

**READING COMMUNITY CITY SCHOOL DISTRICT**

Hamilton County, Ohio

Single Audit

For The Fiscal Year Ended June 30, 2009

Fiscal Year Audited Under GAGAS: 2009

**CAUDILL & ASSOCIATES, CPA'S**

725 5<sup>TH</sup> Street

Portsmouth, OH 45662





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Reading Community City School District, Hamilton County, prepared by Caudill & Associates, CPA's, for the audit period July 1, 2008 through June 30, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 26, 2010

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**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

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Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reading Community City School District, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Reading Community City School District's basis financial statements as listed in the table of contents. These financial statements are the responsibility of the Reading Community City School District's management. 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 the *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Reading Community City School District, as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009, on our consideration of the Reading Community City School 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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Reading Community City School District

Independent Auditor's Report (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reading Community City School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
December 4, 2009



**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

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The Reading Community City School District is presenting the following management discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2009. 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 assets decreased by \$646,804 or 14.99%.
- ❑ General revenues accounted for \$12,283,648 in revenue or 78.07 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,451,397 or 21.93 percent of total revenues of \$15,735,045.
- ❑ The District had \$16,381,849 in expenses to governmental activities; only \$3,451,397 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes and entitlements) of \$12,283,648 were not sufficient to provide these services.
- ❑ The assets of the District exceeded its liabilities at June 30, 2009, by \$3,668,251. Of this amount, \$1,500,889 may be used to meet the District's ongoing financial obligations. The remaining amount represents the difference between capital assets and related debt and net asset amounts restricted for specific purposes and other net assets which are restricted as to use.
- ❑ The General Fund reported a positive fund balance of \$2,070,781, of which (\$697,167) was unreserved.

**Reviewing the Basic Financial Statements (BFA)**

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 Assets 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 fund for the District is the general fund.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

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**Reporting the District as a Whole**

The most common financial question posed to the District is “How did we do financially during 2009?” The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the District’s financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, 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.

In the Statement of Net Assets and the Statement of Activities, all of the District’s programs and services are reported as Governmental Activities.

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

**Fund Financial Statements**

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

**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 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds** – The District maintains two fiduciary funds, an agency fund and a private purpose trust fund. These activities are excluded from the District’s other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Private Purpose Trust fund accounts 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.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. Table 1 below provides a summary of the District's net assets for 2009 and 2008:

	Governmental Activities		% of
	2009	2008	Change
<b>Assets</b>			
Current and Other Assets	\$9,226,556	\$9,479,406	-2.67%
Capital Assets	2,059,205	2,165,287	-4.90%
<b>Total Assets</b>	<b>11,285,761</b>	<b>11,644,693</b>	<b>-3.08%</b>
<b>Liabilities</b>			
Long-Term Liabilities	1,469,604	1,561,485	-5.88%
Other Liabilities	6,147,906	5,768,153	6.58%
<b>Total Liabilities</b>	<b>7,617,510</b>	<b>7,329,638</b>	<b>3.93%</b>
<b>Net Assets Invested in</b>			
Capital Assets	1,643,841	1,763,412	-6.78%
Restricted	523,521	651,320	-19.62%
Unrestricted	1,500,889	1,900,323	-21.02%
<b>Total Net Assets</b>	<b>\$3,668,251</b>	<b>\$4,315,055</b>	<b>-14.99%</b>

Total assets decreased by \$358,932. Current and Other Assets decreased by \$252,850 due to a decrease in equity in pooled cash and cash equivalents. Capital Assets decreased by \$106,082 due to depreciation and a reduction in capital expenditures.

Total liabilities increased by \$287,872. Long-term liabilities decreased by \$91,881 due to a decrease in compensated absences. Other liabilities increased by \$379,753 primarily due to an increase in accrued wages.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

Table 2 demonstrates the changes in net assets for fiscal year 2009. The District experienced a 4.18% increase in total revenues during 2009. This is attributable to a revenue growth in property tax allocation payments to reimburse the District for reduction in property taxes due to the phase-out of tangible personal property tax.

(Table 2)  
**Change in Net Assets**

	Governmental Activities		% of
	2009	2008	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,479,231	\$816,238	81.23%
Operating Grants and Contributions	1,972,166	2,065,487	-4.52%
Total Program Revenues	3,451,397	2,881,725	19.77%
General Revenues:			
Property Taxes	6,983,870	7,468,812	-6.49%
Grants and Entitlements not Restricted to			
Specific Programs	5,204,509	4,527,940	14.94%
Gifts and Donations	2,500	11,695	-78.62%
Investment Earnings	56,018	145,222	-61.43%
Miscellaneous	35,764	69,007	-48.17%
Gain on the Sale of Capital Assets	987	0	1000.00%
Total General Revenues	12,283,648	12,222,676	0.50%
Total Revenues	\$15,735,045	\$15,104,401	4.18%

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

Expenses increased by \$676,006 or 4.30% in 2009 versus 2008. The increase can be attributed to higher accrued wages and some increases in instruction expenses and instructional support services expenses.

