

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

**SINGLE AUDIT**

**JULY 1, 2007 through JUNE 30, 2008**

**Fiscal Year Audited Under GAGAS: 2008**

CAUDILL & ASSOCIATES CPA's

---

725 5<sup>TH</sup> Street  
Portsmouth, Ohio 45662





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Reading Community City School District, Hamilton County, prepared by Caudill & Associates, CPA's, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 19, 2008

**This Page is Intentionally Left Blank.**

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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>Page</b>
<hr/>	
Independent Auditor’s Report .....	1
Management’s Discussion & Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities .....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund.....	17
Statement of Fiduciary Net Assets – Fiduciary Funds.....	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	19
Notes to the Basic Financial Statements.....	20
Schedule of Expenditures of Federal Awards .....	46
Notes to the Schedule of Expenditures of Federal Awards .....	47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	48
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	50
Schedule of Findings and Questioned Costs – OMB Circular A-133 Section 505.....	52

# Caudill & Associates, CPA's

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

Member American Institute of Certified Public Accountants

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Reading Community City School District  
1301 Bonnell Avenue  
Reading, Ohio 45214

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community City School District, Ohio, (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community City School District, Ohio, as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

To the Board of Education  
Reading Community City School District  
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

December 15, 2008

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

---

---

The Reading Community City School District is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- ❑ In total, net assets decreased by \$601,442 or 12.23%. The General Fund reported a positive fund balance of \$2,575,586 of which (\$114,716) was unreserved.
- ❑ General revenues accounted for \$12,222,676 in revenue or 80.92 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,881,725 or 19.18 percent of total revenues of \$15,104,401.
- ❑ The District had \$15,705,843 in expenses to governmental activities; only \$2,881,725 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes and entitlements) of \$12,222,676 were not adequate to provide these services; the District had to use its cash reserves to cover the expenditures.
- ❑ The assets of the District exceeded its liabilities at June 30, 2008, by \$4,315,055. Of this amount, \$1,900,323 may be used to meet the District's ongoing financial obligations. The remaining amount represents the difference between capital assets and related debt and net asset amounts restricted for specific purposes and other net assets which are restricted as to use.

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

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

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

The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The District has one major fund: the general fund.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

---

---

**Reporting the District as a Whole**

The most common financial question posed to the District is “How did we do financially during 2008?” The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the District’s financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

**Fund Financial Statements**

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

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

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

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

Table 1 below provides a summary of the District's net assets for 2008 and 2007:

(Table 1)

**Net Assets**

	Governmental Activities 2008	2007 Restated	Change	% of Change
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalent	1,772,234	2,008,673	(236,439)	-11.77%
Accrued Interest Receivable	34,797	14,071	20,726	147.30%
Accounts Receivable	2,681	3,879	(1,198)	-30.88%
Prepaid Items	111,979	117,546	(5,567)	-4.74%
Intergovernmental Receivable	49,803	96,677	(46,874)	-48.49%
Taxes Receivable	7,507,912	7,987,292	(479,380)	-6.00%
Non Depreciable Capital Assets	419,344	419,344	-	0.00%
Depreciable Capital Assets	1,745,943	1,796,009	(50,066)	-2.79%
<b>Total Assets</b>	<b>11,644,693</b>	<b>12,443,491</b>	<b>(798,798)</b>	<b>-6.42%</b>
<b>Liabilities</b>				
Accounts Payable	107,421	232,922	125,501	53.88%
Accrued Wages	777,634	784,722	7,088	0.90%
Intergovernmental Payable	361,164	394,363	33,199	8.42%
Deferred Revenues	4,521,934	4,611,716	89,782	1.95%
Long-term Liabilities:				
Due Within One Year	201,320	145,501	(55,819)	-38.36%
Due in More than One Year	1,360,165	1,357,770	(2,395)	-0.18%
<b>Total Liabilities</b>	<b>7,329,638</b>	<b>7,526,994</b>	<b>197,356</b>	<b>2.62%</b>
Net Assets Invested in				
Capital Assets	1,763,412	1,676,066	87,346	5.21%
Restricted for:				
Capital Projects	334,027	418,860	(84,833)	-20.25%
Other Purposes	317,293	200,021	117,272	58.63%
Unrestricted	1,900,323	2,621,550	(721,227)	-27.51%
<b>Total Net Assets</b>	<b>4,315,055</b>	<b>4,916,497</b>	<b>(601,442)</b>	<b>-12.23%</b>

Total net assets decreased by \$601,442. Current and Other Assets decreased by \$748,732 due to a decrease in taxes receivable and cash. Capital Assets decreased by \$50,066 due to the change in capitalization threshold, and the revision of the useful lives of some assets that are still in service. Current liabilities decreased by \$255,570 due to accounts payable and a reduction in deferred revenues. Long-term liabilities increased by 58,214 due to an increase in compensated absences payable.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

Table 2 demonstrates the changes in net assets for fiscal year 2008. The District experienced a 1.46% increase in total revenues during 2008. This is attributable to a revenue growth in property tax allocation payments to reimburse the District for reduction in property taxes due to the phase-out of tangible personal property tax, and to additional tuition revenues for out-of-school students schooled in the District.

