

CITY OF READING



Basic Financial Statements

December 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Reading, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

September 18, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Reading

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.
Plattenburg & Associates, Inc.
Cincinnati, Ohio
August 30, 2018

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

The City of Reading's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

Financial Highlights

- The City's total net position decreased \$133,976. Net position of governmental activities decreased \$248,938, net position of business-type activities increased by \$114,962.
- The General Fund reported a net change in fund balance of (\$179,025).
- Business-type operations reflected operating income of \$66,870.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

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

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

Fund Financial Statements

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

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

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

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

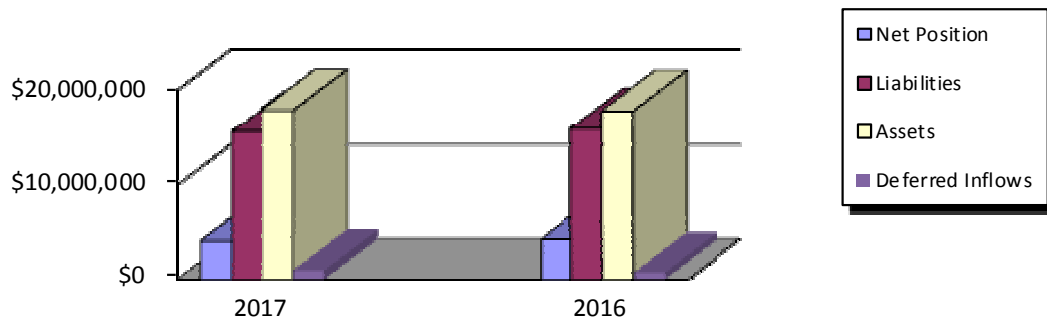
City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and Other Assets	\$7,031,561	\$6,784,967	\$641,339	\$641,339	\$7,672,900	\$7,224,100
Capital Assets	9,684,414	10,026,409	515,312	534,767	10,199,726	10,561,176
Total Assets	16,715,975	16,811,376	1,156,651	973,900	17,872,626	17,785,276
Deferred Outflows of Resources:						
Pension	2,561,906	2,874,525	99,539	93,735	2,661,445	2,968,260
Total Deferred Outflows of Resources	2,561,906	2,874,525	99,539	93,735	2,661,445	2,968,260
Liabilities:						
Long-Term Liabilities	14,775,516	15,255,387	251,278	253,691	15,026,794	15,509,078
Other Liabilities	347,129	269,904	200,905	114,768	548,034	384,672
Total Liabilities	15,122,645	15,525,291	452,183	368,459	15,574,828	15,893,750
Deferred Inflows of Resources:						
Property Taxes	600,000	535,800	0	0	600,000	535,800
Pension	331,189	151,825	6,055	16,186	337,244	168,011
Total Deferred Inflows of Resources	931,189	687,625	6,055	16,186	937,244	703,811
Net Position:						
Net Investment In Capital Assets	6,759,074	6,602,396	515,312	534,767	7,274,386	7,137,163
Restricted	4,219,942	3,778,868	0	0	4,219,942	3,778,868
Unrestricted	(7,754,969)	(6,908,279)	282,640	148,223	(7,472,329)	(6,760,056)
Total Net Position	\$3,224,047	\$3,472,985	\$797,952	\$682,990	\$4,021,999	\$4,155,975



City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

The City saw a decrease in Capital Assets for Governmental Activities mainly due to current year depreciation expense exceeding current year additions. Long-Term Liabilities decreased mainly due to a decrease in other amounts. Business-Type Activities Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Business-Type Activities Long-Term Liabilities decreased slightly mainly due to paying off debt.

