

Reading Community City School District  
Hamilton County  
Single Audit  
For the Fiscal Year Ended June 30, 2015



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# Dave Yost • Auditor of State

Board of Education  
Reading Community City School District  
1301 Bonnell Avenue  
Reading, Ohio 45215

We have reviewed the *Independent Auditor's Report* of the Reading Community City School District, Hamilton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Reading Community City School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

February 8, 2016

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**Reading Community City School District**  
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For the Fiscal Year Ended June 30, 2015

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**Independent Auditor's Report**

Board of Education  
Reading Community City School District  
1301 Bonnell Avenue  
Reading, Ohio 45215

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community City School District, Hamilton County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in note 21 to the financial statements, during 2015, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." The 2015 financial statements have been restated due to implementation of these pronouncements. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4 through 11, 48, and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 4, 2015

**Reading Community City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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The Reading Community City School District is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

- In total, net position increased by \$1,779,549 or 11.40 percent.
- General revenues accounted for \$13,394,279 or 68.80 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,074,582 or 31.20 percent of total revenues of \$19,468,861.
- The District had \$17,689,312 in expenses for governmental activities; only \$6,074,582 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily property taxes and entitlements) were sufficient to provide these services.
- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2015, by \$13,835,366. Of this amount, (\$16,609,695) may be used to meet the District's ongoing financial obligations. This unrestricted balance was significantly adversely impacted by the implementation of GASB Statement No. 68, which will be further discussed within this document. The remaining amounts represent the difference between capital assets and related debt and net position amounts restricted for specific purposes.
- The General Fund reported a positive fund balance of \$5,370,294.

### **Reviewing the Basic Financial Statements**

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

The *statement of net position and statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

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

### **Reporting the District as a Whole**

The most common financial question posed to the District is "How did we do financially during 2015?" The *statement of net position* and the *statement of activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets, liabilities, and deferred inflows/outflows of resources* using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**Reading Community City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

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

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

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

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. Table 1 below provides a summary of the District's net position for 2015 and 2014:

Table 1  
 Net Position  
 Governmental Activities

	2015	2014*	Percent of Change
Assets			
Current and Other Assets	\$14,039,098	\$12,810,204	9.59%
Capital Assets, Net	2,770,985	2,926,452	(5.31%)
Total Assets	16,810,083	15,736,656	6.82%
Deferred Outflows of Resources	1,462,816	1,109,140	31.89%
Liabilities			
Long-Term Liabilities	22,544,993	26,420,050	(14.67%)
Current and Other Liabilities	1,661,234	1,464,503	13.43%
Total Liabilities	24,206,227	27,884,553	(13.19%)

**Reading Community City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

Table 1  
(Continued)  
Net Position  
Governmental Activities

	2015	2014*	Percent of Change
Deferred Inflows of Resources	\$7,902,038	\$4,576,158	72.68%
Net Position			
Net Investment in Capital Assets	2,024,825	1,932,813	4.76%
Restricted	749,504	592,813	26.43%
Unrestricted	(16,609,695)	(18,140,541)	(8.44%)
Total Net Position	(\$13,835,366)	(\$15,614,915)	(11.40%)

\*As restated. See the notes to the basic financial statements for additional information.

Total assets increased by \$1,073,427. Current and other assets increased by \$1,228,894 due primarily to an increase in equity in pooled cash and cash equivalents, which resulted from higher revenue collections than expenses paid, particularly in the general fund. Capital assets decreased by \$155,467 due primarily to depreciation expense and dispositions, which were partially offset by additions. Deferred outflows of resources increased \$353,676 due to increases in contractually required employer contributions made subsequent to the measurement dates of the net pension liability obligation.

Total liabilities decreased by \$3,678,326. Long-term liabilities decreased by \$3,875,057 due to a reduction in the estimate for net pension liability and for principal repayments on outstanding debt. Other liabilities increased by \$196,731 primarily due to an increase in accounts payable for auxiliary programs. Deferred inflows of resources increased by \$3,325,880, which is due to an increase in deferred inflows for pension plans, which was partially offset by a decrease in deferred inflows for property taxes due to a decrease in property tax delinquencies.

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB

**Reading Community City School District**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is included within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$6,365,839 to (\$15,614,915).

Table 2 demonstrates the change in net position for fiscal year 2015 as compared to 2014.

Table 2  
Change in Net Position  
Governmental Activities

	2015	2014	Percent of Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$2,638,218	\$2,317,203	13.85%
Operating Grants and Contributions	3,436,364	2,897,764	18.59%
Total Program Revenues	6,074,582	5,214,967	16.48%
General Revenues:			
Taxes	7,893,099	6,829,206	15.58%
Grants and Entitlements Not Restricted to Specific Programs	5,408,380	5,122,050	5.59%
Contributions and Donations	2,400	5,838	(58.89%)
Investment Earnings	22,545	24,003	(6.07%)
Insurance Recoveries	0	7,252	(100.00%)
Miscellaneous	67,855	70,499	(3.75%)
Total General Revenues	13,394,279	12,058,848	11.07%
Total Revenues	19,468,861	17,273,815	12.71%