(Table 2)

**Change in Net Assets**

	Governmental Activities 2008	2007	% of Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$816,238	\$702,593	16.18%
Operating Grants and Contributions	2,065,487	1,948,760	5.99%
General Revenues:			
Property Taxes	7,468,812	7,567,371	-1.30%
Grants and Entitlements not Restricted to Specific Programs	4,527,940	4,218,670	7.33%
Gifts and Donations	11,695	19,279	-39.34%
Investment Earnings	145,222	166,328	-12.69%
Miscellaneous	69,007	264,183	-73.88%
<b>Total Revenues</b>	<b>\$15,104,401</b>	<b>\$14,887,184</b>	<b>1.46%</b>
<b>Program Expenses</b>			
Instruction	\$8,938,418	\$8,188,908	-9.15%
Support Services			
Pupil	934,169	916,856	-1.89%
Instructional Staff	687,897	1,131,397	39.20%
Board of Education	47,281	61,531	23.16%
Administration	1,281,960	1,272,452	-0.75%
Fiscal	428,914	420,792	-1.93%
Business	26,889	27,437	2.00%
Operation of Maintenance and Plant	1,052,875	1,261,357	16.53%
Pupil Transportation	305,345	269,015	-13.50%
Central	340,151	172,935	-96.69%
Non-Instructional	1,640,985	1,922,074	14.62%
Interest and Fiscal Charges	20,959	19,802	-5.84%
<b>Total Expenses</b>	<b>15,705,843</b>	<b>15,664,556</b>	<b>-0.26%</b>
<b>Change in Net Assets</b>	<b>(\$601,442)</b>	<b>(\$777,372)</b>	<b>-22.63%</b>

Expenditures slightly increased by \$41,287 or 0.26% in 2008 versus 2007. The increase can be attributed to intergovernmental payables, maintenance expenditures below the capitalization threshold and an increase in accrued wages. It also can be attributed to staffing reductions made at the end of 2007 of 17 positions totaling nearly \$900,000.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

**Governmental Activities**

The District received 49.45% of its revenue from property taxes and 29.98% from unrestricted grants and entitlements. The balance of revenue received (20.57%) is in the form of program revenues, investment income, gifts and donations and miscellaneous items.

Expenses for instruction represent 56.91% of the total governmental expenses. Support services represent 32.51% of the total expenses. The remaining 10.58% of expenses is distributed to non-instructional services and interest and fiscal charges.

The Statement of Activities demonstrates the cost of program services and the charges for services and grants offsetting those services. In Table 3 the total cost of services and the net cost of services are presented. The table identifies the cost of services supported by tax revenues and unrestricted State entitlements.

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007	% of Change in Net Cost
Instruction	\$8,938,418	\$8,021,408	\$8,188,908	\$7,336,062	9.34%
Support Services	5,105,481	4,309,819	5,533,772	4,923,479	-12.46%
Non-Instructional	1,640,985	471,932	1,922,074	733,860	-35.69%
Interest and Fiscal Charges	20,959	20,959	19,802	19,802	5.84%
<b>Total Expenses</b>	<b>\$15,705,843</b>	<b>\$12,824,118</b>	<b>\$15,664,556</b>	<b>\$13,013,203</b>	<b>-1.45%</b>

**The District's Funds**

Information about the District's funds begins on page 13. The funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,105,245 and expenditures and other financing uses of \$15,657,329. The net change in fund balance was (\$552,084). The General Fund balance experienced a decrease of (\$584,523) based on the phase-out of personal tangible property tax.

The District anticipates using fund balance reserves to balance its budget over the next fiscal year. In Ohio, property taxes are not permitted to grow with inflation. New property tax income can only be generated through new construction or voted increases. The District is 99% developed; consequently the possibility of new construction is low. The District has planned to utilize the fund balance reserves until 2010 based upon current projections at which time cost reductions or increased property or income taxes will have to be implemented.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

**General Fund Budget Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2008, the District revised its budget to accommodate changes in expected revenues and planned expenditures.

The District's ending unencumbered cash balance was \$181,608 above the final budgeted amount. The majority of positive budget variance was attributed to the one-time collection of delinquent real estate and tangible personal property taxes. Revenues were \$114,750 or 0.86% under the final budgeted amount.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2008 fiscal year, the District had \$2,165,287 net in land, land improvements, buildings, furniture and equipment. Table 4 demonstrates balances for 2008 as compared to 2007:

**(Net of Depreciation)**

	Governmental Activities	
	2008	2007 Restated
Land	\$419,344	\$419,344
Land Improvements	72,936	76,438
Buildings and Improvements	1,197,725	1,135,059
Furniture and Equipment	475,282	500,973
Totals	\$2,165,287	\$2,131,814

The increase in capital assets is attributable to newly acquired equipments and furniture. The District restated its 2007 capital assets balances due to a change in capitalization threshold from \$1,000 to \$2,000 and to revised estimated useful lives of some of its capital assets to more accurately reflect the remaining useful lives of such capital assets based upon an appraisal. For more detailed information regarding capital assets, see Note 8 and Note 18.

