$694,556</u>	<u>\$21,482</u>	<u>\$951,488</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			
\$481,265	\$267,034	\$0	\$0	\$2,096,963
0	0	0	0	1,488,373
112,464	0	0	0	156,274
0	0	0	0	272,595
69,755	0	0	0	183,715
2,911	0	0	0	12,132
983,141	0	4,453,667	0	5,436,808
0	0	0	(43,468)	(43,468)
0	0	0	490,613	490,613
<u>\$1,649,536</u>	<u>\$267,034</u>	<u>\$4,453,667</u>	<u>\$447,145</u>	<u>\$10,094,005</u>
\$79,550	\$0	\$0	\$0	\$313,129
18,931	0	0	0	374,596
7,890	0	0	0	8,999
0	4,805	0	0	183,715
5,026	0	0	436,575	612,888
0	96,930	0	0	96,930
0	0	0	0	1,283,986
500,000	0	0	0	500,000
250,000	0	0	0	1,009,900
0	0	0	10,570	10,570
<u>861,397</u>	<u>101,735</u>	<u>0</u>	<u>447,145</u>	<u>4,394,713</u>
0	0	4,453,667	0	4,453,667
788,139	0	0	0	788,139
0	0	0	0	163,249
0	0	0	0	9,221
0	0	0	0	(43,468)
0	165,299	0	0	328,484
<u>788,139</u>	<u>165,299</u>	<u>4,453,667</u>	<u>0</u>	<u>5,699,292</u>
<u>\$1,649,536</u>	<u>\$267,034</u>	<u>\$4,453,667</u>	<u>\$447,145</u>	<u>\$10,094,005</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, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES:				
Taxes	\$675,107	\$4,135,658	\$0	\$0
Fines, licenses and permits	190,593	16,297	0	0
Intergovernmental	551,469	471,700	0	423,984
Charges for services	382,511	3,660	0	201,506
Donations	0	0	0	4,246
Interest	69,567	0	0	0
Other	103,510	2,861	0	0
Total Revenues	1,972,757	4,630,176	0	629,736
EXPENDITURES:				
Current:				
General government	1,115,321	283,993	0	0
Public safety	3,419,707	36,141	0	0
Public health and welfare	90,656	0	0	0
Leisure time activities	462,637	0	0	0
Community development	97,704	0	0	0
Basic utility service	360,350	0	0	0
Transportation and street repair	79,613	486,532	0	0
Capital outlay	2,206	4,417	0	1,034,752
Debt service:				
Interest	0	0	0	24,851
Total Expenditures	5,628,194	811,083	0	1,059,603
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,655,437)	3,819,093	0	(429,867)
OTHER FINANCING SOURCES (USES):				
Operating transfers - in	3,797,940	10,000	0	100,000
Operating transfers - (out)	(47,434)	(3,952,771)	(51,031)	0
Total Other Financing Sources (Uses)	3,750,506	(3,942,771)	(51,031)	100,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	95,069	(123,678)	(51,031)	(329,867)
FUND BALANCES, BEGINNING OF YEAR	(127,407)	621,174	7,563	203,465
INCREASE (DECREASE) IN RESERVE FOR INVENTORY	0	(3,101)	0	0
FUND BALANCES, END OF YEAR	(\$32,338)	\$494,395	(\$43,468)	(\$126,402)

See accompanying notes.

Fiduciary Fund Type	Totals
Expendable Trust	(Memorandum Only)
\$0	\$4,810,765
0	206,890
0	1,447,153
0	587,677
0	4,246
0	69,567
0	106,371
0	7,232,669
32,027	1,431,341
0	3,455,848
0	90,656
0	462,637
0	97,704
0	360,350
0	566,145
0	1,041,375
0	24,851
32,027	7,530,907
(32,027)	(298,238)
40,205	3,948,145
0	(4,051,236)
40,205	(103,091)
8,178	(401,329)
157,121	861,916
0	(3,101)
<u>\$165,299</u>	<u>\$457,486</u>