(Table 2)  
**Change in Net Assets**  
(Continued)

	Governmental Activities		% of
	2009	2008	Change
<b>Program Expenses</b>			
Instruction	\$9,266,425	\$8,938,418	3.67%
Support Services			
Pupil	935,118	934,169	0.10%
Instructional Staff	903,508	687,897	31.34%
Board of Education	35,460	47,281	-25.00%
Administration	1,282,635	1,281,960	0.05%
Fiscal	414,397	428,914	-3.38%
Business	25,713	26,889	-4.37%
Operation and Maintenance of Plant	996,963	1,052,875	-5.31%
Pupil Transportation	221,478	305,345	-27.47%
Central	266,784	340,151	-21.57%
Non-Instructional	2,015,047	1,640,985	22.79%
Interest and Fiscal Charges	18,321	20,959	-12.59%
<b>Total Expenses</b>	<b>16,381,849</b>	<b>15,705,843</b>	<b>4.30%</b>
<b>Change in Net Assets</b>	<b>(\$646,804)</b>	<b>(\$601,442)</b>	<b>7.54%</b>

**Governmental Activities**

The District receives 44.38% of its revenue from property taxes and 33.08% from unrestricted grants and entitlements. The balance of revenue received (22.54%) is in the form of program revenues, investment income, gifts and donations and miscellaneous items.

Expenses for instruction represent 56.57% of the total governmental expenses. Support services represent 31.02% of the total expenses. The remaining 12.41% of expenses is distributed to non-instructional services and interest and fiscal charges.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

The Statement of Activities demonstrates the cost of program services and the charges for services and grants 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)  
**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008	% of Change in Net Cost
Instruction	\$9,266,425	\$7,885,996	\$8,938,418	\$8,021,408	-1.69%
Support Services	5,082,056	4,421,686	5,105,481	4,309,819	2.60%
Non-Instructional	2,015,047	604,449	1,640,985	471,932	28.08%
Interest and Fiscal Charges	18,321	18,321	20,959	20,959	-12.59%
<b>Total Expenses</b>	<b>\$16,381,849</b>	<b>\$12,930,452</b>	<b>\$15,705,843</b>	<b>\$12,824,118</b>	<b>0.83%</b>

**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 \$15,809,858 and expenditures and other financing uses of \$16,492,442. The net change in fund balance was (\$632,604). The General Fund experienced a decrease of \$504,804 based on the phase-out of personal tangible property tax and increased costs in the area of special education.

The District anticipates using fund balance reserves to balance its budget over the next fiscal year. In Ohio, property taxes are not permitted to grow with inflation. New property tax income can only be generated through new construction or voted increases. The District is 99% developed; consequently the possibility of new construction is low. The District has planned to utilize the fund balance reserves until 2010. A 5.71 mill 3 year emergency levy has been placed on the ballot November 3, 2009, in order to stabilize the District's finances through fiscal year 2013.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

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**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 2009, the District revised its budget to accommodate changes in expected revenues and planned expenditures.

The District's ending unencumbered cash balance was \$228,325 above the final budgeted amount. The majority of positive budget variance was attributed to cost savings in every expenditure category of the District. Revenues were \$16,954 or 0.01% over the final budgeted amount.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2009 fiscal year, the District had \$2,059,205 in land, land improvements, buildings and improvements, furniture and equipment. Table 4 demonstrates balances for 2009 as compared to 2008:

(Table 4)  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$419,344	\$419,344
Land Improvements	66,242	72,936
Buildings and Improvements	1,128,634	1,197,725
Furniture and Equipment	444,985	475,282
Totals	<u>\$2,059,205</u>	<u>\$2,165,287</u>

The decrease in capital assets is attributable to depreciation of capital assets, which was partially offset by additions in buildings and improvements and furniture and equipment. For more detailed information regarding capital assets, see Note 8.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

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**Debt**

As of June 30, 2009, the District's debt consisted of a general obligation bond and a lease-purchase agreement through Fifth Third Leasing Company. The District owes \$345,364 on the lease. A previous lease in the amount of \$800,000 was entered into in June, 2001, and the balance owed on the lease, \$696,000, was rolled into the current lease in April, 2004. The District refinanced the lease again in April 2007 for the remaining balance. The proceeds of the original lease were used to finance the acquisition of a district-wide energy management system and to renovate the library and two science labs at the Junior/Senior High School. The District has an overall debt limit of 9% of its assessed valuation or \$18,512,033. The un-voted debt limit of the District is .10% of its assessed valuation or \$205,689. The District currently does not have a bond rating. Additional information on debt can be found in Note 13.

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

The major challenges of the Reading Community City School District are declining revenues with a stagnant tax base and the condition of the physical plant and infrastructure of its facilities.

The phase-out of Tangible Personal Property Tax as legislated in House Bill 66 will reduce the District's revenue by \$2.65M dollars annually between 2007 and 2017. House Bill 119 has frozen the District's state aid for fiscal years 2008, 2009, 2010 and 2011. As a result, the District implemented nearly \$1M dollars of reductions for 2008 resulting in the layoff of 17 positions to avoid a deficit until June 30, 2010. The District implemented additional reductions for the 2009-10 school year to avoid a deficit until June 30, 2011.

