

CITY OF READING



Basic Financial Statements

December 31, 2014



Dave Yost • Auditor of State

Members of Council
City of Reading
1000 Market Street
Reading, Ohio 45215

We have reviewed the *Independent Auditors' Report* of the City of Reading, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 26, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Reading

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

August 24, 2016

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

The City of Reading's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

Financial Highlights

- The City's total net position increased \$1,047,405. Net position of governmental activities increased \$1,102,346, net position of business-type activities decreased by \$54,941.
- The General Fund reported a net change in fund balance of \$108,746.
- Business-type operations reflected operating loss of (\$54,941).

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

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

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

Fund Financial Statements

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

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

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

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

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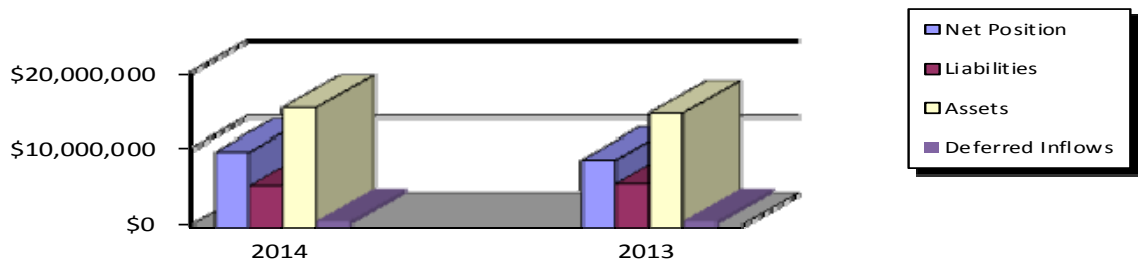
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and Other Assets	\$6,377,114	\$5,960,648	\$319,424	\$269,395	\$6,696,538	\$6,230,043
Capital Assets	8,012,253	7,670,979	591,648	642,325	8,603,901	8,313,304
Total Assets	14,389,367	13,631,627	911,072	911,720	15,300,439	14,543,347
Liabilities:						
Long-Term Liabilities	4,106,512	4,209,491	5,433	5,065	4,111,945	4,214,556
Other Liabilities	818,752	1,067,151	255,236	201,311	1,073,988	1,268,462
Total Liabilities	4,925,264	5,276,642	260,669	206,376	5,185,933	5,483,018
Deferred Inflows of Resources	545,096	538,324	0	0	545,096	538,620
Net Position:						
Net Investment In Capital Assets	4,930,990	4,415,836	591,648	642,325	5,522,638	5,058,161
Restricted	3,304,779	3,076,328	0	0	3,304,779	3,076,328
Unrestricted	683,238	324,497	58,755	63,019	741,993	387,516
Total Net Position	\$8,919,007	\$7,816,661	\$650,403	\$705,344	\$9,569,410	\$8,522,005



The City saw an increase in Capital Assets for Governmental Activities mainly due to the start and completion of the various road improvement projects. Long-Term Liabilities decreased mainly due to the City continuing to make principal payments on its long term debt obligations. Business-Type Activities Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Business-Type Activities Other Liabilities increased mainly due to an increase in accounts payable.

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2014 to 2013.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	\$1,222,629	\$1,201,086	\$1,482,030	\$1,431,513	\$2,704,659	\$2,632,599
Operating Grants and Contributions	1,167,122	743,995	0	0	1,167,122	743,995
Capital Grants and Contributions	119,148	0	0	0	119,148	0
Total Program Revenues	2,508,899	1,945,081	1,482,030	1,431,513	3,990,929	3,376,594
General Revenues:						
Income Taxes	6,828,571	6,566,647	0	0	6,828,571	6,566,647
Property Taxes	605,264	639,428	0	0	605,264	639,428
Grants and Entitlements	465,073	517,384	0	0	465,073	517,384
Other Revenues	117,956	103,620	4,302	0	122,258	103,620
Total General Revenues	8,016,864	7,827,079	4,302	0	8,021,166	7,827,079
Total Revenues	10,525,763	9,772,160	1,486,332	1,431,513	12,012,095	11,203,673
Program Expenses:						
General Government	2,022,794	2,196,459	0	0	2,022,794	2,196,459
Public Safety	5,442,727	5,117,536	0	0	5,442,727	5,117,536
Leisure Time Activities	281,255	393,684	0	0	281,255	393,684
Community Development	158,243	141,764	0	0	158,243	141,764
Basic Utility Service	476,257	342,531	0	0	476,257	342,531
Transportation and Street Repair	966,772	779,976	0	0	966,772	779,976
Interest and Other Charges	75,369	67,732	0	0	75,369	67,732
Water Utility	0	0	1,541,273	1,524,295	1,541,273	1,524,295
Total Program Expenses	9,423,417	9,039,682	1,541,273	1,524,295	10,964,690	10,563,977
Change in Net Position	1,102,346	732,478	(54,941)	(92,782)	1,047,405	639,696
Net Position - Beginning of Year	7,816,661	7,084,183	705,344	798,126	8,522,005	7,882,309
Net Position - End of Year	\$8,919,007	\$7,816,661	\$650,403	\$705,344	\$9,569,410	\$8,522,005

Income taxes increased mainly due to an increase in income tax collections in 2014 as compared to 2013. Public Safety expenses increased mainly due to increases in personnel costs and general inflationary factors. Transportation and Street Repair expenses increased due to an increase in repairs and maintenance to streets. The Business-Type Activities revenues and expenses remained relatively consistent.