**Debt**

As of June 30, 2008, the District's debt consisted of a lease-purchase agreement through Fifth Third Leasing Company. The District owes \$401,875 on the lease. A previous lease in the amount of \$800,000 was entered into in June, 2001, and the balanced owed on the lease, \$696,000, was rolled into the current lease in April, 2004. The District refinanced the lease again in April 2007 for the remaining balance. The proceeds of the original lease were used to finance the acquisition of a district-wide energy management system and to renovate the library and two science labs at the Junior/Senior High School.

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

---

---

**Debt (Continued)**

The District has an overall debt limit of 9% of its assessed valuation or \$19,405,653. The unvoted debt limit of the District is one .10% of its assessed valuation or \$217,838. The District currently does not have a bond rating. Additional information on debt can be found in Note 13.

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

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

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

Additionally, the Board of Education implemented an open enrollment policy in December 2007, to permit any student in the State of Ohio the ability to apply for enrollment. The District marketed itself during the winter and spring of 2008 and nearly 150 students applied. The District has seen approximately 115 full-time equivalent students begin the 2008-09 school year. The District is paid \$5,732 per child based on their attendance during the first week of October and February each year. It is anticipated the open enrollment students will generate approximately \$600,000 of revenue annually. That amount is equivalent to 3 mills of property tax in the District.

Beyond June 30, 2010, the District is projecting operating deficits and deficit fund balances. To offset the projected deficits, the Board of Education is considering an operating levy for the 2009-10 school year. Other options for the District are to pursue additional open enrollments students or consider eliminating programs. The concern with eliminating programs is resident and open enrollment students who are attracted to the District for its educational program may consider other options, thus negatively impacting existing revenues.

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

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

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

**Reading Community City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2008**  
**Unaudited**

---

---

**District Contact Information**

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

**Reading Community City School District, Ohio**  
**Statement of Net Assets**  
**June 30, 2008**

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,772,234
Accrued Interest Receivable	34,797
Accounts Receivable	2,681
Prepaid Items	111,979
Intergovernmental Receivable	49,803
Taxes Receivable	7,507,912
Nondepreciable Capital Assets	419,344
Depreciable Capital Assets, Net	1,745,943
<i>Total Assets</i>	11,644,693
<b>Liabilities</b>	
Accounts Payable	107,421
Accrued Wages	777,634
Intergovernmental Payable	361,164
Deferred Revenue	4,521,934
Long-Term Liabilities:	
Due Within One Year	201,320
Due In More Than One Year	1,360,165
<i>Total Liabilities</i>	7,329,638
<b>Net Assets</b>	
Invested in Capital Assets	1,763,412
Restricted for:	
Capital Projects	334,027
Other Purposes	317,293
Unrestricted	1,900,323
<i>Total Net Assets</i>	\$4,315,055

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 6,622,951	\$ 245,623	\$ 86,047	\$ (6,291,281)
Special	1,828,477	93,352	392,605	(1,342,520)
Vocational	91,172	-	11,422	(79,750)
Other	395,818	1,735	86,226	(307,857)
Support Services:				
Pupil	934,169	-	81,462	(852,707)
Instructional Staff	687,897	-	437,843	(250,054)
Board of Education	47,281	-	-	(47,281)
Administration	1,281,960	-	-	(1,281,960)
Fiscal	428,914	14,951	1,015	(412,948)
Business	26,889	-	-	(26,889)
Operation and Maintenance of Plant	1,052,875	95,403	-	(957,472)
Pupil Transportation	305,345	24,389	126,599	(154,357)
Central	340,151	-	14,000	(326,151)
Operation of Non-Instructional Services	1,039,389	261,290	828,268	50,169
Extracurricular Activities	601,596	79,495	-	(522,101)
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	20,959	-	-	(20,959)
<b>Total Governmental Activities</b>	<b>15,705,843</b>	<b>816,238</b>	<b>2,065,487</b>	<b>(12,824,118)</b>
<b>General Revenues:</b>				
Property Taxes Levied for General Purposes				7,468,812
Grants and Entitlements not Restricted to Specific Progra				4,527,940
Gifts and Donations				11,695
Investment Earnings				145,222
Miscellaneous				69,007
<b>Total General Revenues</b>				<b>12,222,676</b>
Change in Net Assets				(601,442)
<i>Net Assets Beginning of Year (Restated)</i>				4,916,497
<i>Net Assets End of Year</i>				<b>\$ 4,315,055</b>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Assets and Fund Balances**  
**Governmental Funds**  
**June 30, 2008**

	General	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,065,691	\$ 706,543	\$ 1,772,234
Accrued Interest Receivable	34,797	-	34,797
Accounts Receivable	2,681	-	2,681
Interfund Receivable	4,045	-	4,045
Intergovernmental Receivable	-	49,803	49,803
Prepaid Items	102,848	9,131	111,979
Taxes Receivable	7,507,912	-	7,507,912
<i>Total Assets</i>	<u>8,717,974</u>	<u>765,477</u>	<u>9,483,451</u>
<b>Liabilities</b>			
Accounts Payable	42,098	65,323	107,421
Accrued Wages	733,289	44,345	777,634
Interfund Payable	-	4,045	4,045
Intergovernmental Payable	360,720	444	361,164
Deferred Revenue	5,006,282	-	5,006,282
<i>Total Liabilities</i>	<u>6,142,389</u>	<u>114,157</u>	<u>6,256,546</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	85,823	184,249	270,072
Reserved for Property Taxes	2,501,630	-	2,501,630
Reserved for Prepaid Items	102,848	9,131	111,979
Unreserved, Undesignated, Reported In:			
General Fund	(114,716)	-	(114,716)
Special Revenue Funds	-	158,815	158,815
Capital Project Funds	-	299,125	299,125
<i>Total Fund Balances</i>	<u>2,575,585</u>	<u>651,320</u>	<u>3,226,905</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,717,974</u>	<u>\$ 765,477</u>	<u>\$ 9,483,451</u>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2008**