Additionally, the Board of Education implemented an open enrollment policy in December 2007, to permit any student in the State of Ohio the ability to apply for enrollment. The District marketed itself during the winter and spring of 2008 and nearly 150 students applied. The District saw 107 full-time equivalent students enroll for the 2008-09 school year. Nearly 250 students applied for the 2009-10 school year for open enrollment. The District has projected 150 students to generate an estimated \$840,000 annually.

Beyond June 30, 2011, the District is projecting operating deficits and deficit fund balances. To offset the projected deficits, the Board of Education placed a 5.71 mill 3 year emergency operating levy on the ballot November 3, 2009. The levy will generate \$1,170,000 and will continue to permit the District to operate its current programs until June 30, 2013, assuming no increases in funding from the State of Ohio.

The District placed a 4.96 mill bond issue on the March 2008 ballot which was defeated by a margin of 56% against the issue to 44% for the issue. The District operates 3 educational facilities that range in age from 97 years of age to 44 years of age.



**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**Unaudited**

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The District has fully depreciated a number of its assets and during the 2008 fiscal year the District revised the useful lives of its facilities. The revision was considered because the facilities are being used longer than anticipated and funds for significant improvements are not available within the current revenues of the District.

The Board of Education has decided not to place any additional bond issues on the ballot due to the local, state and national economic environment at this time. The Board is considering its capital needs during its discussions regarding projected operating deficits. The Board of Education recognizes the facilities cannot operate indefinitely without improvements. The balance the Board needs to achieve is what will be financially feasible in the short-term and responsible to the community in the long-term.

**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, OH 45215, or by phone at 513-842-5108 or by email at [cfurniss@readingschools.org](mailto:cfurniss@readingschools.org).

**Reading Community City School District, Ohio**  
**Statement of Net Assets**  
**June 30, 2009**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,577,699
Accrued Interest Receivable	7,535
Accounts Receivable	1,400
Prepaid Items	103,148
Intergovernmental Receivable	28,862
Taxes Receivable	7,507,912
Nondepreciable Capital Assets	419,344
Depreciable Capital Assets, Net	<u>1,639,861</u>
<i>Total Assets</i>	<u>11,285,761</u>
<b>Liabilities</b>	
Accounts Payable	88,912
Accrued Wages	1,063,447
Intergovernmental Payable	473,613
Deferred Revenue	4,521,934
Long-Term Liabilities:	
Due Within One Year	81,695
Due In More Than One Year	<u>1,387,909</u>
<i>Total Liabilities</i>	<u>7,617,510</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,643,841
Restricted for:	
Capital Projects	283,727
Other Purposes	239,794
Unrestricted	<u>1,500,889</u>
<i>Total Net Assets</i>	<u><u>\$3,668,251</u></u>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Instruction:				
Regular	\$6,857,831	\$714,093	\$64,237	(\$6,079,501)
Special	1,920,568	207,550	284,065	(1,428,953)
Vocational	97,822	6,769	8,354	(82,699)
Other	390,204	2,872	92,489	(294,843)
Support Services:				
Pupil	935,118	0	86,492	(848,626)
Instructional Staff	903,508	0	292,879	(610,629)
Board of Education	35,460	0	0	(35,460)
Administration	1,282,635	0	0	(1,282,635)
Fiscal	414,397	10,939	750	(402,708)
Business	25,713	0	0	(25,713)
Operation and Maintenance of Plant	996,963	101,848	0	(895,115)
Pupil Transportation	221,478	20,444	133,018	(68,016)
Central	266,784	0	14,000	(252,784)
Operation of Non-Instructional Services	1,413,855	315,959	990,740	(107,156)
Extracurricular Activities	601,192	98,757	5,142	(497,293)
Debt Service:				
Interest and Fiscal Charges	18,321	0	0	(18,321)
<b>Total Governmental Activities</b>	<b>\$16,381,849</b>	<b>\$1,479,231</b>	<b>\$1,972,166</b>	<b>(\$12,930,452)</b>

**General Revenues**

Property Taxes Levied for General Purposes	6,983,870
Grants and Entitlements not Restricted to Specific Programs	5,204,509
Gifts and Donations	2,500
Investment Earnings	56,018
Gain on the Sale of Capital Assets	987
Miscellaneous	35,764
<b>Total General Revenues</b>	<b>12,283,648</b>
Change in Net Assets	(646,804)
<b>Net Assets Beginning of Year</b>	<b>4,315,055</b>
<b>Net Assets End of Year</b>	<b>\$3,668,251</b>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$915,279	\$662,420	\$1,577,699
Accrued Interest Receivable	7,535	0	7,535
Accounts Receivable	0	1,400	1,400
Intergovernmental Receivable	0	28,862	28,862
Prepaid Items	102,663	485	103,148
Taxes Receivable	7,507,912	0	7,507,912
<i>Total Assets</i>	<u>\$8,533,389</u>	<u>\$693,167</u>	<u>\$9,226,556</u>
<b>Liabilities</b>			
Accounts Payable	\$14,590	\$74,322	\$88,912
Accrued Wages	983,625	79,822	1,063,447
Intergovernmental Payable	458,111	15,502	473,613
Deferred Revenue	5,006,282	0	5,006,282
<i>Total Liabilities</i>	<u>6,462,608</u>	<u>169,646</u>	<u>6,632,254</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	163,655	163,778	327,433
Reserved for Property Taxes	2,501,630	0	2,501,630
Reserved for Prepaid Items	102,663	485	103,148
Unreserved, Undesignated, Reported In:			
General Fund	(697,167)	0	(697,167)
Special Revenue Funds	0	121,573	121,573
Capital Project Funds	0	237,685	237,685
<i>Total Fund Balances</i>	<u>2,070,781</u>	<u>523,521</u>	<u>2,594,302</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,533,389</u>	<u>\$693,167</u>	<u>\$9,226,556</u>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2009**