**Reading Community City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

Table 2  
(Continued)  
Change in Net Position  
Governmental Activities

	2015	2014	Percent of Change
Expenses			
Instruction	\$10,481,144	\$10,357,395	1.19%
Support Services:			
Pupils	1,053,307	1,045,487	0.75%
Instructional Staff	418,925	408,255	2.61%
Board of Education	56,858	69,322	(17.98%)
Administration	1,419,882	1,449,657	(2.05%)
Fiscal	392,099	427,310	(8.24%)
Operation and Maintenance of Plant	1,267,467	1,312,376	(3.42%)
Pupil Transportation	222,378	195,948	13.49%
Central	77,513	66,485	16.59%
Operation of Non-Instructional Services	1,604,628	1,689,474	(5.02%)
Extracurricular Activities	619,788	518,566	19.52%
Debt Service:			
Interest and Fiscal Charges	75,323	75,940	(0.81%)
Total Expenses	<u>17,689,312</u>	<u>17,616,215</u>	<u>0.41%</u>
Change in Net Position	1,779,549	(342,400)	(619.73%)
Net Position, Beginning of Year	(15,614,915)	N/A	N/A
Net Position, End of Year	<u>(\$13,835,366)</u>	<u>(\$15,614,915)</u>	<u>(11.40%)</u>

The District experienced a 12.71 percent increase in total revenues during 2015. The District experienced increases in tuition and fees and unrestricted grants received from the State Foundation, in program funding for the Title I Straight A grants, nutrition reimbursements, and for auxiliary programs, and in amounts available for advance from the County for property taxes.

Expenses remained relatively consistent between years.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,109,140 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$903,303. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$17,689,312
Pension expense under GASB 68	(903,303)
2015 contractually required contribution	<u>1,278,951</u>
Adjusted 2015 program expenses	18,064,960
Total 2014 program expenses under GASB 27	<u>17,616,215</u>
Increase in program expenses not related to pension	<u>\$448,745</u>

**Reading Community City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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**Governmental Activities**

The District receives 40.54 percent of its revenue from property taxes and 27.78 percent from unrestricted grants and entitlements. The balance of revenue received (31.68 percent) is primarily in the form of program revenues, investment income, and miscellaneous items.

Expenses for instruction represent 59.25 percent of the total governmental expenses. Support services represent 27.75 percent of the total expenses. The remaining 13.00 percent of expenses is distributed to non-instructional services, extracurricular activities, and interest and fiscal charges.

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

Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014	Percent of Change in Net Cost
Instruction	\$10,481,144	\$7,349,361	\$10,357,395	\$7,704,090	(4.60%)
Support Services	4,908,429	3,821,502	4,974,840	4,140,537	(7.71%)
Non-Instructional	1,604,628	(71,221)	1,689,474	123,895	(157.48%)
Extracurricular	619,788	439,765	518,566	356,786	23.26%
Interest and Fiscal Charges	75,323	75,323	75,940	75,940	(0.81%)
Total Expenses	\$17,689,312	\$11,614,730	\$17,616,215	\$12,401,248	(6.34%)

**The District's Funds**

Information about the District's funds begins on page 14. The funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,559,314 and expenditures and other financing uses of \$18,162,244. The net increase in fund balance was \$1,397,070.

The general fund experienced an increase of \$1,193,336 due to increases in taxes, intergovernmental revenues, and tuition and fees, which was partially offset by an overall increase in expenditures. The increase in expenditures was primarily the result of increased spending due to the availability of additional revenues.

The capital projects fund balance decreased \$42,523 due primarily to capital outlay expenditures from certificates of participation proceeds from prior years.

**General Fund Budget Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2015, the District revised its budget to accommodate changes in expected revenues and planned expenditures. The District's ending unencumbered cash balance was \$742,215 above the final budgeted amount. The majority of the positive budget variance was attributed to cost savings in every expenditure category of the District.

**Reading Community City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2015 fiscal year, the District had \$2,770,985 in land, land improvements, buildings and improvements, and furniture and equipment. Table 4 demonstrates balances for 2015 as compared to 2014:

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

	2015	2014	Percent of Change
Land	\$419,344	\$419,344	0.00%
Land Improvements	51,711	91,042	(43.20%)
Buildings and Improvements	1,487,864	1,433,184	3.82%
Furniture and Equipment	812,066	982,882	(17.38%)
<b>Total</b>	<b>\$2,770,985</b>	<b>\$2,926,452</b>	<b>(5.31%)</b>

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

**Debt**

At June 30, 2015, the District had \$2,132,240 in certificates of participation and leases outstanding with \$217,240 due within one year. Table 5 summarizes outstanding long-term debt.

Table 5  
Outstanding Debt at June 30:  
Governmental Activities

	2015	2014	Percent of Change
General Obligation Bonds, 2011	\$0	\$83,000	(100.00%)
Lease Purchase Agreement	0	18,483	(100.00%)
Certificates of Participation	1,960,000	1,980,000	(1.01%)
Capital Lease	172,240	342,353	(49.69%)
<b>Total</b>	<b>\$2,132,240</b>	<b>\$2,423,836</b>	<b>(12.03%)</b>

Additional information on debt can be found in note 13.

**The Future of Reading Community City School District**

The future challenges of the Reading Community City School District involve improving student achievement, improving technology opportunities for students and maintaining or replacing the aging physical plant and facilities.

The most significant challenge of the District is its facilities. The District has 3 buildings, all in excess of 50 years of age, with 1 building in excess of 100 years of age. The buildings are safe, clean and maintained but have not received any significant improvements since their construction. The District has made a number of reductions since 2006 and building improvements have been minimal since that time. A debt financing of \$2,000,000 was closed during fiscal year 2013 in order to address the most immediate needs of the facilities. Roofing, heating systems and water supply systems are the primary improvements scheduled to be used with the proceeds of the financing. The

**Reading Community City School District**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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goal of the improvements has been to keep the building safe, warm and dry. Any expenditure beyond that scope would be pouring good money in after bad given the age of the facilities.