Table 2 shows the changes in net position at year end and revenue and expense comparisons of 2017 to 2016.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services	\$1,161,536	\$1,457,110	\$1,521,228	\$1,457,110	\$2,682,764	\$2,914,220
Operating Grants and Contributions	651,311	1,012,811	0	0	651,311	1,012,811
Total Program Revenues	1,812,847	2,007,291	1,521,228	1,457,110	3,334,075	3,464,401
General Revenues:						
Income Taxes	6,920,328	7,508,348	0	0	6,920,328	7,508,348
Property Taxes	565,066	589,877	0	0	565,066	589,877
Grants and Entitlements	164,361	258,431	0	0	164,361	258,431
Other Revenues	460,285	583,381	2,990	1,659	463,275	585,040
Total General Revenues	8,110,040	8,940,037	2,990	1,659	8,113,030	8,941,696
Total Revenues	9,922,887	10,947,328	1,524,218	1,458,769	11,447,105	12,406,097
Program Expenses:						
General Government	2,292,606	2,213,271	0	0	2,292,606	2,213,271
Public Safety	6,186,436	5,890,606	0	0	6,186,436	5,890,606
Leisure Time Activities	340,089	331,212	0	0	340,089	331,212
Community Development	182,182	178,475	0	0	182,182	178,475
Basic Utility Service	475,042	365,153	0	0	475,042	365,153
Transportation and Street Repair	602,027	1,111,854	0	0	602,027	1,111,854
Interest and Other Charges	45,351	56,418	0	0	45,351	56,418
Water Utility	0	0	1,457,348	1,367,247	1,457,348	1,367,247
Total Program Expenses	10,123,733	10,146,989	1,457,348	1,367,247	11,581,081	11,514,236
Increase (Decrease) in Net Position before Transfers	(200,846)	800,339	66,870	91,522	(133,976)	891,861
Transfers - Internal Activities	(48,092)	(123,346)	48,092	123,346	0	0
Change in Net Position	(248,938)	676,993	114,962	214,868	(133,976)	891,861
Net Position - Beginning of Year	3,472,985	2,795,992	682,990	468,122	4,155,975	3,264,114
Net Position - End of Year	\$3,224,047	\$3,472,985	\$797,952	\$682,990	\$4,021,999	\$4,155,975

City of Reading, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

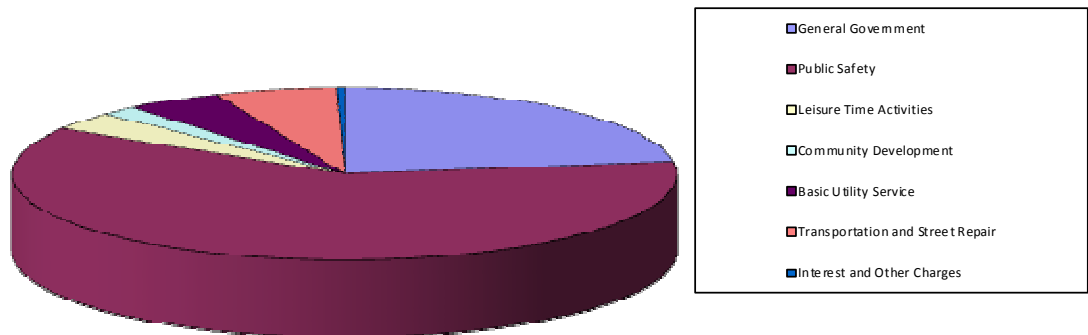
Income taxes decreased mainly due to a decrease in income tax collections in 2017 as compared to 2016. Public Safety expenses increased mainly due to increases in personnel costs and general inflationary factors. Transportation and Street Repair expenses decreased due to a decrease in repairs and maintenance to streets. The Business-Type Activities revenues and expenses remained relatively consistent.

Governmental Activities

The 2.0% income tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 86% of the City’s governmental activities general revenues.