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<b>Total Governmental Funds Balances</b>		\$2,594,302
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*Amounts reported for governmental activities in the  
statement of net assets 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	133,881	
Buildings and Improvements	3,522,864	
Furniture and Equipment	1,239,218	
Accumulated depreciation	(3,256,102)	
Total capital assets		2,059,205

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

Property Tax Receivable	484,348	
		484,348

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

Lease Purchase Agreement	(345,364)	
General Obligation Bond Payable	(70,000)	
Compensated Absences	(1,054,240)	
Total Liabilities		(1,469,604)

<i>Net Assets of Governmental Activities</i>		\$3,668,251
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See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2009**

	General	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$6,983,870	\$0	\$6,983,870
Intergovernmental	5,405,445	1,745,611	7,151,056
Interest	52,249	3,769	56,018
Tuition and Fees	909,465	23,484	932,949
Rent	101,848	0	101,848
Extracurricular Activities	0	139,514	139,514
Contributions and Donations	2,500	25,619	28,119
Customer Sales and Services	12,352	292,568	304,920
Miscellaneous	17,522	18,242	35,764
<i>Total Revenues</i>	<u>13,485,251</u>	<u>2,248,807</u>	<u>15,734,058</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,728,430	114,189	6,842,619
Special	1,716,352	220,176	1,936,528
Vocational	96,787	1,035	97,822
Other	329,596	60,136	389,732
Support Services:			
Pupil	878,974	83,753	962,727
Instructional Staff	487,009	390,948	877,957
Board of Education	35,460	0	35,460
Administration	1,281,717	0	1,281,717
Fiscal	412,435	750	413,185
Business	25,713	0	25,713
Operation and Maintenance of Plant	967,185	58,362	1,025,547
Pupil Transportation	165,096	56,382	221,478
Central	252,167	14,000	266,167
Operation of Non-Instructional Services	12,035	1,382,875	1,394,910
Extracurricular Activities	473,936	122,132	596,068
Debt Service			
Principal	56,511	0	56,511
Interest and Fiscal Charges	18,321	0	18,321
<i>Total Expenditures</i>	<u>13,937,724</u>	<u>2,504,738</u>	<u>16,442,462</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(452,473)</u>	<u>(255,931)</u>	<u>(708,404)</u>
<b>Other Financing Sources (Uses):</b>			
General Obligation Bonds Issued	0	70,000	70,000
Proceeds from Sale of Capital Assets	0	5,800	5,800
Transfers In	3,052	55,383	58,435
Transfers Out	(55,383)	(3,052)	(58,435)
<i>Total Other Financing Sources (Uses)</i>	<u>(52,331)</u>	<u>128,131</u>	<u>75,800</u>
<i>Net Change in Fund Balances</i>	(504,804)	(127,800)	(632,604)
<i>Fund Balances Beginning of Year</i>	<u>2,575,585</u>	<u>651,320</u>	<u>3,226,905</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,070,781</u></u>	<u><u>\$523,520</u></u>	<u><u>\$2,594,301</u></u>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**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, 2009**

**Net Change in Fund Balances - Total Governmental Funds** (\$632,604)

*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	67,410	
Depreciation Expense	(163,675)	
Excess of depreciation expense over capital outlay		(96,265)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the proceeds from the sale of capital assets and the amounts of the gains and losses on the disposal of capital assets.

Proceeds from the Sale of Capital Assets	(5,800)	
Loss on the Disposal of Capital Assets	(5,004)	
Gain on the Sale of Capital Assets	987	
Total		(9,817)

The issuance of bonds payable is reported as other financing sources in the governmental funds, but the bond issuance increases long term liabilities in the statement of net assets and does not result in revenue in the statement of activities. (70,000)

Repayment of capital lease obligations are expenditures in governmental funds but the repayment reduces long term liabilities in the statement of net assets and does not result in an expense in the statement of activities. 56,511

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

Decrease in compensated absences	105,371	
Total additional expenditures		105,371

*Change in Net Assets of Governmental Activities* (\$646,804)