To address the long-term facility needs of the District, a bond issue was passed on November 3, 2015 to fund the local share (46%) of the cost of a new PK-12 building. The remaining 54% will be funded by the Ohio School Facilities Commission (OSFC) as part of the Exceptional Needs Program (ENP). The passage of the issue will finance a new PK-12 building at the site of the current high school and demolish the 2 remaining buildings. Successful passage of the bond was critical to addressing the facility issues of the District now and for the next 50 years.

In 2013 the District initiated a One to One Technology program utilizing the Apple iPad. The initiative was targeted at grades 6-12 with each student receiving an iPad. The District purchased the iPad's through a capital lease with Apple Financing and the lease was paid in full on July 15, 2015. A great deal has been learned by the District, its students and staff regarding this type of initiative. Planning is currently underway to determine if the iPad or another device is the most appropriate going forward.

Efforts are on-going to improve student achievement and standardized test scores. The District is experiencing increases in the student population in areas of special education and English language learners which make those efforts more challenging.

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

**District Contact Information**

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

**Reading Community City School District**  
*Statement of Net Position*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,799,439
Accrued Interest Receivable	1,952
Intergovernmental Receivable	218,035
Prepaid Items	116,796
Taxes Receivable	7,902,876
Capital Assets:	
Nondepreciable Capital Assets	419,344
Depreciable Capital Assets, Net	2,351,641
<b>Total Assets</b>	<b>16,810,083</b>
<b>Deferred Outflows of Resources</b>	
Pension Plans	1,462,816
<b>Liabilities</b>	
Accounts Payable	166,619
Accrued Wages and Benefits	1,188,957
Contracts Payable	3,622
Intergovernmental Payable	302,036
Long-Term Liabilities:	
Due Within One Year	338,078
Due in More Than One Year	22,206,915
<b>Total Liabilities</b>	<b>24,206,227</b>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance Current Year Operations	4,255,804
Pension Plans	3,646,234
<b>Total Deferred Inflows of Resources</b>	<b>7,902,038</b>
<b>Net Position</b>	
Net Investment in Capital Assets	2,024,825
Restricted For:	
Capital Projects	7,131
Other Purposes	742,373
Unrestricted (Deficit)	(16,609,695)
<b>Total Net Position</b>	<b>(\$13,835,366)</b>

See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction				
Regular	\$7,236,488	\$1,070,314	\$316,916	(\$5,849,258)
Special	2,672,204	339,008	1,294,600	(1,038,596)
Vocational	3,183	172	7,999	4,988
Other	569,269	88,068	14,706	(466,495)
Support Services				
Pupils	1,053,307	149,174	108,363	(795,770)
Instructional Staff	418,925	59,391	207,989	(151,545)
Board of Education	56,858	9,012	0	(47,846)
Administration	1,419,882	224,744	0	(1,195,138)
Fiscal	392,099	61,676	16,134	(314,289)
Operation and Maintenance of Plant	1,267,467	179,870	0	(1,087,597)
Pupil Transportation	222,378	56,568	1,720	(164,090)
Central	77,513	12,286	0	(65,227)
Operation of Non-Instructional Services	1,604,628	214,117	1,461,732	71,221
Extracurricular Activities	619,788	173,818	6,205	(439,765)
Debt Service:				
Interest and Fiscal Charges	75,323	0	0	(75,323)
<b>Total Governmental Activities</b>	<b>\$17,689,312</b>	<b>\$2,638,218</b>	<b>\$3,436,364</b>	<b>(11,614,730)</b>
		General Revenues		
		Property Taxes Levied for General Purposes		7,893,099
		Grants and Entitlements not Restricted to Specific Programs		5,408,380
		Contributions and Donations		2,400
		Investment Earnings		22,545
		Miscellaneous		67,855
		<b>Total General Revenues</b>		<b>13,394,279</b>
		Change in Net Position		1,779,549
		Net Position Beginning of Year-Restated		(15,614,915)
		<b>Net Position End of Year</b>		<b>(\$13,835,366)</b>

See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,643,678	\$1,396,833	\$758,928	\$5,799,439
Accrued Interest Receivable	1,952	0	0	1,952
Interfund Receivable	3,450	0	0	3,450
Intergovernmental Receivable	0	0	218,035	218,035
Prepaid Items	104,921	0	11,875	116,796
Taxes Receivable	7,902,876	0	0	7,902,876
<b>Total Assets</b>	<b>\$11,656,877</b>	<b>\$1,396,833</b>	<b>\$988,838</b>	<b>\$14,042,548</b>
<b>Liabilities</b>				
Accounts Payable	\$32,935	\$0	\$133,684	\$166,619
Accrued Wages and Benefits	1,101,271	0	87,686	1,188,957
Contracts Payable	0	3,622	0	3,622
Interfund Payable	0	0	3,450	3,450
Intergovernmental Payable	279,501	0	22,535	302,036
<b>Total Liabilities</b>	<b>1,413,707</b>	<b>3,622</b>	<b>247,355</b>	<b>1,664,684</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	4,255,804	0	0	4,255,804
Unavailable Revenue:				
Property Taxes	617,072	0	0	617,072
Grants	0	0	126,292	126,292
<b>Total Deferred Inflows of Resources</b>	<b>4,872,876</b>	<b>0</b>	<b>126,292</b>	<b>4,999,168</b>
<b>Fund Balances</b>				
Nonspendable	104,921	0	11,875	116,796
Restricted	0	1,393,211	630,550	2,023,761
Committed	145,008	0	0	145,008
Assigned	555,388	0	0	555,388
Unassigned	4,564,977	0	(27,234)	4,537,743
<b>Total Fund Balances</b>	<b>5,370,294</b>	<b>1,393,211</b>	<b>615,191</b>	<b>7,378,696</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$11,656,877</b>	<b>\$1,396,833</b>	<b>\$988,838</b>	<b>\$14,042,548</b>