Governmental Activities

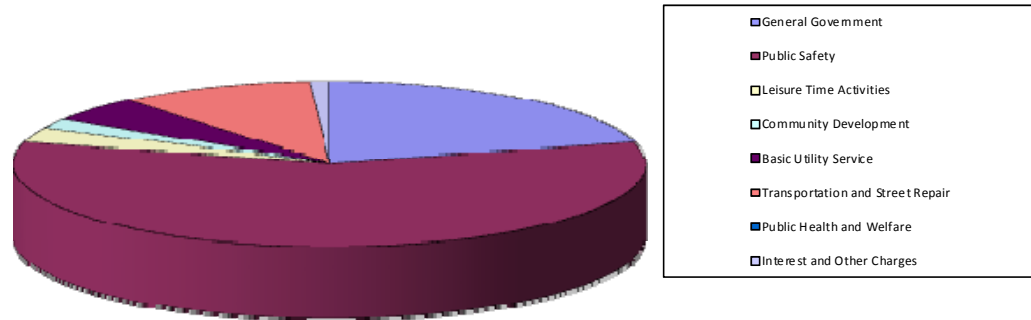
The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 88% of the City's governmental activities general revenues.

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City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

Governmental Activities
Program Expenses for 2014

	<u>Percentage</u>
General Government	21%
Public Safety	58%
Leisure Time Activities	3%
Community Development	2%
Basic Utility Service	5%
Transportation and Street Repair	10%
Public Health and Welfare	0%
Interest and Other Charges	1%
Total	<u>100%</u>



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

Business-Type Activities

The City’s business-type activity includes water. This program had operating revenues of \$1,486,332 and operating expenses of \$1,541,273 for fiscal year 2014. Business activities receive no support from tax revenues. The business activities net position at the end of the year was \$650,403, which decreased \$54,941 from 2013. The City had one business-type (enterprise) fund that was a major fund: the Water fund.

The City’s Funds

The City has four major governmental funds: the General Fund, EPA Brownfields Grant Fund, Streets and Curbs Fund and Capital Improvement Fund. Assets of the General fund comprised \$2,624,635 (40%), the EPA Brownfields Grant fund comprised \$977,974 (15%), the Streets and Curbs fund comprised \$701,449 (11%) and the Capital Improvement fund comprised \$912,670 (14%) of the total \$6,560,829 governmental funds assets.

General Fund: Fund balance at December 31, 2014 was \$566,066 an increase in fund balance of \$108,746 from 2013. The general fund had an increase in fund balance mainly due to an increase in income taxes revenue.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

EPA Brownfields Grant Fund: Fund balance at December 31, 2014 was \$974,974 an increase in fund balance of \$308,254 from 2013. The EPA Brownfields grant had an increase in fund balance mainly due to an increase in intergovernmental revenue and the proceeds from long-term debt issuance.

Streets and Curbs Fund: Fund balance at December 31, 2014 was \$250,703 a decrease in fund balance of \$55,732. The streets and curbs fund had a decrease in fund balance due to an increase in expenditures.

Capital Improvement Fund: Fund balance at December 31, 2014 was \$575,447 an increase in fund balance of \$204,438. The capital improvement fund had an increase in fund balance due to a decrease in transportation and street repair expense.

General Fund Budgeting Highlights

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

As the City completed the year, its General Fund balance reported an actual fund balance of \$95,807, on a Non-GAAP Budgetary Basis.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City overestimated the taxes revenue and charges for services revenue amount and overestimated the general government and public safety expenditures for 2014.

Capital Assets and Debt Administration

Capital Assets

At year end, the City had \$8,603,901 invested in land, buildings and improvements, equipment and infrastructure. Table 3 shows 2014 balances compared to 2013:

Table 3
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$1,311,475	\$1,449,975	\$6,135	\$6,135	\$1,317,610	\$1,456,110
Buildings and Improvements	1,605,949	1,605,949	102,532	102,532	1,708,481	1,708,481
Equipment	4,008,501	3,917,408	194,579	215,567	4,203,080	4,132,975
Infrastructure	6,198,577	5,433,560	1,479,654	1,479,654	7,678,231	6,913,214
Accumulated Depreciation	<u>(5,112,249)</u>	<u>(4,735,913)</u>	<u>(1,191,252)</u>	<u>(1,161,563)</u>	<u>(6,303,501)</u>	<u>(5,897,476)</u>
Total Net Capital Assets	<u>\$8,012,253</u>	<u>\$7,670,979</u>	<u>\$591,648</u>	<u>\$642,325</u>	<u>\$8,603,901</u>	<u>\$8,313,304</u>

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

The increases in net capital assets was the result of the various road improvements in 2014.