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 Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local taxes	\$391,054	\$329,156	(\$61,898)	\$4,200,000	\$4,135,658	(\$64,342)
Intergovernmental revenues	578,247	583,488	5,241	466,000	468,338	2,338
Charges for services	336,232	351,813	15,581	5,000	3,660	(1,340)
Fines, licenses and permits	191,132	187,373	(3,759)	21,000	15,812	(5,188)
Interest revenue	173,763	69,567	(104,196)		0	0
All other revenues	65,161	103,510	38,349	12,000	2,761	(9,239)
Total Revenues	1,735,589	1,624,907	(110,682)	4,704,000	4,626,229	(77,771)
EXPENDITURES:						
Current:						
Public safety	3,424,930	3,376,855	48,075	59,358	36,123	23,235
Public health and welfare	105,206	90,092	15,114	0	0	0
Leisure time activities	482,339	466,472	15,867	0	0	0
Community development	173,356	121,546	51,810	0	0	0
Basic utility services	360,000	332,320	27,680	0	0	0
Transportation and street repair	351,200	251,935	99,265	659,386	567,910	91,476
General government	1,266,159	1,227,134	39,025	287,138	282,728	4,410
Capital outlay	3,099	2,206	893	6,500	4,417	2,083
Debt service:						
Principal	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total Expenditures	6,166,289	5,868,560	297,729	1,012,382	891,178	121,204
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,430,700)	(4,243,653)	187,047	3,691,618	3,735,051	43,433
OTHER FINANCING SOURCES (USES):						
Operating transfers - in	4,200,000	3,950,000	(250,000)	0	10,000	10,000
Operating transfers - (out)	(48,800)	(47,434)	1,366	(4,145,995)	(3,952,771)	193,224
Advances in	0	0	0	0	0	0
Proceeds of notes	0	0	0	0	0	0
Total Other Financing Sources (Uses)	4,151,200	3,902,566	(248,634)	(4,145,995)	(3,942,771)	203,224
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(279,500)	(341,087)	(61,587)	(454,377)	(207,720)	246,657
Fund Balance at Beginning of Year	358,189	358,189	0	633,823	633,823	0
Fund Balance at End of Year	\$78,689	\$17,102	(\$61,587)	\$179,446	\$426,103	\$246,657

See accompanying notes.

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	\$4,591,054	\$4,464,814	(\$126,240)
0	0	0	1,329,977	423,984	(905,993)	2,374,224	1,475,810	(898,414)
0	0	0	264,329	201,506	(62,823)	605,561	556,979	(48,582)
0	0	0	0	0	0	212,132	203,185	(8,947)
0	0	0	0	0	0	173,763	69,567	(104,196)
40,000	0	(40,000)	1,774	4,246	2,472	118,935	110,517	(8,418)
40,000	0	(40,000)	1,596,080	629,736	(966,344)	8,075,669	6,880,872	(1,194,797)
0	0	0	0	0	0	3,484,288	3,412,978	71,310
0	0	0	0	0	0	105,206	90,092	15,114
0	0	0	0	0	0	482,339	466,472	15,867
0	0	0	0	0	0	173,356	121,546	51,810
0	0	0	0	0	0	360,000	332,320	27,680
0	0	0	0	0	0	1,010,586	819,845	190,741
0	0	0	0	0	0	1,553,297	1,509,862	43,435
0	0	0	2,557,205	1,110,785	1,446,420	2,566,804	1,117,408	1,449,396
25,000	25,000	0	759,000	759,000	0	784,000	784,000	0
45,472	26,030	19,442	23,742	23,742	0	69,214	49,772	19,442
70,472	51,030	19,442	3,339,947	1,893,527	1,446,420	10,589,090	8,704,295	1,884,795
(30,472)	(51,030)	(20,558)	(1,743,867)	(1,263,791)	480,076	(2,513,421)	(1,823,423)	689,998
14,050	0	(14,050)	200,000	100,000	(100,000)	4,414,050	4,060,000	(354,050)
0	0	0	0	0	0	(4,194,795)	(4,000,205)	194,590
50,950	50,950	0	0	0	0	50,950	50,950	0
0	0	0	759,000	759,000	0	759,000	759,000	0
65,000	50,950	(14,050)	959,000	859,000	(100,000)	1,029,205	869,745	(159,460)
34,528	(80)	(34,608)	(784,867)	(404,791)	380,076	(1,484,216)	(953,678)	530,538
21,563	21,563	0	895,076	895,076	0	1,908,651	1,908,651	0
\$56,091	\$21,483	(\$34,608)	\$110,209	\$490,285	\$380,076	\$424,435	\$954,973	\$530,538