Governmental Activities
Program Expenses for 2017

	Percentage
General Government	22.7%
Public Safety	61.1%
Leisure Time Activities	3.4%
Community Development	1.8%
Basic Utility Service	4.7%
Transportation and Street Repair	5.9%
Interest and Other Charges	0.4%
Total	100%



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

Business-Type Activities

The City’s business-type activity includes water. This program had operating revenues of \$1,524,218 and operating expenses of \$1,457,348 for fiscal year 2017. Business activities receive no support from tax revenues. The business activities net position at the end of the year was \$797,952, which increased \$114,962 from 2016. The City had one business-type (enterprise) fund that was a major fund: the Water fund.

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

The City's Funds

The City has four major governmental funds: the General Fund, EPA Brownsfield Grant Fund, Streets and Curbs Fund and Capital Improvement Fund. Assets of the General fund comprised \$2,554,729 (35%), the EPA Brownsfield Grant fund comprised \$971,413 (13%), the Streets and Curbs fund comprised \$954,819 (13%), and the Capital Improvement fund comprised \$965,863 (13%) of the total \$7,215,276 governmental funds' assets.

General Fund: Fund balance at December 31, 2017 was \$615,535 a decrease in fund balance of \$179,025 from 2016. The general fund had a decrease in fund balance mainly due to a decrease in property and income taxes received.

EPA Brownsfield Grant Fund: Fund balance at December 31, 2017 was \$971,413 an increase in fund balance of \$4,131 from 2016. The EPA Brownsfield grant had an increase in fund balance mainly due to an increase in intergovernmental revenue.

Streets and Curbs Fund: Fund balance at December 31, 2017 was \$954,819 an increase in fund balance of \$225,478 from 2016. The Streets and Curbs fund had a increase in fund balance mainly due to the decrease of capital outlay expenditures.

Capital Improvement Fund: Fund balance at December 31, 2017 was \$609,633 a decrease in fund balance of \$51,694. The capital improvement fund had a decrease in fund balance due to a decrease in other revenues.

General Fund Budgeting Highlights

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

As the City completed the year, its General Fund balance reported an actual fund balance of \$182,860, on a Non-GAAP Budgetary Basis.

Variations from the final budget amounts to the actual amounts are primarily due to the following reasons: The City underestimated the taxes revenue and charges for services revenue amount and overestimated the general government and public safety expenditures for 2017.

Capital Assets and Debt Administration

Capital Assets

At year end, the City had \$10,199,726 invested in land, buildings and improvements, equipment and infrastructure. Table 3 shows 2017 balances compared to 2016:

City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

Table 3
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$1,311,475	\$1,311,475	\$6,135	\$6,135	\$1,317,610	\$1,317,610
Buildings and Improvements	1,614,499	1,614,499	102,532	102,532	1,717,031	1,717,031
Equipment	4,927,276	4,790,231	194,579	194,579	5,121,855	4,984,810
Infrastructure	7,957,914	7,957,914	1,479,654	1,479,654	9,437,568	9,437,568
Accumulated Depreciation	(6,126,750)	(5,647,710)	(1,267,588)	(1,248,133)	(7,394,338)	(6,895,843)
Total Net Capital Assets	<u>\$9,684,414</u>	<u>\$10,026,409</u>	<u>\$515,312</u>	<u>\$534,767</u>	<u>\$10,199,726</u>	<u>\$10,561,176</u>

The decreases in net capital assets was the result of the current year depreciation expense exceeding current year additions.

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

Debt

At year-end the City had \$2,925,340 in general obligation bonds, notes, loans and capital leases.

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City of Reading, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2017
(Unaudited)