---



---

<b>Total Governmental Funds Balances</b>		\$ 3,226,905
--	--	--------------

*Amounts reported for governmental activities in the statement of net assets are different because*

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

Land	419,344	
Land Improvements	133,881	
Buildings and Improvements	3,520,341	
Furniture, Fixtures and Equipment	1,184,148	
Accumulated depreciation	(3,092,427)	
Total capital assets		2,165,287

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

Property Tax Receivable	484,348	
		484,348

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

Lease Purchase Agreement	(401,875)	
Compensated Absences	(1,159,610)	
Total Liabilities		(1,561,485)

<i>Net Assets of Governmental Activities</i>		<u>\$ 4,315,055</u>
--	--	---------------------

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2008**

	General	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 7,409,890	\$ -	\$ 7,409,890
Intergovernmental	4,990,408	1,603,019	6,593,427
Interest	130,352	14,870	145,222
Tuition and Fees	304,016	63,226	367,242
Rent	95,403	-	95,403
Extracurricular Activities	-	119,895	119,895
Contributions and Donations	-	11,695	11,695
Customer Sales and Services	16,976	234,758	251,734
Miscellaneous	30,988	19,983	50,971
<i>Total Revenues</i>	<u>12,978,033</u>	<u>2,067,446</u>	<u>15,045,479</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,355,540	127,339	6,482,879
Special	1,702,901	105,275	1,808,176
Vocational	89,469	1,703	91,172
Other	313,411	81,888	395,299
Support Services:			
Pupil	836,881	81,186	918,067
Instructional Staff	387,042	346,903	733,945
Board of Education	47,281	-	47,281
Administration	1,247,050	1,036	1,248,086
Fiscal	424,097	1,015	425,112
Business	26,889	-	26,889
Operation and Maintenance of Plant	956,741	94,868	1,051,609
Pupil Transportation	252,642	52,702	305,344
Central	294,942	14,000	308,942
Operation of Non-Instructional Services	8,588	1,074,870	1,083,458
Extracurricular Activities	484,484	111,988	596,472
Debt Service			
Principal	53,873	-	53,873
Interest and Fiscal Charges	20,959	-	20,959
<i>Total Expenditures</i>	<u>13,502,790</u>	<u>2,094,773</u>	<u>15,597,563</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(524,757)</u>	<u>(27,327)</u>	<u>(552,084)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	59,766	59,766
Transfers Out	(59,766)	-	(59,766)
<i>Total Other Financing Sources (Uses)</i>	<u>(59,766)</u>	<u>59,766</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(584,523)	32,439	(552,084)
<i>Fund Balances Beginning of Year</i>	<u>3,160,108</u>	<u>618,881</u>	<u>3,778,989</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,575,585</u>	<u>\$ 651,320</u>	<u>\$ 3,226,905</u>

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

**Net Change in Fund Balances - Total Governmental Funds** \$ (552,084)

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

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

Net capital asset additions	137,537	
Depreciation Expense	<u>(175,396)</u>	
Excess of capital outlay over depreciation expense		(37,859)

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

Loss on Disposal of Capital Assets	<u>(12,207)</u>	
Total		(12,207)

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

53,873

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

Taxes		58,922
-------	--	--------

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

Increase in compensated absences	<u>(112,087)</u>	
Total additional expenditures		<u>(112,087)</u>

*Change in Net Assets of Governmental Activities* \$ (601,442)