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

Debt

At year-end the City had \$2,855,896 in general obligation bonds, notes, loans and capital leases.

Table 4
Outstanding Debt at Year End

		2014	2013
Governmental Activities			
<u>Bonds and Notes Payable</u>			
2013 Various Purpose Bonds	0.00%	\$291,667	\$350,000
2003 Streetscape Bonds	4.59%	450,000	500,000
2009 Real Estate Acquisition Note	6.80%	100,000	150,000
2011 Dump Truck Acquisition Bonds	2.00%-4.50%	145,000	165,000
2011 Fire Truck Acquisition Bonds	2.00%-5.00%	235,000	290,000
2014 Public Improvement Bonds	3.50%	250,000	0
Subtotal Bonds and Notes		1,471,667	1,455,000
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	234,846	241,963
2011 Jefferson Avenue Improvements	0.00%	596,777	613,828
2012 Knollcrest Drive Improvements	0.00%	7,214	7,414
2012 Trillium Court & Krylon Drive Improvements	0.00%	330,706	339,892
2013 Jefferson / Willow / Voorhees Road Improvements	0.00%	311,487	319,474
2013 Harmes Avenue Improvements	0.00%	32,273	33,100
2014 Julie Terrace improvements	0.00%	103,887	0
Subtotal Loans		1,617,190	1,555,671
<u>Capital Leases Payable</u>			
2 Police Cars	6.10%	17,033	33,086
Total Government Activities		\$3,105,890	\$3,043,757

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

Economic Factors

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2014
(Unaudited)

Contacting the City's Financial Department

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

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City of Reading, Ohio
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$2,325,916	\$141,378	\$2,467,294
Receivables (Net):			
Taxes	2,136,210	0	2,136,210
Accounts	169,175	108,291	277,466
Intergovernmental	615,085	0	615,085
Internal Balances	(69,755)	69,755	0
Land Held for Resale	1,200,483	0	1,200,483
Nondepreciable Capital Assets	1,311,475	6,135	1,317,610
Depreciable Capital Assets, Net	6,700,778	585,513	7,286,291
Total Assets	14,389,367	911,072	15,300,439
Liabilities:			
Accounts Payable	80,949	244,008	324,957
Accrued Wages and Benefits	500,012	11,228	511,240
Contracts Payable	225,373	0	225,373
Accrued Interest Payable	12,418	0	12,418
Long-Term Liabilities:			
Due Within One Year	760,651	5,361	766,012
Due In More Than One Year	3,345,861	72	3,345,933
Total Liabilities	4,925,264	260,669	5,185,933
Deferred Inflows of Resources:			
Property Taxes	545,096	0	545,096
Total Deferred Inflows of Resources	545,096	0	545,096
Net Position:			
Net Investment in Capital Assets	4,930,990	591,648	5,522,638
Restricted for:			
Debt Service	385	0	385
Capital Projects	1,137,863	0	1,137,863
Street Maintenance and Repair	234,253	0	234,253
State Highway	103,276	0	103,276
EPA Brownsfield Grant	974,974	0	974,974
Streets and Curbs	476,076	0	476,076
Motor Vehicle Permissive	225,632	0	225,632
Other Purposes	152,320	0	152,320
Unrestricted	683,238	58,755	741,993
Total Net Position	\$8,919,007	\$650,403	\$9,569,410

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,022,794	\$257,720	\$0	\$0
Public Safety	5,442,727	495,744	187,491	0
Leisure Time Activities	281,255	75,447	0	0
Community Development	158,243	45,235	0	119,148
Basic Utility Service	476,257	348,483	0	0
Transportation and Street Repair	966,772	0	979,631	0
Interest and Other Charges	75,369	0	0	0
Total Governmental Activities	9,423,417	1,222,629	1,167,122	119,148
Business-Type Activities:				
Water Utility	1,541,273	1,482,030	0	0
Total Business-Type Activities	1,541,273	1,482,030	0	0
Totals	\$10,964,690	\$2,704,659	\$1,167,122	\$119,148

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
 Capital Projects Purposes
Grants and Entitlements, Not Restricted
Other Revenues

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$1,765,074)	\$0	(\$1,765,074)
(4,759,492)	0	(4,759,492)
(205,808)	0	(205,808)
6,140	0	6,140
(127,774)	0	(127,774)
12,859	0	12,859
(75,369)	0	(75,369)
<u>(6,914,518)</u>	<u>0</u>	<u>(6,914,518)</u>
<u>0</u>	<u>(59,243)</u>	<u>(59,243)</u>
<u>0</u>	<u>(59,243)</u>	<u>(59,243)</u>
<u>(6,914,518)</u>	<u>(59,243)</u>	<u>(6,973,761)</u>
6,828,571	0	6,828,571
324,965	0	324,965
280,299	0	280,299
465,073	0	465,073
117,956	4,302	122,258
<u>8,016,864</u>	<u>4,302</u>	<u>8,021,166</u>
1,102,346	(54,941)	1,047,405
<u>7,816,661</u>	<u>705,344</u>	<u>8,522,005</u>
<u>\$8,919,007</u>	<u>\$650,403</u>	<u>\$9,569,410</u>