Table 4
Outstanding Debt at Year End

		2017	2016
Governmental Activities			
<u>Bonds and Notes Payable</u>			
2013 Various Purpose Bonds	2.72%	\$116,668	\$175,001
2003 Streetscape Bonds	4.59%	300,000	350,000
2011 Dump Truck Acquisition Bonds	2.00%-4.50%	77,200	99,400
2011 Fire Truck Acquisition Bonds	2.00%-5.00%	65,000	125,000
2014 Public Improvement Bonds	3.50%	100,000	150,000
Subtotal Bonds and Notes		658,868	899,401
<u>OPWC Loans Payable</u>			
2010 Waxwing Improvements	0.00%	185,027	199,261
2011 Jefferson Avenue Improvements	0.00%	477,420	511,522
2012 Trillium Court & Krylon Drive Improvements	0.00%	266,404	284,776
2013 Jefferson / Willow / Voorhees Road Improvements	0.00%	255,578	271,552
2014 Julie Terrace improvements	0.00%	85,708	90,902
2015 Leonard Street Improvements	0.00%	86,869	91,695
2015 Brown Street Improvements	0.00%	125,954	132,952
2015 5th Street & Flora Avenue Improvements	0.00%	128,206	135,328
2016 Bolster Drive Improvements	0.00%	211,544	222,678
2016 Alwil Drive Improvements	0.00%	227,966	240,288
Subtotal Loans		2,050,676	2,180,954
<u>Capital Leases Payable</u>			
Equipment Capital Lease	2.92%	215,796	283,658
Total Government Activities		\$2,925,340	\$3,364,013

See Notes 7 - 8 in the notes to the basic financial statements for further details on the City's long-term obligations.

Economic Factors

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

Contacting the City's Financial Department

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

City of Reading, Ohio
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$3,262,205	\$441,046	\$3,703,251
Receivables (Net):			
Taxes	2,163,032	0	2,163,032
Accounts	88,232	130,538	218,770
Intergovernmental	387,364	0	387,364
Internal Balances	(69,755)	69,755	0
Land Held for Resale	1,200,483	0	1,200,483
Nondepreciable Capital Assets	1,311,475	6,135	1,317,610
Depreciable Capital Assets, Net	8,372,939	509,177	8,882,116
Total Assets	16,715,975	1,156,651	17,872,626
Deferred Outflows of Resources:			
Pension	2,561,906	99,539	2,661,445
Total Deferred Outflows of Resources	2,561,906	99,539	2,661,445
Liabilities:			
Accounts Payable	145,177	198,493	343,670
Accrued Wages and Benefits	200,006	2,412	202,418
Accrued Interest Payable	1,946	0	1,946
Long-Term Liabilities:			
Due Within One Year	748,827	581	749,408
Due In More Than One Year			
Net Pension Liability	10,997,391	250,697	11,248,088
Other Amounts	3,029,298	0	3,029,298
Total Liabilities	15,122,645	452,183	15,574,828
Deferred Inflows of Resources:			
Property Taxes	600,000	0	600,000
Pension	331,189	6,055	337,244
Total Deferred Inflows of Resources	931,189	6,055	937,244
Net Position:			
Net Investment in Capital Assets	6,759,074	515,312	7,274,386
Restricted for:			
Debt Service	385	0	385
Capital Projects	1,312,692	0	1,312,692
Street Maintenance and Repair	422,373	0	422,373
State Highway	148,476	0	148,476
EPA Brownsfield Grant	971,413	0	971,413
Streets and Curbs	954,819	0	954,819
Motor Vehicle Permissive	261,103	0	261,103
Other Purposes	148,681	0	148,681
Unrestricted	(7,754,969)	282,640	(7,472,329)
Total Net Position	\$3,224,047	\$797,952	\$4,021,999