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 7,277,541	\$ 7,792,941	\$ 7,858,410	\$ 65,469
Intergovernmental	5,067,851	4,916,237	4,990,408	74,171
Interest	150,000	150,000	109,626	(40,374)
Tuition and Fees	260,000	260,000	304,016	44,016
Rent	92,000	92,000	95,403	3,403
Customer Sales and Services	16,000	16,000	16,976	976
Miscellaneous	62,000	62,000	29,089	(32,911)
<b>Total Revenues</b>	<b>12,925,392</b>	<b>13,289,178</b>	<b>13,403,928</b>	<b>114,750</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,413,754	6,384,207	6,371,334	12,873
Special	1,560,147	1,711,892	1,711,116	776
Vocational	91,173	92,023	89,195	2,828
Other	193,100	313,089	313,039	50
<b>Support Services:</b>				
Pupils	889,551	838,756	837,458	1,298
Instructional Staff	474,705	472,792	464,920	7,872
Board of Education	51,002	47,376	46,921	455
Administration	1,274,889	1,245,882	1,240,974	4,908
Fiscal	444,607	462,645	462,485	160
Business	33,360	29,232	26,950	2,282
Operation and Maintenance of Plant	1,069,978	1,018,744	1,014,281	4,463
Pupil Transportation	236,839	253,980	253,343	637
Central	288,120	281,853	278,959	2,894
Operation of Non-Instructional Services	8,564	10,380	9,312	1,068
Extracurricular Activities	459,507	472,594	472,369	225
<b>Debt Service:</b>				
Principal	53,873	53,873	53,873	-
Interest	20,960	20,960	20,959	1
<b>Total Expenditures</b>	<b>13,564,129</b>	<b>13,710,278</b>	<b>13,667,488</b>	<b>42,790</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(638,737)</b>	<b>(421,100)</b>	<b>(263,560)</b>	<b>157,540</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(66,000)	(66,000)	(66,000)	-
Advance In	-	-	35,369	35,369
Advance Out	-	-	(11,301)	(11,301)
<b>Total Other Financing Sources (Uses)</b>	<b>(66,000)</b>	<b>(66,000)</b>	<b>(41,932)</b>	<b>24,068</b>
<b>Net Change in Fund Balance</b>	<b>(704,737)</b>	<b>(487,100)</b>	<b>(305,492)</b>	<b>181,608</b>
<b>Fund Balances at July 1, 2007</b>	<b>1,023,037</b>	<b>1,023,037</b>	<b>1,023,037</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>233,664</b>	<b>233,664</b>	<b>233,664</b>	<b>-</b>
<b>Fund Balances at June 30, 2008</b>	<b>\$ 551,964</b>	<b>\$ 769,601</b>	<b>\$ 951,209</b>	<b>\$ 181,608</b>

See accompanying notes to the basic financial statements.

**Reading Community City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 120,440	\$ 37,551
<i>Total Assets</i>	<u>120,440</u>	<u>37,551</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Due to Students		37,551
<i>Total Liabilities</i>		<u>37,551</u>
<b>NET ASSETS:</b>		
Restricted - Expendable	739	
Restricted - Nonexpendable	13,482	
Held in Trust for Scholarships	106,219	
<i>Total Net Assets</i>	<u>\$ 120,440</u>	

See the accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2008**

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 12,887
Interest	3,180
<i>Total Additions</i>	16,067
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	2,100
<i>Total Deductions</i>	2,100
<i>Change in Net Assets</i>	13,967
<i>Net Assets Beginning of Year</i>	106,473
<i>Net Assets End of Year</i>	\$ 120,440

See accompanying notes to the basic financial statements

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

**NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the District. The Board controls the District’s three instructional support facilities staffed by 107 certified, 36 non-certified and 7 administrative employees providing education to approximately 1,500 students.

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

Financial Reporting Entity

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

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

The District is associated with four organizations; three of which are defined as jointly governed organizations, and the other is an insurance purchasing pool. These organizations are Great Oaks Institute of Technology and Career Development, the Hamilton/Clermont Cooperative Association, the Greater Cincinnati Insurance Consortium, and the Ohio School Boards’ Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 9 and 14 to the Basic Financial Statements.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its governmental activities, provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

B. Fund Accounting

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

Governmental Funds

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

E. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to certificates of deposit, direct issuances of federal agencies and mutual funds and interest in STAR Ohio (the State Treasurer's Investment Pool). Investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes, all investment earnings are allocated to the General Fund except those specifically related to auxiliary services agency funds, certain trust funds and those funds individually authorized by Board resolution. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$130,352. Interest revenue was also posted to other governmental funds as follows: Capital Projects Fund, \$10,035, Food Service Fund, \$600 and Auxiliary Services Fund, \$4,235.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

F. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2008.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars (\$2,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

K. Net Assets (Continued)

Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

The government-wide statement of net assets reports \$651,320 of restricted net assets, of which none is restricted by enabling legislation.

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

L. Estimates

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

M. Interfund Transactions

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

N. Parochial Schools

Within the District boundaries, Sacred Heart Elementary and Mount Notre Dame High School are operated through the Cincinnati Archdiocese. Current state and federal legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The receipt and expenditure of these state monies is reflected in a special revenue fund for financial reporting purposes.

O. Basis of Budgeting

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed by the Board of Education.

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

P. Encumbrances

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

Q. Interfund Balances

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

**NOTE 3 – FUND DEFICITS**

For the fiscal year ended June 30, 2008, the following funds had individual fund deficits:

Governmental Funds:	
Special Revenue Funds:	
Food Service	\$2,026
Poverty Based Assistance	1,418
Teacher Quality	3,683

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**NOTE 4 – BASIS OF BUDGETING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balances.