See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2015*

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Total Governmental Fund Balances		\$7,378,696
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	419,344	
Land improvements	178,109	
Buildings and improvements	4,393,469	
Furniture and equipment	2,574,657	
Accumulated depreciation	<u>(4,794,594)</u>	
		2,770,985

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

Property taxes	617,072	
Intergovernmental	<u>126,292</u>	
		743,364

The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred outflows-pension	1,462,816	
Deferred inflows-pension	(3,646,234)	
Net pension liability	<u>(19,421,688)</u>	
		(21,605,106)

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

Certificates of participation	(1,960,000)	
Capital lease	(172,240)	
Compensated absences	<u>(991,065)</u>	
		<u>(3,123,305)</u>

Net Position of Governmental Activities		<u><u>(\$13,835,366)</u></u>
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See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$7,927,992	\$0	\$0	\$7,927,992
Intergovernmental	6,162,095	0	2,664,843	8,826,938
Interest	16,794	5,216	535	22,545
Tuition and Fees	2,267,780	0	0	2,267,780
Extracurricular Activities	15,566	0	131,084	146,650
Contributions and Donations	21,941	0	7,925	29,866
Customer Sales and Services	46,971	0	176,817	223,788
Miscellaneous	53,332	0	14,523	67,855
<b>Total Revenues</b>	<b>16,512,471</b>	<b>5,216</b>	<b>2,995,727</b>	<b>19,513,414</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	6,936,000	0	300,679	7,236,679
Special	2,179,031	0	533,358	2,712,389
Vocational	1,085	0	2,098	3,183
Other	557,955	0	13,637	571,592
<b>Support Services</b>				
Pupils	954,235	0	112,019	1,066,254
Instructional Staff	377,397	0	42,915	420,312
Board of Education	56,858	0	0	56,858
Administration	1,449,970	0	0	1,449,970
Fiscal	376,817	0	16,068	392,885
Operation and Maintenance of Plant	1,134,826	7,036	0	1,141,862
Pupil Transportation	177,358	0	45,020	222,378
Central	78,437	0	0	78,437
Operation of Non-Instructional Services	101,457	0	1,457,625	1,559,082
Extracurricular Activities	464,206	0	162,357	626,563
Capital Outlay	60,684	40,703	109,594	210,981
<b>Debt Service</b>				
Principal	291,596	0	0	291,596
Interest and Fiscal Charges	75,323	0	0	75,323
<b>Total Expenditures</b>	<b>15,273,235</b>	<b>47,739</b>	<b>2,795,370</b>	<b>18,116,344</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,239,236</b>	<b>(42,523)</b>	<b>200,357</b>	<b>1,397,070</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	45,900	45,900
Transfers Out	(45,900)	0	0	(45,900)
<b>Total Other Financing Sources (Uses)</b>	<b>(45,900)</b>	<b>0</b>	<b>45,900</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>1,193,336</b>	<b>(42,523)</b>	<b>246,257</b>	<b>1,397,070</b>
<b>Beginning Fund Balances, July 1</b>	<b>4,176,958</b>	<b>1,435,734</b>	<b>368,934</b>	<b>5,981,626</b>
<b>Ending Fund Balances, June 30</b>	<b>\$5,370,294</b>	<b>\$1,393,211</b>	<b>\$615,191</b>	<b>\$7,378,696</b>

See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

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Net Change in Fund Balances - Total Governmental Funds \$1,397,070

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

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

Capital asset additions	210,981	
Depreciation expense	(366,448)	
	(155,467)	(155,467)

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

Property tax revenue	(34,893)	
Intergovernmental	(9,660)	
	(44,553)	(44,553)

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 1,278,951

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (903,303)

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

Bond principal retirement	83,000	
Certificates of participation principal retirement	20,000	
Lease purchase principal retirement	18,483	
Capital lease principal retirement	170,113	
	291,596	291,596

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

Increase in compensated absences	(84,745)	
	(84,745)	(84,745)