City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2014

	General	EPA Brownsfield Grant	Streets and Curbs	Capital Improvement	Other Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$602,211	\$55,229	\$476,076	\$116,249	\$1,076,151
Receivables (Net):					
Taxes	1,840,830	0	0	295,380	0
Accounts	75,935	0	0	75,000	18,240
Intergovernmental	105,659	0	225,373	34,343	249,710
Interfund	0	0	0	113,960	0
Land Held for Resale	0	922,745	0	277,738	0
Total Assets	2,624,635	977,974	701,449	912,670	1,344,101
Liabilities:					
Accounts Payable	77,195	0	0	0	3,754
Accrued Wages and Benefits	481,470	0	0	0	18,542
Compensated Absences	37,361	0	0	0	0
Contracts Payable	0	0	225,373	0	0
Accrued Interest Payable	0	3,000	0	0	0
Interfund Payable	118,765	0	0	0	64,950
Total Liabilities	714,791	3,000	225,373	0	87,246
Deferred Inflows of Resources:					
Property Taxes	295,380	0	0	295,380	0
Income Taxes	954,462	0	0	0	0
Grants and Other Taxes	93,936	0	225,373	34,343	209,669
Unavailable Revenue	0	0	0	7,500	0
Total Deferred Inflows of Resources	1,343,778	0	225,373	337,223	209,669
Fund Balances:					
Restricted	0	974,974	250,703	575,447	1,107,032
Unassigned	566,066	0	0	0	(59,846)
Total Fund Balances	566,066	974,974	250,703	575,447	1,047,186
Total Liabilities, Deferred Inflows and Fund Balances	\$2,624,635	\$977,974	\$701,449	\$912,670	\$1,344,101

See accompanying notes to the basic financial statements.

Total
Governmental
Funds

\$2,325,916

2,136,210

169,175

615,085

113,960

1,200,483

6,560,829

80,949

500,012

37,361

225,373

3,000

183,715

1,030,410

590,760

954,462

563,321

7,500

2,116,043

2,908,156

506,220

3,414,376

\$6,560,829

City of Reading, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2014

Total Governmental Fund Balance \$3,414,376

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

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

Capital assets used in the operation of Governmental Funds 8,012,253

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

Income Taxes	\$954,462	
Delinquent Property Taxes	45,664	
Intergovernmental	563,321	
Other Receivables	<u>7,500</u>	
		1,570,947

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (9,418)

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

Compensated Absences (963,261)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (3,105,890)

Net Position of Governmental Activities \$8,919,007

See accompanying notes to the basic financial statements.

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City of Reading, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2014

	General	EPA Brownsfield Grant	Streets and Curbs	Capital Improvement	Other Governmental Funds
Revenues:					
Property and Other Taxes	\$325,808	\$0	\$0	\$281,079	\$0
Income Taxes	6,769,899	0	0	0	0
Charges for Services	670,588	0	0	0	274,624
Intergovernmental	195,916	10,188	443,757	155,561	733,568
Fines, Licenses & Permits	228,962	0	0	0	32,919
Other Revenues	115,787	0	0	500	2,163
Total Revenues	8,306,960	10,188	443,757	437,140	1,043,274
Expenditures:					
Current:					
General Government	1,916,322	0	0	0	0
Public Safety	4,968,112	0	0	0	219,692
Leisure Time Activities	278,201	0	0	0	0
Community Development	158,243	0	0	0	0
Basic Utility Service	476,257	0	0	0	0
Transportation and Street Repair	0	2,204	79,307	0	524,673
Capital Outlay	0	0	765,017	38,707	465,060
Debt Service:					
Principal	50,000	0	42,368	144,386	55,000
Interest and Other Charges	10,200	6,963	0	49,609	12,300
Total Expenditures	7,857,335	9,167	886,692	232,702	1,276,725
Excess of Revenues Over (Under) Expenditures	449,625	1,021	(442,935)	204,438	(233,451)
Other Financing Sources (Uses):					
Issuance of Long-Term Capital-Related Debt	0	250,000	103,887	0	0
Transfers In	0	57,563	283,316	0	0
Transfers (Out)	(340,879)	0	0	0	0
Total Other Financing Sources (Uses)	(340,879)	307,563	387,203	0	0
Net Change in Fund Balance	108,746	308,584	(55,732)	204,438	(233,451)
Fund Balance - Beginning of Year	457,320	666,390	306,435	371,009	1,280,637
Fund Balance - End of Year	\$566,066	\$974,974	\$250,703	\$575,447	\$1,047,186

See accompanying notes to the basic financial statements.