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

Change in Fund Balance	
GAAP Basis	(\$584,523)
Net Adjustment for Revenue Accruals	461,264
Net Adjustment for Expenditure Accruals	(67,736)
Adjustment for Encumbrances	(114,497)
Budget Basis	(\$305,492)

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. Bond, 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 government agency, or instrumentality.
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase. The market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily.
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions.
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

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

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

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

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a custodial credit risk policy. However, protection of the District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. At year-end, the District's carrying amount was \$267,874, and the District's bank balance was \$291,753, which was covered by Federal Deposit Insurance Corporation or by the financial institution's public entity deposit pool in the manner described above.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

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

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

<u>Description</u>	<u>Fair Value</u>	<u>Average Maturity (Years)</u>
Federal Home Loan Bank Agency Note	\$350,170	3.00
Certificates of Deposits	730,000	0.50
Star Ohio	582,181	N/A
Total	<u><u>\$1,662,351</u></u>	

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

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

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

Concentration of Credit Risk: This is risk of loss that can be attributed to the magnitude of a government's investment in a single issuer. The District's investment policy allows investments in eligible securities as described in the Ohio Revised Code. As of June 30, 2008, 35% of the District's investments were invested in Star Ohio, 44% were invested in certificates of deposits, and 21% were invested in a FHLB security, respectively.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes received in calendar year 2008 represents the collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Hamilton County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and it's reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

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

The amount available as an advance at June 30, 2008, was \$2,501,630 in the general fund. The amount available as an advance at June 30, 2007, was \$2,950,150.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<u>2007 Second- Half Collections</u>		<u>2008 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$195,035,550	87.11%	\$194,737,980	89.40%
Public Utility Personal	7,572,320	3.38%	6,306,210	2.89%
Tangible Personal Property	21,283,771	9.51%	16,793,841	7.71%
Total Assessed Value	<u>\$223,891,641</u>	<u>100.00%</u>	<u>\$217,838,031</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$64.08		\$64.08

**NOTE 7 -- RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, interest, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. The principal item of receivables follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Interest</u>
General Fund	\$ 7,507,912	\$ 2,681	\$ -	\$ 34,797
Non-Major Special Revenue Funds	-	-	49,803	-
Total	<u>\$ 7,507,912</u>	<u>\$ 2,681</u>	<u>\$ 49,803</u>	<u>\$ 34,797</u>

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 419,344	\$ -	\$ -	\$ 419,344
Capital Assets Being Depreciated				
Land Improvements	133,881	-	-	133,881
Buildings and Improvements	3,464,725	55,616	-	3,520,341
Furniture and Equipment	1,128,673	81,921	26,446	1,184,148
Total Capital Assets, Being Depreciated	<u>4,727,279</u>	<u>137,537</u>	<u>26,446</u>	<u>4,838,370</u>
Less Accumulated Depreciation:				
Land Improvements	54,251	6,694	-	60,945
Buildings and Improvements	2,251,455	71,161	-	2,322,616
Furniture and Equipment	625,564	97,541	14,239	708,866
Total Accumulated Depreciation	<u>2,931,270</u>	<u>175,396</u>	<u>14,239</u>	<u>3,092,427</u>
Total Capital Assets, Being Depreciated, Net	<u>1,796,009</u>	<u>(37,859)</u>	<u>(12,207)</u>	<u>1,745,943</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,215,353</u>	<u>\$ (37,859)</u>	<u>\$ (12,207)</u>	<u>\$ 2,165,287</u>

As more fully described in Note 18, the District implemented a change in the capital threshold for fiscal year 2008 and made several other changes.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

**NOTE 8 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged as follows:

Instruction:	
Regular	\$ 70,935
Special	800
Support Services:	
Pupil	519
Instructional Staff	21,846
Administration	3,123
Operation and Maintenance of Plant	54,068
Operation of Non-Instructional Services	18,981
Extracurricular Activities	<u>5,124</u>
 Total Depreciation Expense	 <u>\$ 175,396</u>

**NOTE 9 -- RISK MANAGEMENT**

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the District contracted with Ohio School Plan underwritten by Hylant Group for general liability insurance with a \$3,000,000 aggregate limit covering all employees and volunteers of the District.

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

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

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

B. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

B. Worker's Compensation (Continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

A. School Employees Retirement System

The District contributes to the School Employers Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the school employee's retirement board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.82 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$199,035, \$214,033 and \$202,246, respectively; 86.79 percent has been contributed for fiscal year 2008, and 100% for 2007 and 2006.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the State or any political subdivision thereof. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling toll free (888) 227-7877.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

B. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during the fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Chapter 3307 of the revised code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,007,705, \$1,027,278 and \$973,924, 98.60% has been contributed for 2008 and 100 percent has been contributed for each of the two prior fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, none of the members of the Board of Education have elected Social Security.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System provides access to health care coverage to retired teachers and their dependents, and the School Employees Retirement System provides the same coverage to retired non-certificated employees and their dependents. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$71,979 for fiscal year 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

For the School Employees Retirement System, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. SERS administers two post-employment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The District's contributions for the year ended June 30, 2008, were \$7,739, which equaled the required contributions for the year.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

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

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (latest available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$28,434.

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

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

Net health care costs for the year ending June 30, 2007, (the latest information available) were \$127,615,614. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. The number of participants eligible to receive benefits was 55,818.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

**NOTE 12 – EMPLOYEE BENEFITS**

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 sick days of leave for each year under contract. During regular employment, sick leave may be accumulated, up to a maximum of 272 days for teachers, 300 days for administrators and 240 days for classified. Upon retirement, severance pay is based upon one-fourth of the accrual of sick days up to a maximum of 74 days for teachers, 75 days for administrators and 60 days for classified.