Change in Net Position of Governmental Activities \$1,779,549

See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$7,276,158	\$7,597,992	\$7,597,992	\$0
Intergovernmental	6,065,295	6,139,314	6,171,978	32,664
Interest	14,000	14,000	22,038	8,038
Tuition and Fees	1,804,000	2,025,133	2,246,106	220,973
Rent	1,000	1,000	0	(1,000)
Contributions and Donations	0	0	2,400	2,400
Customer Sales and Services	32,000	32,000	47,013	15,013
Miscellaneous	12,000	34,500	30,750	(3,750)
<b>Total Revenues</b>	<b>15,204,453</b>	<b>15,843,939</b>	<b>16,118,277</b>	<b>274,338</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	7,292,999	7,270,758	7,192,277	78,481
Special	2,182,715	2,252,034	2,162,152	89,882
Vocational	1,565	1,128	1,085	43
Other	581,126	583,131	558,018	25,113
<b>Support Services</b>				
Pupils	1,025,864	1,022,348	969,587	52,761
Instructional Staff	452,636	446,633	415,614	31,019
Board of Education	73,043	73,136	59,789	13,347
Administration	1,483,702	1,530,205	1,452,828	77,377
Fiscal	451,721	451,971	426,384	25,587
Operation and Maintenance of Plant	1,253,102	1,255,340	1,239,628	15,712
Pupil Transportation	205,689	214,411	181,062	33,349
Central	81,520	86,625	80,515	6,110
Operation of Non-Instructional Services	22,675	21,193	12,658	8,535
Extracurricular Activities	432,796	464,355	456,300	8,055
Capital Outlay	5,000	3,000	0	3,000
<b>Debt Service</b>				
Principal	79,486	121,486	121,483	3
Interest and Fiscal Charges	71,221	71,221	71,043	178
<b>Total Expenditures</b>	<b>15,696,860</b>	<b>15,868,975</b>	<b>15,400,423</b>	<b>468,552</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(492,407)</b>	<b>(25,036)</b>	<b>717,854</b>	<b>742,890</b>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	7,000	7,000
Transfers Out	(55,000)	(55,000)	(55,000)	0
Advances Out	0	0	(7,675)	(7,675)
<b>Total Other Financing Sources (Uses)</b>	<b>(55,000)</b>	<b>(55,000)</b>	<b>(55,675)</b>	<b>(675)</b>
<b>Net Change in Fund Balances</b>	<b>(547,407)</b>	<b>(80,036)</b>	<b>662,179</b>	<b>742,215</b>
<b>Beginning Fund Balances, July 1</b>	<b>2,466,391</b>	<b>2,466,391</b>	<b>2,466,391</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>210,448</b>	<b>210,448</b>	<b>210,448</b>	<b>0</b>
<b>Ending Fund Balances, June 30</b>	<b>\$2,129,432</b>	<b>\$2,596,803</b>	<b>\$3,339,018</b>	<b>\$742,215</b>

See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

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	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$101,023	\$47,626
Liabilities		
Due to Students		\$47,626
Total Liabilities		\$47,626
Net Position		
Held in Trust for Scholarships	\$101,023	

See the accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2015*

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	Private Purpose Trust
Additions	
Contributions and Donations	\$3,218
Interest	50
Total Additions	3,268
Deductions	
Payments in Accordance With Trust Agreements	10,541
Total Deductions	10,541
Change in Net Position	(7,273)
Net Position Beginning of Year	108,296
Net Position End of Year	\$101,023

See the accompanying notes to the basic financial statements.

## **Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### **Note 1 – Description of the District and Reporting Entity**

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

The District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the District. The Board controls the District's three instructional support facilities staffed by 116 certified, 24 non-certified and 8 administrative employees providing education to approximately 1,698 students.

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

#### **Financial Reporting Entity**

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

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

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

### **Note 2 – Summary of Significant Accounting Policies**

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

#### **Basis of Presentation**

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

## Reading Community City School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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#### *Government-wide Financial Statements*

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

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

#### *Fund Financial Statements*

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

#### Fund Accounting

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

#### *Governmental Funds*

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

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

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

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

## Reading Community City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### *Fiduciary Funds*

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

### Measurement Focus

#### *Government-wide Financial Statements*

The government-wide statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

#### *Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and certain deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

### Basis of Accounting

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

#### *Revenues – Exchange and Non-exchange Transactions*

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

## Reading Community City School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

#### *Deferred Inflows/Outflows of Resources*

In addition to assets, the statement of net position and balance sheet report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. This item is further explained in note 10.

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources included property taxes, pension, and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2015. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and is further explained in note 10.

#### *Expenses/Expenditures*

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

#### Cash and Cash Equivalents

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

During fiscal year 2015, investments were limited to certificates of deposit, STAR Ohio, US government securities, and money market funds. Investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes, all investment earnings are allocated to the General Fund except those specifically related to auxiliary services fund, agency funds, certain trust funds and those funds individually authorized by Board

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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resolution. Interest revenue credited to the general fund and capital projects fund during fiscal year 2015 amounted to \$16,794 and \$5,216, respectively. Interest revenue was also posted to other governmental funds as follows: food service fund, \$313, and auxiliary services fund, \$222.

Fund Balance

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

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

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

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

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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Capital Assets

All capital assets of the District are general capital assets, which generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand, five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment in the current year.

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

## Reading Community City School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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#### Net Position

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

The government-wide statement of net position reports \$749,504 of restricted net position, of which none is restricted by enabling legislation.

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

#### Estimates

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

#### Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Transfers within the governmental activities are eliminated on the government-wide financial statements.

#### Parochial Schools

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

#### Basis of Budgeting

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

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

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed by the Board of Education.

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

Interfund Balances

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Note 3 – Fund Deficits**

At June 30, 2015, the following funds had fund deficits:

Non-Major Governmental Funds:	
Special Revenue Funds:	
Race to the Top	\$124
IDEA Fund	10,297
Title I Fund	4,048
Improving Teacher Quality Fund	890

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

**Note 4 – Basis of Budgeting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) but have no effect on fund balance for GAAP.

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, rotary, and public school support funds.

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

Change in Fund Balance	
GAAP basis	\$1,193,336
Net adjustment for revenue accruals	(313,121)
Net adjustment for expenditure accruals	36,336
Adjustment for encumbrances	(269,853)
(Excess) deficit of funds combined with general fund for reporting purposes	<u>15,481</u>
Budget basis	<u>\$662,179</u>

**Note 5 – Deposits and Investments**

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

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

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

Interim deposits are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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

**Reading Community City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio);
8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers’ acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

Deposits: Custodial credit risk is the risk that is the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a custodial credit risk policy. However, protection of the District’s deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. At year-end, the District’s bank balance was \$4,256,128, which was covered by the Federal Deposit Insurance Corporation or by the financial institutions’ public entity deposit pools in the manner described above.