City of Reading, Ohio
Combined Statement of Revenues, Expenses
and Changes in Retained Earnings
Proprietary Fund Type
For the Year Ended December 31, 2001

	Proprietary Fund Type
	Enterprise
OPERATING REVENUES:	
Charges for services	<u>\$1,229,160</u>
Total Operating Revenue	<u>1,229,160</u>
OPERATING EXPENSES:	
Personal services	272,433
Fringe benefits	62,619
Supplies and materials	892,175
Depreciation	<u>31,399</u>
Total Operating Expenses	<u>1,258,626</u>
OPERATING INCOME (LOSS)	<u>(29,466)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest expense	<u>(32,030)</u>
Total Nonoperating Revenues (Expenses)	<u>(32,030)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(61,496)</u>
OPERATING TRANSFERS:	
Operating transfers - in	<u>103,091</u>
Total Operating Transfers	<u>103,091</u>
NET INCOME (LOSS)	41,595
RETAINED EARNINGS BEGINNING OF YEAR	<u>746,544</u>
RETAINED EARNINGS END OF YEAR	<u><u>\$788,139</u></u>

See accompanying notes.

City of Reading, Ohio
Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2001

	Proprietary Fund Type
	Enterprise
OPERATING ACTIVITIES:	
Operating income (loss)	(\$29,466)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	31,399
Changes in assets and liabilities:	
(Increase) decrease in receivables	4,517
(Increase) decrease in inventory	1,213
Increase (decrease) in accounts payable	64,656
Increase (decrease) in accrued liabilities	(39)
Increase (decrease) in other liabilities	(5,699)
Net Cash Provided (Used) by Operating Activities	66,581
NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers - in	103,091
Operating transfers - (out)	(53,355)
Net Cash Provided (Used) by Noncapital Financing Activities	49,736
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from issuance of debt	750,000
Principal paid	(275,000)
Interest paid	(26,031)
Acquisition of fixed assets	(630,480)
Net Cash Provided (Used) by Capital and Related Financing Activities	(181,511)
NET INCREASE (DECREASE) IN CASH	(65,194)
CASH BEGINNING OF YEAR	546,459
CASH END OF YEAR	\$481,265

See accompanying notes.

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CITY OF READING, OHIO

Notes To Financial Statements December 31, 2001

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, expendable trust funds and agency 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.

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The proprietary fund's and nonexpendable trust fund's 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)	\$95,069	(\$123,678)	(\$81)	(\$329,867)
Adjustments:				
Revenue Accruals, Net	(195,790)	(3,947)	0	0
Expenditure Accruals, Net	<u>(240,366)</u>	<u>(80,095)</u>	<u>1</u>	<u>(74,924)</u>
BUDGET BASIS	<u>(\$341,087)</u>	<u>(\$207,720)</u>	<u>(\$ 80)</u>	<u>(\$404,791)</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% 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 2000. 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% of average value for inventories and 25% of true value for all other personal property.

The property tax calendar is as follows:

Levy date	April 1, 2000
Lien date	January 1, 2000
Tax bill mailed	January 20, 2001
First installment payment due	February 15, 2001
Second installment payment due	July 15, 2001

The assessed valuation upon which the 2000 levy was based is as follows:

	Assessed <u>Value</u>
Real property (other than public utility)	\$156,904,190
Public utility real and personal tangible property	9,427,770
Tangible personal property (other than public utility)	<u>39,818,050</u>
Total Assessed Valuation	<u>\$206,150,010</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 employee contribution rate is 8.5%. For local government employer units the rate is 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. 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, 2001, 2000, and

1999 were \$152,831, \$146,208 and \$142,272 respectively; 77% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999.

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 4.3% of covered payroll.

The significant assumptions and calculations described below were based on the PERS of Ohio's latest unaudited information as of December 31, 2000. There were 411,076 active contributing participants. Estimated net assets available for future benefits payments were \$11,735.9 million. Estimated accrued liability and the unfunded estimated accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively. Benefits are financed through employer contributions and investment earnings there on. The contributions, investment income and periodic adjustment in health care provisions are expected to be sufficient to sustain the program indefinitely.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2001, 2000, and 1999 were \$376,932, \$354,352 and \$367,390, respectively; 65% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999.