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$2,292,606	\$294,922	\$0	(\$1,997,684)	\$0	(\$1,997,684)
Public Safety	6,186,436	249,794	117,913	(5,818,729)	0	(5,818,729)
Community Development	182,182	65,345	0	(116,837)	0	(116,837)
Leisure Time Activities	340,089	131,465	0	(208,624)	0	(208,624)
Transportation and Street Repair	602,027	420,010	533,398	351,381	0	351,381
Basic Utility Service	475,042	0	0	(475,042)	0	(475,042)
Interest and Other Charges	45,351	0	0	(45,351)	0	(45,351)
Total Governmental Activities	10,123,733	1,161,536	651,311	(8,310,886)	0	(8,310,886)
Business-Type Activities:						
Water Utility	1,457,348	1,521,228	0	0	63,880	63,880
Total Business-Type Activities	1,457,348	1,521,228	0	0	63,880	63,880
Totals	\$11,581,081	\$2,682,764	\$651,311	(8,310,886)	63,880	(8,247,006)
General Revenues:						
Income Taxes				6,920,328	0	6,920,328
Property Taxes Levied for:						
General Purposes				274,011	0	274,011
Capital Projects Purposes				291,055	0	291,055
Grants and Entitlements, Not Restricted				164,361	0	164,361
Other Revenues				460,285	2,990	463,275
Transfers-Internal Activities				(48,092)	48,092	0
Total General Revenues and Transfers				8,061,948	51,082	8,113,030
Change in Net Position				(248,938)	114,962	(133,976)
Net Position - Beginning of Year				3,472,985	682,990	4,155,975
Net Position - End of Year				\$3,224,047	\$797,952	\$4,021,999

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	EPA Brownsfield Grant	Streets and Curbs	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	\$557,970	\$48,668	\$954,819	\$217,935	\$1,482,813	\$3,262,205
Receivables (Net):						
Taxes	1,840,820	0	0	322,212	0	2,163,032
Accounts	66,200	0	0	0	22,032	88,232
Intergovernmental	89,739	0	0	34,018	263,607	387,364
Interfund	0	0	0	113,960	0	113,960
Land Held for Resale	0	922,745	0	277,738	0	1,200,483
Total Assets	2,554,729	971,413	954,819	965,863	1,768,452	7,215,276
Liabilities:						
Accounts Payable	128,123	0	0	0	17,054	145,177
Accrued Wages and Benefits	197,370	0	0	0	2,636	200,006
Interfund Payable	118,765	0	0	0	64,950	183,715
Total Liabilities	444,258	0	0	0	84,640	528,898
Deferred Inflows of Resources:						
Property Taxes	322,212	0	0	322,212	0	644,424
Income Taxes	1,091,666	0	0	0	0	1,091,666
Grants and Other Taxes	81,058	0	0	34,018	225,306	340,382
Total Deferred Inflows of Resources	1,494,936	0	0	356,230	225,306	2,076,472
Fund Balances:						
Restricted	0	971,413	954,819	609,633	1,518,352	4,054,217
Unassigned	615,535	0	0	0	(59,846)	555,689
Total Fund Balances	615,535	971,413	954,819	609,633	1,458,506	4,609,906
Total Liabilities, Deferred Inflows and Fun	\$2,554,729	\$971,413	\$954,819	\$965,863	\$1,768,452	\$7,215,276

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2017

Total Governmental Fund Balance \$4,609,906

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

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

 Capital assets used in the operation of Governmental Funds 9,684,414

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

Income Taxes	\$1,091,666	
Delinquent Property Taxes	44,424	
Intergovernmental	<u>340,382</u>	
		1,476,472

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

(1,946)

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

 Compensated Absences (852,785)

Deferred outflows and inflows or resources related to pensions
 are applicable to future periods and, therefore, are not
 reported in the funds.

Deferred outflows of resources related to pensions	2,561,906	
Deferred inflows of resources related to pensions	<u>(331,189)</u>	
		2,230,717

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

Net Pension Liability	(10,997,391)	
Other Amounts	<u>(2,925,340)</u>	
		<u>(13,922,731)</u>