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

Description	Fair Value	Average Maturity (Years)
Federated Government Obligations Money Market Fund	\$2,571	N/A
STAR Ohio	1,490,432	N/A
Federal Farm Credit Bank	249,726	3 to 5
Total	\$1,742,729	

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

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

Concentration of Credit Risk – This is the risk that can be attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy allows investments in eligible securities as described in the Ohio Revised Code. As of June 30, 2015, 86 percent of the District’s investments were in STAR Ohio and 14 percent were in United States government agency obligations.

**Note 6 – Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property taxes received in calendar year 2015 represent the collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources. The amount available as an advance at June 30, 2015, was \$3,030,000 in the general fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**Reading Community City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$174,641,410	95.33%	\$170,706,570	94.93%
Public Utility Personal Property	8,546,250	4.67%	9,113,480	5.07%
<b>Total Assessed Value</b>	<b>\$183,187,660</b>	<b>100.00%</b>	<b>\$179,820,050</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation		\$70.67		\$70.67

**Note 7 - Receivables**

Receivables at June 30, 2015, consisted of taxes, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. The principal items of receivables follows:

	Taxes	Intergovernmental	Interest
General Fund	\$7,902,876	\$0	\$1,952
Non-Major Special Revenue Funds	0	218,035	0
<b>Total</b>	<b>\$7,902,876</b>	<b>\$218,035</b>	<b>\$1,952</b>

**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014*	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$419,344	\$0	\$0	\$419,344
<b>Total Capital Assets, Not Being Depreciated</b>	<b>419,344</b>	<b>0</b>	<b>0</b>	<b>419,344</b>
Capital Assets, Being Depreciated				
Land Improvements	170,109	8,000	0	178,109
Buildings and Improvements	4,333,528	59,941	0	4,393,469
Furniture and Equipment	2,435,296	143,040	(3,679)	2,574,657
<b>Total Capital Assets, Being Depreciated</b>	<b>6,938,933</b>	<b>210,981</b>	<b>(3,679)</b>	<b>7,146,235</b>
Less Accumulated Depreciated				
Land Improvements	(115,178)	(11,220)	0	(126,398)
Buildings and Improvements	(2,794,446)	(111,159)	0	(2,905,605)
Furniture and Equipment	(1,522,201)	(244,069)	3,679	(1,762,591)
<b>Total Accumulated Depreciation</b>	<b>(4,431,825)</b>	<b>(366,448)</b>	<b>3,679</b>	<b>(4,794,594)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>2,507,108</b>	<b>(155,467)</b>	<b>0</b>	<b>2,351,641</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$2,926,452</b>	<b>(\$155,467)</b>	<b>\$0</b>	<b>\$2,770,985</b>

\*The District reviewed its detailed capital assets and made some reclassifications where necessary.

**Reading Community City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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Depreciation expense was charged as follows:

Instruction:	
Regular	\$183,063
Support Services:	
Pupils	127
Instructional Staff	1,307
Administration	1,942
Fiscal	581
Operation and Maintenance of Plant	125,605
Operation of Non-Instructional Services	45,546
Extracurricular Activities	8,277
Total	<u>\$366,448</u>

**Note 9 – Risk Management**

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the District contracted with Liberty Mutual for general liability insurance with a \$7,000,000 aggregate limit covering all employees and volunteers of the District.

Liberty Mutual also provides property and fleet insurance and property holds a \$2,500 deductible.

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

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

Worker’s Compensation

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

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**Note 10 – Defined Benefit Pension Plans**

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Reading Community City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$229,494 for fiscal year 2015. Of this amount \$36,134 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,049,457 for fiscal year 2015. Of this amount \$166,060 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,787,112	\$16,634,576	\$19,421,688
Proportion of the Net Pension Liability	0.0550710%	0.06838902%	
Pension Expense	\$145,281	\$758,022	\$903,303

**Reading Community City School District**

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At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$23,721	\$160,144	\$183,865
District contributions subsequent to the measurement date	<u>229,494</u>	<u>1,049,457</u>	<u>1,278,951</u>
Total Deferred Outflows of Resources	<u><u>\$253,215</u></u>	<u><u>\$1,209,601</u></u>	<u><u>\$1,462,816</u></u>
<i>Deferred Inflows of Resources</i>			
Net difference between projected and actual earnings on pension plan investments	\$452,356	\$3,077,460	\$3,529,816
Difference between District contributions and proportionate share of contributions	<u>74,495</u>	<u>41,923</u>	<u>116,418</u>
Total Deferred Inflows of Resources	<u><u>\$526,851</u></u>	<u><u>\$3,119,383</u></u>	<u><u>\$3,646,234</u></u>

\$1,278,951 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$107,159)	(\$729,329)	(\$836,488)
2017	(107,159)	(729,329)	(836,488)
2018	(107,159)	(729,329)	(836,488)
2019	<u>(107,159)</u>	<u>(729,329)</u>	<u>(836,488)</u>
Total	<u><u>(\$428,636)</u></u>	<u><u>(\$2,917,316)</u></u>	<u><u>(\$3,345,952)</u></u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent

**Reading Community City School District**

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annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

*Discount Rate* The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$3,976,381	\$2,787,112	\$1,786,834

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

*Discount Rate* The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$23,814,209	\$16,634,576	\$10,563,022

**Note 11 – Postemployment Benefits**

**School Employees Retirement System**

*Post-Employment Benefits*

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

*Health Care Plan*

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the years ended June 30, 2015, 2014, and 2013, the health care allocations were 0.82 percent, 0.14 percent and 0.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013, were \$45,968, \$34,324, and \$33,227, respectively; 83.95 percent has been contributed for fiscal year 2015 and 100 percent for 2014 and 2013.