<u> <u> Total Governmental Funds </u> </u>
\$606,887 6,769,899 945,212 1,538,990 261,881 <u>118,450</u>
<u>10,241,319</u>
 1,916,322 5,187,804 278,201 158,243 476,257 606,184 1,268,784 291,754 <u>79,072</u>
<u>10,262,621</u>
<u>(21,302)</u>
 353,887 340,879 <u>(340,879)</u>
<u>353,887</u>
332,585 <u>3,081,791</u>
<u><u>\$3,414,376</u></u>

City of Reading, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2014

Net Change in Fund Balance - Total Governmental Funds		\$332,585
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	\$1,034,815	
Depreciation Expense	<u>(522,467)</u>	512,348
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(171,074)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income Taxes	\$58,672	
Delinquent Property Taxes	(1,560)	
Intergovernmental	227,832	
Other	<u>(500)</u>	284,444
Repayment of bond, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		291,754
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		3,703
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		202,473
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		
		<u>(353,887)</u>
Change in Net Position of Governmental Activities		<u>\$1,102,346</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2014

	<u>Water</u>
Current Assets:	
Equity in Pooled Cash and Investments	\$141,378
Receivables (Net):	
Accounts	108,291
Interfund	<u>69,755</u>
Total Current Assets	<u>319,424</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>585,513</u>
Total Noncurrent Assets	<u>591,648</u>
Total Assets	<u>911,072</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	244,008
Accrued Wages and Benefits	11,228
Compensated Absences	<u>5,361</u>
Total Current Liabilities	<u>260,597</u>
Long-Term Liabilities:	
Compensated Absences	<u>72</u>
Total Noncurrent Liabilities	<u>72</u>
Total Liabilities	<u>260,669</u>
Net Position:	
Net Investment in Capital Assets	591,648
Unrestricted	<u>58,755</u>
Total Net Position	<u>\$650,403</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2014

	<u>Water</u>
Operating Revenues:	
Charges for Services	\$1,482,030
Other Revenues	<u>4,302</u>
Total Operating Revenues	<u>1,486,332</u>
Operating Expenses:	
Personal Services	255,340
Contactual Services	61,420
Materials and Supplies	1,173,836
Depreciation	<u>50,677</u>
Total Operating Expenses	<u>1,541,273</u>
Operating Income (Loss)	<u>(54,941)</u>
Net Position - Beginning of Year	<u>705,344</u>
Net Position - End of Year	<u>\$650,403</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended December 31, 2014

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,483,845
Cash Payments to Employees	(262,467)
Cash Payments to Suppliers	<u>(1,173,836)</u>
Net Cash Provided (Used) by Operating Activities	<u>47,542</u>
Net Increase (Decrease) in Cash and Cash Equivalent	47,542
Cash and Cash Equivalents - Beginning of Year	<u>93,836</u>
Cash and Cash Equivalents - End of Year	<u>141,378</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(54,941)
Adjustments:	
Depreciation	50,677
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(2,487)
Increase (Decrease) in Payables	61,420
Increase (Decrease) in Accrued Liabilities	<u>(7,127)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$47,542</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$958,316
Receivables (Net):	
Accounts	<u>225,980</u>
Total Assets	<u><u>1,184,296</u></u>
Liabilities:	
Undistributed Monies	<u>1,184,296</u>
Total Liabilities	<u><u>\$1,184,296</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

Proprietary Funds

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Fiduciary Funds

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, income taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accounts receivable. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenses/Expenditures

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

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

Equity in Pooled Cash

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

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

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

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. The City received no investment earnings in 2014.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

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

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

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

Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$3,019,035 in restricted net position, none were restricted by enabling legislation.

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

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

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

Estimates

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 3 – Equity in Pooled Cash

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash." State statute requires the classification of monies held by the City into three categories:

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

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2014, \$2,956,956 of the City's bank balance of \$3,456,956 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

Investments

At year end the City held no investments.

Note 4 – Receivables

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

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of the 2013 taxes.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

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

	<u>Amount</u>
Real Property	\$167,418,610
Public Utility	<u>8,968,140</u>
Total	<u><u>\$176,386,750</u></u>

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

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

Income Taxes

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

Additional increases in the income tax rate require voter approval.