Net Position of Governmental Activities \$3,224,047

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2017

	General	EPA Brownsfield Grant	Streets and Curbs	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Taxes	\$273,047	\$0	\$0	\$290,029	\$0	\$563,076
Income Taxes	7,052,630	0	0	0	0	7,052,630
Charges for Services	746,874	0	0	0	311,370	1,058,244
Intergovernmental	158,027	69,150	0	16,882	576,844	820,903
Fines, Licenses & Permits	327,351	0	0	0	50,789	378,140
Other Revenues	173,485	0	0	0	355	173,840
Total Revenues	8,731,414	69,150	0	306,911	939,358	10,046,833
Expenditures:						
Current:						
General Government	2,061,007	0	0	0	0	2,061,007
Public Safety	5,435,049	0	0	0	163,340	5,598,389
Community Development	178,685	0	0	0	0	178,685
Leisure Time Activities	286,258	0	0	0	0	286,258
Transportation and Street Repair	0	65,019	0	0	315,895	380,914
Basic Utility Service	475,042	0	0	0	0	475,042
Capital Outlay	0	0	0	162,953	142,354	305,307
Debt Service:						
Principal	0	0	130,278	226,195	82,200	438,673
Interest and Other Charges	0	0	0	40,007	6,000	46,007
Total Expenditures	8,436,041	65,019	130,278	429,155	709,789	9,770,282
Excess of Revenues Over (Under) Expenditures	295,373	4,131	(130,278)	(122,244)	229,569	276,551
Other Financing Sources (Uses):						
Transfers In	0	0	355,756	70,550	0	426,306
Transfers (Out)	(474,398)	0	0	0	0	(474,398)
Total Other Financing Sources (Uses)	(474,398)	0	355,756	70,550	0	(48,092)
Net Change in Fund Balance	(179,025)	4,131	225,478	(51,694)	229,569	228,459
Fund Balance - Beginning of Year	794,560	967,282	729,341	661,327	1,228,937	4,381,447
Fund Balance - End of Year	\$615,535	\$971,413	\$954,819	\$609,633	\$1,458,506	\$4,609,906

See accompanying notes to the basic financial statements.

City of Reading, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2017

Net Change in Fund Balance - Total Governmental Funds \$228,459

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$137,045	
Depreciation Expense	<u>(479,040)</u>	
		(341,995)

Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

City pension contributions	798,117	
Cost of benefits earned net of employee contributions	<u>(1,631,952)</u>	
City pension contributions		(833,835)

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

Income Taxes	(\$132,302)	
Delinquent Property Taxes	2,052	
Intergovernmental	<u>6,304</u>	
		(123,946)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

438,673

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.

656

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

Compensated Absences		<u>383,050</u>
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Change in Net Position of Governmental Activities		<u><u>(\$248,938)</u></u>
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See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2017

	<u>Water</u>
Current Assets:	
Equity in Pooled Cash and Investments	\$441,046
Receivables (Net):	
Accounts	130,538
Interfund	<u>69,755</u>
Total Current Assets	<u>641,339</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	6,135
Depreciable Capital Assets, Net	<u>509,177</u>
Total Noncurrent Assets	<u>515,312</u>
Total Assets	<u>1,156,651</u>
Deferred Outflows of Resources:	
Pension	<u>99,539</u>
Total Deferred Outflows of Resources	<u>99,539</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	198,493
Accrued Wages and Benefits	2,412
Compensated Absences	<u>581</u>
Total Current Liabilities	<u>201,486</u>
Long-Term Liabilities:	
Net Pension Liability	<u>250,697</u>
Total Noncurrent Liabilities	<u>250,697</u>
Total Liabilities	<u>452,183</u>
Deferred Inflows of Resources:	
Pension	<u>6,055</u>
Total Deferred Inflows of Resources	<u>6,055</u>
Net Position:	
Net Investment in Capital Assets	515,312
Unrestricted	<u>282,640</u>
Total Net Position	<u><u>\$797,952</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2017

	<u>Water</u>
Operating Revenues:	
Charges for Services	\$1,521,228
Other Revenues	<u>2,990</u>
Total Operating Revenues	<u>1,524,218</u>
Operating Expenses:	
Personal Services	129,725
Contractual Services	252,215
Supplies and Materials	1,037,303
Depreciation	19,455
Other Expense	<u>18,650</u>
Total Operating Expenses	<u>1,457,348</u>
Operating Income (Loss)	<u>66,870</u>
Transfers In	<u>48,092</u>
Change in Net Position	114,962
Net Position - Beginning of Year	<u>682,990</u>
Net Position - End of Year	<u>\$797,952</u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2017