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

The financial reports of SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$71,496, and \$74,908, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 12 – Employee Benefits**

Compensated Absences

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

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

Insurance Benefits

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

**Reading Community City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**Note 13 – Long-Term Obligations**

Long-term obligations activity of the District for the fiscal year ended June 30, 2015, was as follows:

	Principal Outstanding June 30, 2014*	Additions	Deductions	Principal Outstanding June 30, 2015	Due Within One Year
<b>Governmental Activities:</b>					
General Obligations Bond 2011	\$83,000	\$0	\$83,000	\$0	\$0
Certificates of Participation	1,980,000	0	20,000	1,960,000	45,000
<b>Total Debt</b>	<b>2,063,000</b>	<b>0</b>	<b>103,000</b>	<b>1,960,000</b>	<b>45,000</b>
<b>Lease Purchase Agreement</b>					
Capital Lease	18,483	0	18,483	0	0
Total Lease Obligations	342,353	0	170,113	172,240	172,240
<b>Compensated Absences</b>					
Net Pension Liability	906,320	84,745	0	991,065	120,838
Total Governmental Activities	23,089,894	0	3,668,206	19,421,688	0
<b>Long-Term Liabilities</b>	<b>\$26,420,050</b>	<b>\$84,745</b>	<b>\$3,959,802</b>	<b>\$22,544,993</b>	<b>\$338,078</b>

\*As restated. See note 21 of the basic financial statements for more information.

**General Obligation Bonds** – In fiscal year 2011, the District issued \$200,000 in General Obligation Bonds at an interest rate of 2.5 percent. These bonds were issued for purposes of acquiring equipment for the District and were made from the general fund and were paid in full in 2015.

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

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

Fiscal Year Ending June 30:	Principal	Interest	Total
2016	\$45,000	\$67,928	\$112,928
2017	85,000	66,628	151,628
2018	90,000	64,765	154,765
2019	90,000	62,403	152,403
2020	95,000	59,628	154,628
2021-2025	515,000	250,085	765,085
2026-2030	610,000	149,898	759,898
2031-2033	430,000	27,222	457,222
<b>Total</b>	<b>\$1,960,000</b>	<b>\$748,557</b>	<b>\$2,708,557</b>

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

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

Future minimum lease payments are as follows:

Fiscal Year Ending June 30:	General Long- Term Debt
2016	\$174,393
Total Minimum Lease Payments	174,393
Less Amounts Representing Interest	(2,153)
Present Value of Minimum Lease Payments	<u>\$172,240</u>

The District's overall legal debt margin was \$14,223,805 with an unvoted debt margin of \$179,820 at June 30, 2015.

Compensated absences will be paid from the general fund. The District pays obligations related to employee compensation from the fund benefitting from their service.

**Note 14 – Jointly Governed Organizations**

**Hamilton/Clermont Cooperative Association**

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

**Great Oaks Institute of Technology and Career Development**

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

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**Note 15 – Set-Aside Calculations**

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

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

	<u>Capital Acquisition</u>
Set-Aside Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirements	282,271
Qualifying Disbursements	<u>(417,139)</u>
Totals	<u>(\$134,868)</u>
Set-Aside Balance Carried Forward to Future Years	<u>\$0</u>
Set-Aside Balance as of June 30, 2015	<u><u>\$0</u></u>

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

**Note 16 - Contingencies**

**Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

**State Foundation Funding**

School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district. Therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**Reading Community City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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Litigation

The District is currently party to legal proceedings. However, management is of the opinion that the ultimate results of these proceedings will not have a material adverse impact on the District's financial position.

**Note 17 – Interfund Activity**

Interfund Transfers

Transfers made during the year ended June 30, 2015, were as follows:

<u>Fund</u>	<u>Transfers To</u>	<u>Transfers From</u>
Major Fund:		
General Fund	\$0	\$45,900
Non-Major Governmental Fund:		
District Managed Activities Fund	45,900	0
Total	<u>\$45,900</u>	<u>\$45,900</u>

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

Interfund Receivables/Payables

As of June 30, 2015, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General Fund	\$3,450	\$0
Non-Major Governmental Fund:		
District Managed Activities Fund	0	3,450
Total	<u>\$3,450</u>	<u>\$3,450</u>

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

**Note 18 – Claims Servicing Pool**

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

**Reading Community City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**Note 19 – Encumbrance Commitments**

At June 30, 2015, the District had encumbrance commitments in the governmental funds as follows:

<i>Major Funds</i>	
General	\$272,410
Capital Projects	18,515
Total Major Funds	290,925
 <i>Nonmajor Funds</i>	
Food Service	25,280
Athletics	13,112
Auxiliary Services	182,472
Title I	92
Total Nonmajor Funds	220,956
 Total Encumbrances	 \$511,881