B. Insurance Benefits

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

**NOTE 13 -- LONG TERM OBLIGATIONS**

Long-term obligations activity of the District for the fiscal year ended June 30, 2008, was as follows:

	Total Principal Outstanding <u>6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	Total Principal Outstanding <u>6/30/2008</u>	Amounts Due in <u>One Year</u>
Governmental Activities					
Lease Purchase Agreement	\$455,748	\$0	\$53,873	\$401,875	\$56,511
Compensated Absences	1,047,523	112,087	0	1,159,610	144,809
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,503,271</u>	<u>\$112,087</u>	<u>\$53,873</u>	<u>\$1,561,485</u>	<u>\$201,320</u>

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

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

Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General Long</u> <u>Term Debt</u>
2009	\$74,832
2010	74,832
2011	74,832
2012	74,832
2013	74,832
2014	74,832
2015	<u>18,708</u>
Total	467,700
Less: Amount Representing Interest	<u>(65,825)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$401,875</u></u>

The District's overall legal debt margin was \$19,405,653 with an unvoted debt margin of \$217,838 at June 30, 2008.

Compensated absences will be paid from the general fund.

**NOTE 14 -- JOINTLY GOVERNED ORGANIZATIONS**

A. Hamilton/Clermont Cooperative Association

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

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

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

B. Great Oaks Institute of Technology and Career Development

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

C. Greater Cincinnati Insurance Consortium (CGIC)

The District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County school districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one (1) representative selected from each participating district and the educational service center. Each member pays an administrative fee to the pool. The Consortium converted from a fully insured consortium through an independent third party insurance company to a self-funded insurance consortium with stop loss coverage effective July 1, 2007. Anthem Blue Cross Blue Shield provides claim review and processing. Additional information can be obtained from Donald Rabe, Treasurer, Hamilton County Educational Service Center, 11083 Hamilton Avenue, Cincinnati, OH 45231.

**NOTE 15 – SET-ASIDE CALCULATIONS**

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

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

	<u>Capital</u> <u>Acquisition</u>	<u>Textbook</u>
Set-aside Reserve Balance as of June 30, 2007	\$ -	\$ (727,420)
Current Year Set-aside Requirements	220,964	220,964
Current Year Offsets	-	-
Qualifying Disbursements	(246,795)	(233,176)
Totals	<u>(25,831)</u>	<u>(739,632)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ -</u>	<u>\$ (739,632)</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$ -</u>	<u>\$ -</u>

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---

---

**NOTE 15 – SET-ASIDE CALCULATIONS (Continued)**

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

**NOTE 16 -- CONTINGENCIES**

A. Grants:

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

**NOTE 17 – INTERFUND TRANSACTIONS**

During the year ended June 30, 2008, the General Fund made transfers of \$59,766 to non-major governmental funds and between special cost centers within the general fund. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The District had an Interfund Receivable in the General Fund of \$4,045 that was payable from the following funds:

Food Service	\$2,462
High Schools That Work	1,222
Miscellaneous Federal Grants	361

The advances were made to cover a cash deficit at June 30 , 2008, due to a delay in reimbursement from the Ohio Department of Education Grant Management Division.

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET ASSETS**

The District changed its capitalization threshold from \$1,000 to \$2,000 as of July 1, 2007. The District also revised some of the estimated useful lives of some of their capital assets to more accurately reflect the remaining useful lives of such capital assets based upon an appraisal.

**Reading Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**June 30, 2008**

---



---

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET ASSETS**  
**(Continued)**

These changes had the following effect on net assets:

	Governmental Activities <u>Net Assets</u>
Net Assets, June 30, 2007	\$4,832,958
Capital Asset Restatement	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">83,539</div>
Restated Net Assets, July 1, 2007	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$4,916,497</div>

For the fiscal year 2008, the District implemented GASB Statement No. 50, Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27, and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statements No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. The application of these new standards did not have a material effect on the basic financial statement, nor did their implementation require a restatement of prior year balances.

**NOTE 19 – NON-COMPLIANCE**

Contrary to the Ohio Revised Code Section 5705.41(D), the District had several transactions that were not properly certified as to availability of funds prior to their obligation.

Contrary to the Ohio Revised Code Section 3317.03 (E), the District’s ADM count submitted to the Ohio Department of Education’s Educational Management Information System (EMIS) was not correctly calculated.

**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/ Pass-Through Grantor/ Program Titles</b>	<b>Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education - Grants to States	6BSF	84.027	\$ 517,640	\$ -	\$ 454,991	\$ -
Special Education - Preschool Grants	PGS1	84.173	-	-	-	-
Total Passed Through the Ohio Department of Educaiton			517,640	-	454,991	-
Total Special Education Cluster			517,640	-	454,991	-
 <i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	106,970	-	107,881	-
Innovative Education Programs Strategies	C2S1	84.298	5,618	-	5,674	-
Vocational Education - Basic Grants to States	20C1	84.048	3,097	-	3,322	-
Safe and Drug-Free Schools and Communities - National	T4S1	84.184	-	-	15	-
Safe and Drug-Free Schools and Communities - State	DRS1	84.186	5,391	-	4,911	-
Educational Technology State Grants	TJS1	84.318	737	-	1,135	-
Improving Teacher Quality - State Grants	TRS1	84.367	49,466	-	49,403	-
<b>Total U.S. Department of Education</b>			688,919	-	627,332	-
 <b>U.S. Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	05PU	10.553	16,727	-	16,727	-
National School Lunch Program	LLP4	10.555	94,644	-	94,644	-
Total Child Nutrition Cluster			111,371	-	111,371	-
Food Distribution	N/A	10.550	-	19,800	-	19,800
<b>Total U.S. Department of Agriculture</b>			111,371	19,800	111,371	19,800
<b>Total Federal Financial Assistance</b>			\$ 800,290	\$ 19,800	\$ 738,703	\$ 19,800