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

Note 5 – Risk Management

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

Note 6 – Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,449,975	\$0	\$138,500	\$1,311,475
Capital Assets, being depreciated:				
Buildings and Improvements	1,605,949	0	0	1,605,949
Equipment	3,917,408	269,798	178,705	4,008,501
Infrastructure	5,433,560	765,017	0	6,198,577
Total Capital Assets, being depreciated	<u>10,956,917</u>	<u>1,034,815</u>	<u>178,705</u>	<u>11,813,027</u>
Totals at Historical Cost	<u>12,406,892</u>	<u>1,034,815</u>	<u>317,205</u>	<u>13,124,502</u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,377,342	24,345	0	1,401,687
Equipment	2,861,299	373,156	146,131	3,088,324
Infrastructure	497,272	124,966	0	622,238
Total Accumulated Depreciation	<u>4,735,913</u>	<u>522,467</u>	<u>146,131</u>	<u>5,112,249</u>
Governmental Activities Capital Assets, Net	<u>\$7,670,979</u>	<u>\$512,348</u>	<u>\$171,074</u>	<u>\$8,012,253</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital Assets, not being depreciated:				
Land	\$6,135	\$0	\$0	\$6,135
Capital Assets, being depreciated:				
Building and Improvements	102,532	0	0	102,532
Equipment	215,567	0	20,988	194,579
Infrastructure	1,479,654	0	0	1,479,654
Total Capital Assets, being depreciated	<u>1,797,753</u>	<u>0</u>	<u>20,988</u>	<u>1,776,765</u>
Totals at Historical Cost	<u>1,803,888</u>	<u>0</u>	<u>20,988</u>	<u>1,782,900</u>
Less Accumulated Depreciation:				
Building and Improvements	56,218	2,988	0	59,206
Equipment	175,807	21,791	20,988	176,610
Infrastructure	929,538	25,898	0	955,436
Total Accumulated Depreciation	<u>1,161,563</u>	<u>50,677</u>	<u>20,988</u>	<u>1,191,252</u>
Business-Type Activities Capital Assets, Net	<u>\$642,325</u>	<u>(\$50,677)</u>	<u>\$0</u>	<u>\$591,648</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Depreciation expense was charged to governmental functions as follows:

General Government	\$93,330
Public Safety	186,308
Leisure Time Activities	44,454
Transportation and Street Repair	198,375
Total Depreciation Expense	<u>\$522,467</u>

Note 7 – Long-Term Debt

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

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds and Notes</u>						
2013 Various Purpose Bonds	2.72%	\$350,000	\$0	(\$58,333)	\$291,667	\$58,333
2003 Streetscape Bonds	4.59%	500,000	0	(50,000)	450,000	50,000
2009 Real Estate Acquisition Note	6.80%	150,000	0	(50,000)	100,000	50,000
2011 Dump Truck Acquisition Bonds	2.00-4.50%	165,000	0	(20,000)	145,000	20,000
2011 Fire Truck Acquisition Bonds	2.00-5.00%	290,000	0	(55,000)	235,000	55,000
2014 Public Improvement Bonds	3.50%	0	250,000	0	250,000	50,000
Total General Obligation Bonds and Notes		<u>1,455,000</u>	<u>250,000</u>	<u>(233,333)</u>	<u>1,471,667</u>	<u>283,333</u>
OPWC Loans:						
Waxwing Drive Improvement	0.00%	241,963	0	(7,117)	234,846	21,350
Jefferson Avenue Improvements	0.00%	613,828	0	(17,051)	596,777	51,153
Knollcrest Drive Improvements	0.00%	7,414	0	(200)	7,214	601
Trillium Court & Krylon Drive Improvements	0.00%	339,892	0	(9,186)	330,706	27,558
Jefferson/Willow/Voorhees Improvements		319,474	0	(7,987)	311,487	23,961
Harmes Avenue Improvements		33,100	0	(827)	32,273	2,484
Julie Terrace Improvements		0	103,887	0	103,887	7,791
Total Loans		<u>1,555,671</u>	<u>103,887</u>	<u>(42,368)</u>	<u>1,617,190</u>	<u>134,898</u>
Capital Lease	6.10%	33,086	0	(16,053)	17,033	17,033
Total Long-Term Liabilities Bonds, Notes, Loans and Leases		3,043,757	353,887	(291,754)	3,105,890	435,264
Compensated Absences		<u>1,165,734</u>	<u>91,447</u>	<u>(256,559)</u>	<u>1,000,622</u>	<u>325,387</u>
Total Governmental Activities		<u>\$4,209,491</u>	<u>\$445,334</u>	<u>(\$548,313)</u>	<u>\$4,106,512</u>	<u>\$760,651</u>
Business-Type Activities						
Compensated Absences		<u>\$5,065</u>	<u>\$5,268</u>	<u>(\$4,900)</u>	<u>\$5,433</u>	<u>\$5,361</u>

In 2014, the City issued one Ohio Public Works Commission (OPWC) Loans in the amount of \$103,887 to finance the various improvements to Julie Terrace. This loan is interest free and will be paid off in 2034.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

The annual requirements to pay principal and interest on long-term debt at December 31, 2014 are as follows:

Year Ending December 31	General		OPWC Loan Principal
	Obligation Bonds Principal	Interest	
2015	\$283,333	\$56,739	\$134,898
2016	283,334	48,907	89,931
2017	238,333	36,075	89,931
2018	243,333	26,593	89,931
2019	178,334	17,512	89,931
2020-2024	245,000	25,750	449,655
2025-2029	0	0	449,654
2030-2034	0	0	223,259
Total	<u>\$1,471,667</u>	<u>\$211,576</u>	<u>\$1,617,190</u>

Note 8 – Leases

Lessee

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

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

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

Fiscal Year Ending December 31,	Long-Term Debt
2015	\$18,071
Total Minimum Lease Payments	18,071
Less: Amount Representing Interest	(1,038)
Present Value of Minimum Lease Payments	<u>\$17,033</u>

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

Vehicles	\$66,287
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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Lessor

The City leased certain land to R.J. Viox, LLC. The lease meets the criteria of a capital lease and therefore has been recorded as a sale since all the benefits and risks of ownership have been transferred to the lessee.