**Note 20 – Fund Balances**

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepaid Items	\$104,921	\$0	\$11,875	\$116,796
 <i>Restricted</i>				
Capital Outlay	0	1,393,211	0	1,393,211
Food Service	0	0	407,002	407,002
Other Purposes	0	0	87,306	87,306
Nonpublic Schools	0	0	88,454	88,454
Extracurricular Activities	0	0	47,788	47,788
Total Restricted	0	1,393,211	630,550	2,023,761
 <i>Committed</i>				
Other Purposes	145,008	0	0	145,008
 <i>Assigned</i>				
Other Purposes	98,468	0	0	98,468
FY16 Appropriations in Excess of Estimated Receipts	426,345	0	0	426,345
Student and Staff Support	30,575	0	0	30,575
Total Assigned	555,388	0	0	555,388
 <i>Unassigned</i>	 4,564,977	 0	 (27,234)	 4,537,743
Total Fund Balances	\$5,370,294	\$1,393,211	\$615,191	\$7,378,696

**Reading Community City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 21 – New Accounting Pronouncements and Restatement of Beginning Balances**

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27,” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$6,365,839
Adjustments:	
Net Pension Liability	(23,089,894)
Deferred Outflows-Payments Subsequent to Measurement Date	<u>1,109,140</u>
Restated Net Position June 30, 2014	<u>(\$15,614,915)</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 22 – Subsequent Event**

On November 3, 2015, the District passed a bond issue to build a new school. With this new issue, the state will be picking up 54% of the costs of the building project. The District now plans to move forward with selecting an architect and expect design plans to be finalized in 2016. Construction drawings would then be prepared and bidding on the project would occur in early 2017. The District expects construction to begin in the spring of 2017. The opening of the building is projected to occur during the 2018-2019 school year.

**Reading Community City School District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years*

	2013	2014
<i>State Teachers Retirement System</i>		
District's proportion of the net pension liability (asset)	0.06838902%	0.06838902%
District's proportionate share of the net pension liability (asset)	\$19,814,998	\$16,634,576
District's covered-employee payroll	\$7,490,754	\$7,149,585
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	264.526087%	232.664929%
Plan fiduciary net position as a percentage of the total pension liability	69.296426%	74.707076%
<i>School Employees Retirement System</i>		
District's proportion of the net pension liability (asset)	0.05507100%	0.05507100%
District's proportionate share of the net pension liability (asset)	\$3,274,896	\$2,787,112
District's covered-employee payroll	\$1,539,675	\$1,567,958
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.700492%	177.754234%
Plan fiduciary net position as a percentage of the total pension liability	65.520824%	71.697842%

Amounts are presented as of the School District's measurement date, which is the prior fiscal year end.  
Information not available prior to 2013.

**Reading Community City School District**  
*Required Supplementary Information*  
*Schedule of District Contributions*  
*Last Ten Fiscal Years*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$973,924	\$1,027,278	\$1,007,705	\$1,029,043	\$1,009,667	\$983,538	\$959,264	\$973,798	\$929,446	\$1,049,457
Contributions in relation to the contractually required contribution	973,924	1,027,278	1,007,705	1,029,043	1,009,667	983,538	959,264	973,798	929,446	1,049,457
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$7,491,723	\$7,902,138	\$7,751,577	\$7,915,715	\$7,766,669	\$7,565,677	\$7,378,954	\$7,490,754	\$7,149,585	\$7,496,121
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$202,246	\$214,033	\$199,035	\$196,110	\$199,738	\$182,474	\$200,576	\$213,091	\$217,319	\$229,494
Contributions in relation to the contractually required contribution	202,246	214,033	199,035	196,110	199,738	182,474	200,576	213,091	217,319	229,494
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$1,911,588	\$2,004,054	\$2,026,833	\$1,992,988	\$1,475,170	\$1,451,663	\$1,491,271	\$1,539,675	\$1,567,958	\$1,741,229
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%

**Reading Community City School District**  
**Hamilton County**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2015*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$108,724	\$0	\$108,724	\$0
National School Lunch Program	3L60	10.555	406,412	50,620	406,412	49,299
Total Child Nutrition Cluster			515,136	50,620	515,136	49,299
Fresh Fruit and Vegetable	3GG0	10.582	11,167	0	11,167	0
<b>Total United States Department of Agriculture</b>			<b>526,303</b>	<b>50,620</b>	<b>526,303</b>	<b>49,299</b>
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	452,123	0	466,298	0
Special Education-Preschool Grants	3C50	84.173	8,174	0	8,174	0
Total Special Education Cluster			460,297	0	474,472	0
Title I Grants to Local Educational Agencies	3M00	84.010	517,714	0	530,573	0
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	5,554	0	6,671	0
Improving Teacher Quality State Grants	3Y60	84.367	46,553	0	46,553	0
<b>Total United States Department of Education</b>			<b>1,030,118</b>	<b>0</b>	<b>1,058,269</b>	<b>0</b>
<b>Total Federal Financial Assistance</b>			<b>\$1,556,421</b>	<b>\$50,620</b>	<b>\$1,584,572</b>	<b>\$49,299</b>

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**Reading Community City School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

**Note 2 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Education  
Reading Community City School District  
1301 Bonnell Avenue  
Reading, Ohio 45215

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reading Community City School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2015, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68," and restated beginning net position as a result of the implementation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 4, 2015

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Education  
Reading Community City School District  
1301 Bonnell Avenue  
Reading, Ohio 45215

**Report on Compliance for Each Major Federal Program**

We have audited Reading Community City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 4, 2015

**Reading Community City School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2015*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Title I Gants to Local Educational Agencies (CFDA #84.010)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		Yes

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

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# Dave Yost • Auditor of State

**READING COMMUNITY CITY SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 23, 2016**