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$7,010,000	\$6,983,870	\$6,983,870	\$0
Intergovernmental	5,225,200	5,358,992	5,405,445	46,453
Interest	150,000	125,000	79,511	(45,489)
Tuition and Fees	862,860	891,378	909,465	18,087
Rent	94,000	94,000	101,848	7,848
Gift and Donations	0	2,500	2,500	0
Customer Sales and Services	16,000	16,000	12,352	(3,648)
Miscellaneous	56,500	26,500	20,203	(6,297)
<b>Total Revenues</b>	<b>13,414,560</b>	<b>13,498,240</b>	<b>13,515,194</b>	<b>16,954</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,540,519	6,606,594	6,563,187	43,407
Special	1,695,949	1,711,437	1,680,782	30,655
Vocational	95,955	96,521	94,168	2,353
Other	256,293	337,559	331,602	5,957
<b>Support Services:</b>				
Pupils	832,245	871,451	864,472	6,979
Instructional Staff	517,314	501,904	497,275	4,629
Board of Education	58,305	61,050	37,192	23,858
Administration	1,300,600	1,285,674	1,271,218	14,456
Fiscal	421,962	416,191	405,841	10,350
Business	28,000	33,776	30,412	3,364
Operation and Maintenance of Plant	1,058,527	1,047,684	1,032,370	15,314
Pupil Transportation	190,509	193,459	173,920	19,539
Central	279,758	268,207	254,816	13,391
Operation of Non-Instructional Services	16,500	14,024	12,135	1,889
Extracurricular Activities	507,215	465,201	459,933	5,268
Capital Outlay	3,299	1,610	1,610	0
<b>Debt Service:</b>				
Principal	56,511	56,511	56,511	0
Interest	18,321	18,321	18,321	0
<b>Total Expenditures</b>	<b>13,877,782</b>	<b>13,987,174</b>	<b>13,785,765</b>	<b>201,409</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(463,222)</b>	<b>(488,934)</b>	<b>(270,571)</b>	<b>218,363</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	0	3,052	3,052	0
Operating Transfers Out	(66,000)	(66,000)	(66,000)	0
Advance In	0	0	9,962	9,962
<b>Total Other Financing Sources (Uses)</b>	<b>(66,000)</b>	<b>(62,948)</b>	<b>(52,986)</b>	<b>9,962</b>
<b>Net Change in Fund Balance</b>	<b>(529,222)</b>	<b>(551,882)</b>	<b>(323,557)</b>	<b>228,325</b>
<b>Fund Balances at July 1, 2008</b>	<b>951,209</b>	<b>951,209</b>	<b>951,209</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>114,485</b>	<b>114,485</b>	<b>114,485</b>	<b>0</b>
<b>Fund Balances at June 30, 2009</b>	<b>\$536,472</b>	<b>\$513,812</b>	<b>\$742,137</b>	<b>\$228,325</b>

See accompanying notes to the basic financial statements.



**Reading Community City School District, Ohio**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**

	Agency Fund	Private Purpose Trust
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$29,731	\$122,328
<i>Total Assets</i>	<u>29,731</u>	<u>122,328</u>
<b>Liabilities</b>		
Due to Students	29,731	0
<i>Total Liabilities</i>	<u>29,731</u>	<u>0</u>
<b>Net Assets</b>		
Held in Trust for Scholarships		<u>122,328</u>
<i>Total Net Assets</i>		<u><u>\$122,328</u></u>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2009**

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$6,025
Interest	\$888
<i>Total Additions</i>	<u>6,913</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>5,025</u>
<i>Total Deductions</i>	<u>5,025</u>
<i>Change in Net Assets</i>	1,888
<i>Net Assets Beginning of Year</i>	<u>120,440</u>
<i>Net Assets End of Year</i>	<u><u>\$122,328</u></u>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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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 107 certified, 29 non-certified and 7 administrative employees providing education to approximately 1,560 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 organizations’ 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 Great Oaks Institute of Technology and Career Development, the Hamilton/Clermont Cooperative Association and the Ohio School Boards’ Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 9 and 14 to the Basic Financial Statements.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets 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 assets 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.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Fund Accounting

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

Governmental Funds

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

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

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

D. Basis of Accounting

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

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-exchanges 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.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

E. Cash and Cash Equivalents

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

During fiscal year 2009, investments were limited to certificates of deposit, direct issuances of federal agencies and mutual funds and interest in STAR Ohio (the State Treasurer's Investment Pool). 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.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes, all investment earnings are allocated to the General Fund except those specifically related to auxiliary services agency funds, certain trust funds and those funds individually authorized by Board resolution. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$52,249. Interest revenue was also posted to other governmental funds as follows: Capital Projects Fund, \$2,262, Food Service Fund, \$47 and Auxiliary Services Fund, \$1,460.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes and prepaids.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2009.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

All capital assets of the District are general capital assets, which generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the District-wide statement of net assets 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 dollars (\$2,000). 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



**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after 15 years of current service with the School District.

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

J. Accrued Liabilities and Long-Term Obligations

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

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, long-term notes, and capital leases that will be paid from governmental funds are recognized as liabilities in the fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their 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 assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide statement of net assets reports \$523,521 of restricted net assets, 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 assets are available.

L. Estimates

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

M. Interfund Transactions

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

N. Parochial Schools

Within the District boundaries, Sacred Heart Elementary 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.

O. Basis of Budgeting

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed by the Board of Education.

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

P. Encumbrances

Encumbrance accounting is utilized by the District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on the non-GAAP budgetary basis in the statement of revenues, expenditures and changes in fund balance budget (non-GAAP basis) and actual – general fund.

Q. Interfund Balances

On 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 assets.

**NOTE 3 – FUND DEFICITS**

For the fiscal year ended June 30, 2009, the following funds had individual fund deficits:

Governmental Funds:	
Special Revenue Funds:	
IDEA	\$32,190
Teacher Quality	380

The fund deficits resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**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 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) rather than as a reservation of fund balances.