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

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

Fiscal Year Ending December 31,	Payments Receivable
2015	\$5,000
2016	5,000
2017	5,000
2018	5,000
2019	5,000
2020-2024	25,000
2025-2029	25,000
Total	75,000
Less: Amount Representing Interest*	0
Total Minimum Lease Payments Receivable	<u>\$75,000</u>

* – no interest lease

Note 9 – Pension Plans

Ohio Public Employees Retirement System

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2014, 2013 and 2012 were \$244,677, \$253,138 and \$269,490, respectively. The full amount has been contributed for 2013 and 2012, and 93 percent has actually been contributed for 2014. The City's unpaid contractually required OPERS contributions (including post-employment benefits) at year end (the liability) were recorded in the accrued wages and benefits line item of the government-wide and fund financial statements along with various corresponding expenses/expenditures.

Ohio Police and Fire Pension Fund

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

From January 1, 2014 through July 1, 2014, plan members are required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members are required to contribute 11.5% of their annual covered salary, while employers (the City) are required to contribute 19.5% for police officers and 24.0% for firefighters. The City's contributions to OP&F for the years ending December 31, 2014, 2013 and 2012 were \$569,961, \$509,168, \$580,880, respectively. The 92% (police) and 92% (fire) has actually been contributed for 2014 and the full amount has been contributed for 2013 and 2012. The City's unpaid contractually required OP&F contributions (including post-employment benefits) at year end (the liability) were recorded in the accrued wages and benefits line item of the government-wide and fund financial statements along with various corresponding expenses/expenditures.

Note 10 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

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

Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, the City contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Information from City's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The City's actual contributions for the current year, which were used to fund postemployment benefits, were \$34,940 for 2014, \$18,074 for 2013, and \$76,993 for 2012. The full amount has been contributed for 2013 and 2012, and 93 percent has actually been contributed for 2014.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description

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

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

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

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

Funding Policy

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014. For the year ended December 31, 2014, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Information from City's Records

The City's contributions to OP&F for the year ending December 31, 2014 was \$13,436; and was \$79,173 for year ending December 31, 2013; and was approximately \$182,962 for the year ending December 31, 2012, and were allocated to the healthcare plan. The actual contributions for 2012 and 2013 were 100% and 92% (police) and 92% (fire) has actually been contributed for 2014.

Note 11 – Contingencies

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

Note 12 – Interfund Transactions

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$0	\$118,765	\$0	\$340,879
EPA Brownsfield Grant	0	0	57,563	0
Streets and Curbs	0	0	283,316	0
Capital Improvement Fund	113,960	0	0	0
Other Governmental Funds	0	64,950	0	0
Water Fund	69,755	0	0	0
Total All Funds	\$183,715	\$183,715	\$340,879	\$340,879

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 13 – Accountability

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

Other Governmental Funds:

General Sinking \$ 59,846

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

Note 14 – Fund Balances

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

Fund Balances	EPA				Other Governmental Funds	Total
	General	Brownfields Grant	Streets and Curbs	Capital Improvement		
Restricted for:						
Land Held For Resale	\$0	\$974,974	\$0	\$277,738	\$0	\$1,252,712
Street Maintenance and Repair	0	0	0	0	167,528	167,528
State Highway Improvement	0	0	0	0	89,835	89,835
Mayor's Court Computer	0	0	0	0	20,570	20,570
DUI Enforcement	0	0	0	0	10,327	10,327
Streets and Curbs	0	0	250,703	0	0	250,703
Drug Enforcement	0	0	0	0	66,999	66,999
Motor Vehicle Permissive	0	0	0	0	195,188	195,188
Alcohol Education	0	0	0	0	12,715	12,715
Grant	0	0	0	0	41,709	41,709
Special Assessment Debt Service	0	0	0	0	385	385
Stadium	0	0	0	0	36,732	36,732
Fire/EMS Capital Improvement	0	0	0	0	367,386	367,386
Municipal Road	0	0	0	0	44,392	44,392
Stadium Track Improvement	0	0	0	0	274	274
Growth	0	0	0	0	50,191	50,191
Reading Road Development	0	0	0	0	494	494
OPWC SCIP	0	0	0	0	2,307	2,307
Capital Improvement	0	0	0	297,709	0	297,709
Total Restricted	0	974,974	250,703	575,447	1,107,032	2,908,156
Unassigned (Deficit)	566,066	0	0	0	(59,846)	506,220
Total Fund Balance	<u>\$566,066</u>	<u>\$974,974</u>	<u>\$250,703</u>	<u>\$575,447</u>	<u>\$1,047,186</u>	<u>\$3,414,376</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$327,496	\$327,496	\$325,808	(\$1,688)
Fines, Licenses & Permits	228,634	228,634	227,455	(1,179)
Intergovernmental	270,519	270,519	269,124	(1,395)
Charges for Services	676,523	676,523	673,035	(3,488)
Other Revenues	239,876	239,876	238,639	(1,237)
Total Revenues	1,743,048	1,743,048	1,734,061	(8,987)
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	1,167,004	1,190,952	1,181,986	8,966
Materials and Supplies	553,541	564,900	560,647	4,253
Total General Government	1,720,545	1,755,852	1,742,633	13,219
<u>Public Safety</u>				
Personal Services	4,774,240	4,872,210	4,835,530	36,680
Materials and Supplies	340,807	347,800	345,182	2,618
Total Public Safety	5,115,047	5,220,010	5,180,712	39,298
<u>Leisure Time Activities</u>				
Personal Services	139,329	142,188	141,118	1,070
Materials and Supplies	141,101	143,996	142,912	1,084
Total Leisure Time Activities	280,430	286,184	284,030	2,154
<u>Community Development</u>				
Personal Services	6,986	7,130	7,076	54
Materials and Supplies	150,332	153,417	152,262	1,155
Total Community Development	157,318	160,547	159,338	1,209
<u>Basic Utility Service</u>				
Contractual Services	365,984	373,494	370,682	2,812
Total Basic Utility Service	365,984	373,494	370,682	2,812