N/A - Pass through entity number was not provided

See accompanying notes to the schedule of expenditures of federal awards

**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE D – TRANSFERS**

The District must spend federal assistance within 15 months of receipts (funds must be obligated by June 30 and spent by September 30<sup>th</sup>). However, with Ohio Department of Education’s approval, the District can transfer unspent federal assistance to succeeding year, thus allowing the District a total of 27 months to spend the assistance.

During fiscal year 2008, the Ohio Department of Education authorized the following transfers:

Program Title	Pass-through Entity Number ( Grant Year)	CFDA Number	Transfers Out	Transfers In
Educational Technology State Grants	TJS1 2008	84.318	\$ 22	
Educational Technology State Grants	TJS1 2009	84.318		22
Special Education - Grants to States	6BSF 2008	84.027	10,196	
Special Education - Grants to States	6BSF 2009	84.027		10,196
Safe and Drug-Free Schools and Communities - National	DRS1-2008	84.184	480	
Safe and Drug-Free Schools and Communities - National	DRS1-2009	84.184		480
<b>Totals</b>			<b>\$ 10,698</b>	<b>\$ 10,698</b>

# Caudill & Associates, CPA's

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

Member American Institute of Certified Public Accountants

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

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

To the Board of Education  
Reading Community City School District  
1301 Bonnell Avenue  
Reading, Ohio 45214

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of the District of Reading Community City School District, Ohio (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2008-001, and 2008-002.

We noted a certain other matter that we reported to the District's management in a separate letter dated December 15, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

December 15, 2008

# Caudill & Associates, CPA's

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

Member American Institute of Certified Public Accountants

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

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

To the Members of Board of Education  
Reading Community City School District  
1301 Bonnell Avenue  
Reading, Ohio 45214

### **Compliance**

We have audited the compliance of Reading Community City School District, Hamilton County, Ohio (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance, in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Members of Board of Education  
Reading Community City School District

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's

December 15, 2008

**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

**FOR THE YEAR ENDED JUNE 30, 2008**

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

**READING COMMUNITY CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO  
AP: 7/1/07 – 6/30/08**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2008-001**

**Noncompliance Citation – Timely Certification of Funds – Credit Cards**

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that expenditures are otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The District did not properly certify the availability of funds prior to obligation and expenditures for 20 of the 41 credit cards related transactions tested in 2008.

We recommend that the District implement policies to ensure that all purchases first have monies certified by the Treasurer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

**District Response:**

The District will apply a Then and Now fiscal certificate in the instances below \$3,000 that occur within 30 days. For those items above that amount or for a longer period of time, the invoices will be submitted to the Board of Education. The District will also review our procedures to insure purchase orders are encumbered for credit card usage prior to the obligation occurring.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 §.505**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2008-002**

**Noncompliance Citation – District’s ADM Count**

The Ohio Revised Code Section 3317.03 (E) requires a school district to accurately show, for each day the school is in session, the actual membership enrolled in regular day classes. This code provision further delineates which students should and should not be included in a school district’s ADM count on the basis of residency, school attendance, and proficiency testing attendance.

Each school district is responsible for accurately reporting statistics to the Ohio Department of Education’s Educational Management Information System (EMIS), which uses the statistics to compute the school district’s ADM. Of the many statistics required to be reported, on the most important is the determination of school attendance. Pursuant to Ohio Revised Code Section 3317.03 (E), a school district’s attendance for ADM purposes is arrived at by determining the number of students *enrolled* during the first full school week in October. This code provision also defines *enrolled* to include students who are handicapped and receiving home instruction, in attendance, or not attending but having an excused absence for a valid legal reason.

The District did not perform student counts the week before, the ADM count week, and the week after. Instead, the District performed the student count the last week of October, which was submitted to EMIS. Furthermore, during compliance testing, we noted several students who were included in the EMIS student count that should not have been. Although, the situation was corrected with EMIS in July 2008, it resulted in misstatement of the student count for fiscal year 2008.

The District should implement procedures to ensure that an accurate student count is performed and remitted to the Ohio Department of Education. Furthermore, the District should perform a student count the week before, the week of, and the week after to ensure that student counts are accurate and complete.

**District’s Response:**

The District has implemented a new student information system for the 2008-09 school year. The District has contracted with Hamilton/Clermont Computer Association utilizing the DASL student information system. The system will provide the District with the ability to produce student attendance reports by week, allowing the District to produce reports before, during and after the count week.





**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**DECEMBER 31, 2008**