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

GAAP Basis	\$	(504,804)
Net Adjustment Revenue Accruals		39,905
Net Adjustment for Expenditure Accruals		314,487
Adjustment for Encumbrances		(173,145)
Budget Basis	\$	<u>(323,557)</u>

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**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.

Protection of District cash and investments is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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 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 receipts of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" and amended GASB Statement 40 "Deposit and Investment Risk Disclosures":

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a custodial credit risk policy. However, protection of the District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. At year-end, the District's bank balance was \$1,408,393, which was covered by Federal Deposit Insurance Corporation or by the financial institution's public entity deposit pool in the manner described above.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

<u>Description</u>	<u>Fair Value</u>	<u>Average Maturity (Years)</u>
Star Ohio	\$321,408	N/A

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

Custodial Credit Risk: Custodial credit risk occurs if in the event of a failure of a counter party, 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 to five years.

Concentration of Credit Risk: This is risk of loss 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, 2009, all of the District's investments were invested in Star Ohio.

**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 (used in business) property located in the District. Real property taxes received in calendar year 2009 represents the collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, and are collected in 2009 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.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 6 - PROPERTY TAXES (Continued)**

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District is being reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2009, are available to finance fiscal year 2009 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, 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 it's 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 revenue. The amount available as an advance at June 30, 2009, was \$2,501,630 in the general fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<u>2008 Second- Half Collections</u>		<u>2009 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$194,737,980	89.40%	\$198,970,200	93.30%
Public Utility Personal	6,306,210	2.89%	6,159,300	2.89%
Tangible Personal Property	16,793,841	7.71%	8,135,400	3.81%
Total Assessed Value	<u>\$217,838,031</u>	<u>100.00%</u>	<u>\$213,264,900</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$64.08		\$64.08



**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 7 -- RECEIVABLES**

Receivables at June 30, 2009, consisted of taxes, interest, accounts 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 item of receivables follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Interest</u>
General Fund	\$7,507,912	\$0	\$0	\$7,535
Non-Major Special Revenue Funds	0	1,400	28,862	0
Total	<u>\$7,507,912</u>	<u>\$1,400</u>	<u>\$28,862</u>	<u>\$7,535</u>

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$419,344	\$0	\$0	\$419,344
Capital Assets Being Depreciated				
Land Improvements	133,881	0	0	133,881
Buildings and Improvements	3,520,341	2,523	0	3,522,864
Furniture and Equipment	1,184,148	64,887	(9,817)	1,239,218
Total Capital Assets, Being Depreciated	<u>4,838,370</u>	<u>67,410</u>	<u>(9,817)</u>	<u>4,895,963</u>
Less Accumulated Depreciation:				
Land Improvements	(60,945)	(6,694)	0	(67,639)
Buildings and Improvements	(2,322,616)	(71,614)	0	(2,394,230)
Furniture and Equipment	(708,866)	(85,367)	0	(794,233)
Total Accumulated Depreciation	<u>(3,092,427)</u>	<u>(163,675)</u>	<u>0</u>	<u>(3,256,102)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,745,943</u>	<u>(96,265)</u>	<u>(9,817)</u>	<u>1,639,861</u>
Governmental Activities Capital Assets, Net	<u>\$2,165,287</u>	<u>(\$96,265)</u>	<u>(\$9,817)</u>	<u>\$2,059,205</u>

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
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**NOTE 8 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged as follows:

Instruction:	
Regular	\$57,469
Special	800
Support Services:	
Pupil	715
Instructional Staff	22,587
Administration	2,722
Operation and Maintenance of Plant	55,313
Operation of Non-Instructional Services	18,945
Extracurricular Activities	<u>5,124</u>
 Total Depreciation Expense	 <u><u>\$163,675</u></u>

**NOTE 9 -- RISK MANAGEMENT**

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the District contracted with Ohio School Plan underwritten by Hylant Group for general liability insurance with a \$3,000,000 aggregate limit covering all employees and volunteers of the District.

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

The Ohio School Plan maintains a \$20,000 performance bond for the Board President and a \$40,000 public official bond for the Treasurer. The Ohio School Plan maintains a \$50,000 employee dishonesty blanket bond for all employees.

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 9 -- RISK MANAGEMENT (Continued)**

B. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance 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 insures 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For the fiscal year ending 2009, 9.84 percent of annual covered salary was the portion used to fund pension and death obligations. The remaining 4.16% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$196,110, \$199,035 and \$214,033, respectively; 100 percent has been contributed for fiscal year 2009, and 100% for 2008 and 2007.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

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

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

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

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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

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

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

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,029,043 \$1,007,705, and \$1,027,278, 98.43% has been contributed for 2009 and 100 percent has been contributed for each of the two prior fiscal years.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, none of the members of the Board of Education have elected Social Security.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$73,531, \$71,979, and \$73,398 for fiscal years 2009, 2008, and 2007, respectively.

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2009, 2008, and 2007, the actuarially required allocation was 0.75 percent, 0.66 percent, and 0.68 percent. For the District, contributions for the years ended June 30, 2009, 2008, and 2007, were \$10,505, \$7,739, and \$10,589, which equaled the required contributions for those years.