Continued

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Debt Service:				
Principal Retirement	49,366	50,379	50,000	379
Interest and Fiscal Charges	10,071	10,277	10,200	77
Total Expenditures	7,698,761	7,856,743	7,797,595	59,148
Excess of Revenues Over (Under) Expenditures	(5,955,713)	(6,113,695)	(6,063,534)	50,161
Other financing sources (uses):				
Transfers In	5,955,703	5,955,703	5,925,000	(30,703)
Transfers (Out)	(890)	(908)	(901)	7
Total Other Financing Sources (Uses)	5,954,813	5,954,795	5,924,099	(30,696)
Net Change in Fund Balance	(900)	(158,900)	(139,435)	19,465
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	235,242	235,242	235,242	0
Fund Balance End of Year	\$234,342	\$76,342	\$95,807	\$19,465

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2014

	EPA Brownsfield Grant Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$3,007	\$3,007	\$10,188	\$7,181
Total Revenues	3,007	3,007	10,188	7,181
Expenditures:				
Current:				
Transportation & Street Repair	20,000	60,000	59,767	233
Total Expenditures	20,000	60,000	59,767	233
Excess of Revenues Over (Under) Expenditures	(16,993)	(56,993)	(49,579)	7,414
Other Financing Sources (uses):				
Transfers In	16,993	16,993	57,563	40,570
Total Other Financing Sources (Uses)	16,993	16,993	57,563	40,570
Net Change in Fund Balance	0	(40,000)	7,984	47,984
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	47,244	47,244	47,244	0
Fund Balance End of Year	\$47,244	\$7,244	\$55,228	\$47,984

See accompanying notes to the required supplementary information.

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2014

	Streets and Curbs Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$7,552	\$7,552	\$8,000	\$448
Total Revenues	<u>7,552</u>	<u>7,552</u>	<u>8,000</u>	<u>448</u>
Expenditures:				
Current:				
Transportation & Street Repair	275,000	275,000	121,675	153,325
Total Expenditures	<u>275,000</u>	<u>275,000</u>	<u>121,675</u>	<u>153,325</u>
Excess of Revenues Over (Under) Expenditures	<u>(267,448)</u>	<u>(267,448)</u>	<u>(113,675)</u>	<u>153,773</u>
Other Financing Sources (uses):				
Transfers In	267,448	267,448	283,316	15,868
Total Other Financing Sources (Uses)	<u>267,448</u>	<u>267,448</u>	<u>283,316</u>	<u>15,868</u>
Net Change in Fund Balance	0	0	169,641	169,641
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>306,432</u>	<u>306,432</u>	<u>306,432</u>	<u>0</u>
Fund Balance End of Year	<u>\$306,432</u>	<u>\$306,432</u>	<u>\$476,073</u>	<u>\$169,641</u>

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2014

Note 1 - Budgetary Process

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

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

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

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

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

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2014

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

Net Change in Fund Balance

	General	EPA Brownsfield Grant	Street and Curbs
GAAP Basis	\$108,746	\$308,584	(\$55,732)
Adjustments:			
Revenue Accruals	(6,576,918)	0	(435,757)
Expenditure Accruals	61,494	(50,600)	765,017
Issuance of Debt	0	(250,000)	(103,887)
Transfers In	5,925,000	0	0
Transfers (Out)	339,978	0	0
Encumbrances	(901)	0	0
Funds Budgeted Elsewhere	3,166	0	0
Budget Basis	<u>(\$139,435)</u>	<u>\$7,984</u>	<u>\$169,641</u>

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CITY OF READING



Yellow Book Report

December 31, 2014

**INDEPENDENT AUDITOR'S 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***

Honorable Mayor, City Council and City Manager
City of Reading

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 24, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

August 24, 2016

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Dave Yost • Auditor of State

CITY OF READING

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2016**