Other Post-retirement Benefits

The OP&F provides post-retirement 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 post-retirement health care coverage to all eligible individuals from the employer's contributions to the OP&F. 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 post-retirement health care benefits was 7.5% of covered payroll and for police and fire. Funding and accounting are on a pay-as-you-go basis.

As of December 31, 2000, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for fire. The OP&F does not provide separate data on the funded status and funding progress of post-retirement health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 (latest available information) were \$106,160,054, which was net of member contributions of \$5,657,431.

4. DEBT

Short-term:

	Balance 01/01/01	Increase	Decrease	Balance 12/31/01
Bond Anticipation Note:				
Enterprise:				
Water systems improvements, 3.04% renewal	<u>\$275,000</u>	<u>\$250,000</u>	<u>(\$275,000)</u>	<u>\$250,000</u>
Capital Projects:				
Various purpose, 3.09% renewal	<u>\$534,900</u>	<u>\$534,900</u>	<u>(\$534,900)</u>	<u>\$534,900</u>
Parking improvement, 3.09% renewal	<u>225,000</u>	<u>225,000</u>	<u>(225,000)</u>	<u>225,000</u>
Total	<u>\$759,900</u>	<u>\$759,900</u>	<u>(\$759,900)</u>	<u>\$759,900</u>

Long-term:

	Balance 01/01/01	Increase	Decrease	Balance 12/31/01
Improvement Bond:				
Water system improvements	<u>\$ 0</u>	<u>\$500,000</u>	<u>\$ 0</u>	<u>\$500,000</u>

The annual requirements to pay principal and interest on long-term enterprise fund debt at December 31, 2001 are as follows:

<u>Bond Anticipation Notes</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 41,000	\$23,687
2003	43,000	21,612
2004	45,000	19,439
2005	47,000	17,167
2006	50,000	8,003 *
Thereafter	<u>274,000</u>	<u>*</u>
Total	<u>\$500,000</u>	<u>\$89,908 *</u>

*On March 23, 2006, the rate will be readjusted to the then the current rate of interest on five year treasury investments plus 20 basis points.

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</u> <u>01/01/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/01</u>
Land	\$ 941,293	\$ 0	\$ 0	\$ 941,293
Buildings & Improvements	1,167,859	0	0	1,167,859
Machinery & Equipment	<u>2,386,611</u>	<u>36,479</u>	<u>(78,575)</u>	<u>2,344,515</u>
Total	<u>\$4,495,763</u>	<u>\$ 36,479</u>	<u>(\$78,575)</u>	<u>\$4,453,667</u>

A summary of enterprise fund fixed assets is as follows:

	<u>Balance</u> <u>12/31/01</u>
Land	\$ 10,467
Buildings & Improvements	1,671,494
Machinery & Equipment	<u>172,570</u>
Total	<u>\$1,854,531</u>
Accumulated Depreciation	<u>(871,390)</u>
Net fixed assets	<u>\$ 983,141</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 \$17,928 and the bank balance was \$41,407. Of the bank balance:

1. \$41,407 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	\$1,710,269	\$1,710,269
Repurchase Agreements	3	<u>368,766</u>	<u>368,766</u>
		<u>\$2,079,035</u>	<u>\$2,079,035</u>

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, 2001, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$225,000.

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 \$10,571 as of December 31, 2001. Annual requirements to pay principal and interest at December 31, 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>
2002	\$10,571	\$568

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. ACCOUNTABILITY AND COMPLIANCE

Fund Deficits:

The Capital Projects Fund has a deficit fund balance of \$240,362.

Non-Compliance:

1. Ohio Revised Code Section 5705.39, states the total appropriation from each fund should not exceed the total estimated revenue.

The City had the following funds at fiscal year-end that had appropriations in excess of estimated revenue:

<u>Fund</u>	<u>Variance</u>
Stadium Track Improvement	\$185,000

2. Ohio Revised Code Section 5705.14, states that no transfer can be made from one fund of a subdivision to any other fund, with a few exceptions.

The City had an operating transfer out of the Enterprise fund which was not in compliance with the Ohio Revised Code.

11. CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles

For fiscal year 2001, the City has implemented GASB Statement No.33, "Accounting and Financial Reporting for Nonexchange Transactions". At December 31, 2000 there was no effect on fund balance as a result of implementing GASB 33.

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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***

June 3, 2002

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, 2001, and have issued our report thereon dated June 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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
AUGUST 27, 2002**