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 HMO's, PPO's, 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 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, respectively. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2009, 2008, and 2007 fiscal years equaled \$187,845, \$190,647, and \$205,013, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

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



**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**NOTE 12 – EMPLOYEE BENEFITS**

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 sick days of leave for each year under contract. During regular employment, sick leave may be accumulated, up to a maximum of 272 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.

B. Insurance Benefits

The District provides medical, dental and life insurance and accidental death and dismemberment insurance to most employees through 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, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 13 -- LONG TERM OBLIGATIONS**

Long-term obligations activity of the District for the fiscal year ended June 30, 2009, was as follows:

	Total Principal Outstanding <u>6/30/2008</u>	<u>Additions</u>	<u>Deductions</u>	Total Principal Outstanding <u>6/30/2009</u>	Amounts Due in <u>One Year</u>
Governmental Activities					
General Obligation Bond	\$0	\$70,000	\$0	\$70,000	\$22,416
Lease Purchase Agreement	401,875	0	56,511	345,364	59,279
Compensated Absences	1,159,610	0	105,370	1,054,240	0
Total Governmental Activities Long-Term Liabilities	<u>\$1,561,485</u>	<u>\$70,000</u>	<u>\$161,881</u>	<u>\$1,469,604</u>	<u>\$81,695</u>

General Obligation Bonds – In fiscal year 2009, the District issued \$70,000 in General Obligation Bonds at an interest rate of 4.0%. These bonds were used to finance food service preparation equipment and will be retired from the Food Service Fund. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30,	Serial Bonds	Interest	Total
2010	\$ 22,416	\$ 2,563	\$ 24,979
2011	23,321	1,672	24,993
2012	24,263	730	24,993
	<u>\$ 70,000</u>	<u>\$ 4,965</u>	<u>\$ 74,965</u>

**Capital Leases** - 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 Official's 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 rate of 3.9% with a final maturity in fiscal year 2015. Lease payments will be made from the District's General Fund.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 13 -- LONG TERM OBLIGATIONS (Continued)**

Future minimum lease payments are as follows:

Fiscal Year <u>Ending June 30</u>	<u>General Long Term Debt</u>
2010	\$74,832
2011	74,832
2012	74,832
2013	74,832
2014	74,832
2015	18,708
	<hr/>
Total	392,868
Less: Amount Representing Interest	(47,504)
	<hr/>
Present Value of Net Minimum Lease Payments	<u>\$345,364</u>

The District's overall legal debt margin was \$18,512,033 with an unvoted debt margin of \$205,689 at June 30, 2009.

Compensated absences will be paid from the general fund.

**NOTE 14 -- JOINTLY GOVERNED ORGANIZATIONS**

A. Hamilton/Clermont Cooperative Association

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 14 -- JOINTLY GOVERNED ORGANIZATIONS (Continued)**

B. Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the thirty-six participating school district's elected board, 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, Chief Financial Officer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**NOTE 15 – SET-ASIDE CALCULATIONS**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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 textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Acquisition</u>	<u>Textbook</u>
Set-aside Reserve Balance as of June 30, 2008	\$0	(\$739,632)
Current Year Set-aside Requirements	216,841	216,841
Current Year Offsets	0	0
Qualifying Disbursements	<u>(277,680)</u>	<u>(187,356)</u>
Totals	<u>(\$60,839)</u>	<u>(\$710,147)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>(\$710,147)</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$0</u>	<u>(\$710,147)</u>

The District had qualifying disbursements during the fiscal year that reduced the capital acquisition and the textbook set-aside amounts below zero. Only the amount for the textbook set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**NOTE 16 -- CONTINGENCIES**

A. 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, 2009.

**NOTE 17 – INERFUND TRANSACTIONS**

Transfers made during the year ended June 30, 2009, were as follows:

	<u>Transfer From</u>	<u>Transfer To</u>
Major Fund:		
General	\$ 55,383	\$ 3,052
Non-Major Special Revenue Funds:		
Local Grant	3,052	-
District Managed Activity	-	55,383
Total Non-Major Special Revenue Funds:	<u>3,052</u>	<u>55,383</u>
Total	<u>\$ 58,435</u>	<u>\$ 58,435</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. The Local Grant Fund transferred \$3,052 to the General Fund because funds were approved for an unrestricted use.

**NOTE 18 – CLAIMS SERVING POOL**

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

**NOTE 19 – TRANSFERS**

During the fiscal year, the District transferred \$3,052 from the Shafer Outward Bound Grant Fund, a Special Revenue Fund, to the General Fund for the purpose of eliminating the Shafer Outward Bound Grant Fund after terminating the activity, service, or other undertaking for which the fund existed. All transfers were approved by the Board of Education.

READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program Titles	Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education - Grants to States	6BSF	84.027	\$ 409,211	\$ -	\$ 421,473	\$ -
Special Education - Preschool Grants	PGS1	84.173	-	-	-	-
Total Passed through the Ohio Department of Education			<u>409,211</u>	<u>-</u>	<u>421,473</u>	<u>-</u>
Total Special Education Cluster			<u>409,211</u>	<u>-</u>	<u>421,473</u>	<u>-</u>
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	C1S1	84.010	222,705	-	210,283	-
Innovative Education Programs Strategies	C2S1	84.298	1,734	-	1,608	-
Vocational Education - Basic Grants to States	20C1	84.048	3,097	-	3,632	-
Safe and Drug-Free Schools and Communities - State	DRS1	84.186	4,418	-	4,898	-
Education Technology State Grants	TJS1	84.318	1,079	-	500	-
Improving Teacher Quality State Grants	TRS1	84.367	51,957	-	50,402	-
<b>Total U.S. Department of Education</b>			<u>694,201</u>	<u>-</u>	<u>692,796</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>						
<i>Passed through the Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance: (Food Distribution)						
National School Lunch Program	N/A	10.555	-	13,132	-	13,132
Cash Assistance:						
School Breakfast Program	05PU	10.553	33,828	-	33,828	-
National School Lunch Program	LLP4	10.555	189,053	-	189,053	-
Total Passed through the Ohio Department of Education			<u>222,881</u>	<u>13,132</u>	<u>222,881</u>	<u>13,132</u>
Total Child Nutrition Cluster			<u>222,881</u>	<u>13,132</u>	<u>222,881</u>	<u>13,132</u>
<b>Total U.S. Department of Agriculture</b>			<u>222,881</u>	<u>13,132</u>	<u>222,881</u>	<u>13,132</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 917,082</u>	<u>\$ 13,132</u>	<u>\$ 915,677</u>	<u>\$ 13,132</u>

See the accompanying notes to the schedule of expenditures of federal award:

**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District’s federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditures of non-federal matching funds is not included in the Schedule.

**NOTE C – FOOD DISTRIBUTION PROGRAM**

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 at the fair value of the commodities received.

**NOTE D – TRANSFERS**

The District must spend federal assistance within 15 months of receipts (funds must be obligated by June 30 and spent by September 30). However, with the Ohio Department of Education’s approval, the District can transfer unspent federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education authorized the following transfers:

Program Title	Pass Through Entity Number (Grant Year)	CFDA Number	Transfer-Out	Transfer-In
Innovative Education Programs Strategies	C2S1-2009	84.298	\$159	
Innovative Education Programs Strategies	C2S1-2010	84.298		159
Education Technology State Grants	TJS1-2009	84.318	1,629	
Education Technology State Grants	TJS1-2010	84.318		1,629
Total			<u>\$1,788</u>	<u>\$1,788</u>

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## **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***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reading Community City School District as of and for the fiscal year ended June 30, 2009, which collectively comprise Reading Community City School District's basic financial statements and have issued our report thereon dated December 4, 2009. 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.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Reading Community City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Reading Community City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Reading Community City School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Reading Community City School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Reading Community City School District's financial statements that is more than inconsequential will not be prevented or detected by the Reading Community City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Reading Community City School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Board of Education  
Reading Community City School District

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* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Reading Community City School District's financial statements are free of 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*.

We noted certain matters that we reported to the management of the Reading Community City School District in a separate letter dated December 4, 2009.

This report is intended solely for the information and use of the management and Board of Education of the Reading Community City School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
December 4, 2009

# Caudill & Associates, CPA's

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## **Report on Compliance with Requirements Applicable to its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

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

### Compliance

We have audited the compliance of the Reading Community City School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2009. Reading Community City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Reading Community City School District's management. Our responsibility is to express an opinion on the Reading Community City School District's compliance based on our audit.

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, *Audit 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 Reading Community City School 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. Our audit does not provide a legal determination on Reading Community City School District's compliance with those requirements.

In our opinion, Reading Community City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Board of Education  
Reading Community City School District

Report on Compliance with Requirements Applicable to its Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133* (Continued)

Internal Control over Compliance

The management of Reading Community City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Reading Community City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Reading Community City School District's internal control over compliance.

A control deficiency in Reading Community City School District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Reading Community City School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Reading Community City School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Reading Community City School District's internal control.

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

This report is intended solely for the information and use of the management and Board of Education of the Reading Community City School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
December 4, 2009

**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other Significant Control Deficiency(ies) reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiency(ies) in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<i>Special Education Cluster: CFDA 84.027 – Special Education – Grants to States and CFDA – 84.173 – Special Education – Preschool Grants</i>
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Noncompliance Citation – Timely Certification of Funds – Credit Cards	Yes	No longer valid.
2008-002	Noncompliance Citation – District’s ADM Count	Yes	No longer valid.

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## Independent Auditor's Report on Applying Agreed-upon Procedures

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

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 19, 2003 and readopted the policy at its meeting on August 1, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - 1) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Revised Code Section 3313.666;
  - 2) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3313.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We read the policy, noting it did not include the following requirements from Ohio Revised Code Section 3313.666(B)
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that the school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A statement prohibiting harassment, intimidations, or bullying of any student on school property or at school-sponsored events;
  - 6) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 7) A procedure for documenting any prohibited incident that is reported;

Independent Auditor's Report on Applying Agreed-Upon Procedures (Continued)

- 8) A procedure for responding to and investigating any reported incident;
- 9) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 10) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;

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

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
December 4, 2009





Mary Taylor, CPA  
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 9, 2010