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,520,115
Cash Payments to Employees	(146,662)
Cash Payments to Suppliers	<u>(1,223,442)</u>
Net Cash Provided (Used) by Operating Activities	<u>150,011</u>
Cash Flows from Noncapital Financing Activities:	
Payments from Other Funds	<u>48,092</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>48,092</u>
Net Increase (Decrease) in Cash and Cash Equivalents	198,103
Cash and Cash Equivalents - Beginning of Year	<u>242,943</u>
Cash and Cash Equivalents - End of Year	<u><u>441,046</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	66,870
Adjustments:	
Depreciation	19,455
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(4,103)
(Increase) Decrease in Deferred Outflows of Resources	(5,804)
Increase (Decrease) in Payables	84,726
Increase (Decrease) in Accrued Liabilities	(6,228)
Increase (Decrease) in Deferred Inflows of Resources	(10,131)
Increase (Decrease) in Net Pension Liability	<u>5,226</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$150,011</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$1,010,321
Receivables (Net):	
Accounts	<u>243,504</u>
Total Assets	<u><u>1,253,825</u></u>
Liabilities:	
Undistributed Monies	<u>1,253,825</u>
Total Liabilities	<u><u>\$1,253,825</u></u>

See accompanying notes to the basic financial statements.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

Proprietary Funds

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Fiduciary Funds

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, income taxes, grants and other taxes and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accounts receivable. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9)

Expenses/Expenditures

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

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

Equity in Pooled Cash

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Following the Ohio Revised Code, the City has, by resolution, specified the funds to receive an allocation of interest earnings. The City received no investment earnings in 2017.

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

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

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Pensions

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

Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$4,219,942 in restricted net position, none were restricted by enabling legislation.

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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

Estimates

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

Note 3 – Equity in Pooled Cash

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2017, \$4,284,511 of the City's bank balance of \$4,784,511 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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

Investments

At year end the City held no investments.

Note 4 – Receivables

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

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

	<u>Amount</u>
Real Property	\$168,141,320
Public Utility	<u>10,291,570</u>
Total	<u><u>\$178,432,890</u></u>

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

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

Income Taxes

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

Additional increases in the income tax rate require voter approval.

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 5 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial general liability insurance against these risks and all other risks of loss, including workers' compensation and accident insurance. Employee health insurance is provided by a self-insured risk sharing pool. See Note 14.

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

Note 6 – Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,311,475	\$0	\$0	\$1,311,475
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	1,614,499	0	0	1,614,499
Equipment	4,790,231	137,045	0	4,927,276
Infrastructure	7,957,914	0	0	7,957,914
Total Capital Assets, being depreciated	<u>14,362,644</u>	<u>137,045</u>	<u>0</u>	<u>14,499,689</u>
Totals at Historical Cost	<u>15,674,119</u>	<u>137,045</u>	<u>0</u>	<u>15,811,164</u>
Less Accumulated Depreciation:				
Buildings and Improvements	1,436,960	36,927	0	1,473,887
Equipment	3,290,990	285,954	0	3,576,944
Infrastructure	919,760	156,159	0	1,075,919
Total Accumulated Depreciation	<u>5,647,710</u>	<u>479,040</u>	<u>0</u>	<u>6,126,750</u>
Governmental Activities Capital Assets, Net	<u>\$10,026,409</u>	<u>(\$341,995)</u>	<u>\$0</u>	<u>\$9,684,414</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$85,574
Public Safety	170,822
Leisure Time Activities	40,759
Transportation and Street Repair	<u>181,885</u>
Total Depreciation Expense	<u>\$479,040</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$6,135	\$0	\$0	\$6,135
<i>Capital Assets, being depreciated:</i>				
Building and Improvements	102,532	0	0	102,532
Equipment	194,579	0	0	194,579
Infrastructure	1,479,654	0	0	1,479,654
Total Capital Assets, being depreciated	<u>1,776,765</u>	<u>0</u>	<u>0</u>	<u>1,776,765</u>
Totals at Historical Cost	<u>1,782,900</u>	<u>0</u>	<u>0</u>	<u>1,782,900</u>
Less Accumulated Depreciation:				
Building and Improvements	62,194	1,494	0	63,688
Equipment	194,579	0	0	194,579
Infrastructure	<u>991,360</u>	<u>17,961</u>	<u>0</u>	<u>1,009,321</u>
Total Accumulated Depreciation	<u>1,248,133</u>	<u>19,455</u>	<u>0</u>	<u>1,267,588</u>
Business-Type Activities Capital Assets, Net	<u>\$534,767</u>	<u>(\$19,455)</u>	<u>\$0</u>	<u>\$515,312</u>

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 7 – Long-Term Debt

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

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds and Notes</u>						
2013 Various Purpose Bonds	2.72%	\$175,001	\$0	(\$58,333)	\$116,668	\$58,333
2003 Streetscape Bonds	4.59%	350,000	0	(50,000)	300,000	50,000
2011 Dump Truck Acquisition Bonds	2.00-4.50%	99,400	0	(22,200)	77,200	20,000
2011 Fire Truck Acquisition Bonds	2.00-5.00%	125,000	0	(60,000)	65,000	65,000
2014 Public Improvement Bonds	3.50%	150,000	0	(50,000)	100,000	50,000
Total General Obligation Bonds and Notes		899,401	0	(240,533)	658,868	243,333
OPWC Loans:						
Waxwing Drive Improvement	0.00%	199,261	0	(14,234)	185,027	14,233
Jefferson Avenue Improvements	0.00%	511,522	0	(34,102)	477,420	34,102
Trillium Court & Krylon Drive Improvements	0.00%	284,776	0	(18,372)	266,404	18,372
Jefferson/Willow/Voorhees Improvements	0.00%	271,552	0	(15,974)	255,578	15,974
Julie Terrace Improvements	0.00%	90,902	0	(5,194)	85,708	5,194
Leonard Street Improvements	0.00%	91,695	0	(4,826)	86,869	4,826
Brown Street Improvements	0.00%	132,952	0	(6,998)	125,954	6,998
5th Street & Flora Avenue Improvements	0.00%	135,328	0	(7,122)	128,206	7,122
Bolser Drive Improvements		222,678	0	(11,134)	211,544	11,134
Alwil Drive Improvements		240,288	0	(12,322)	227,966	12,322
Total OPWC Loans		2,180,954	0	(130,278)	2,050,676	130,277
<u>Capital Leases:</u>						
Equipment Capital Lease	2.92%	283,658	0	(67,862)	215,796	69,858
Total Capital Leases		283,658	0	(67,862)	215,796	69,858
<u>Net Pension Liability:</u>						
OPERS	0.00%	1,930,945	820,849	0	2,751,794	0
OP&F	0.00%	8,724,594	0	(478,997)	8,245,597	0
Total Net Pension Liability		10,655,539	820,849	(478,997)	10,997,391	0
Total Long-Term Debt		14,019,552	820,849	(917,670)	13,922,731	443,468
Compensated Absences		1,235,835	125,722	(508,772)	852,785	305,359
Total Long-Term Liabilities		\$15,255,387	\$946,571	(\$1,426,442)	\$14,775,516	\$748,827
Business-Type Activities						
<u>Net Pension Liability:</u>						
OPERS		\$245,471	\$5,226	\$0	\$250,697	\$0
Compensated Absences		8,220	578	(8,217)	581	581
Total Long-Term Liabilities		\$253,691	\$5,804	(\$8,217)	\$251,278	\$581

In 2016, the City issued one Ohio Public Works Commission (OPWC) Loans in the amount of \$469,127 to finance the various improvements to Bolser Drive and Alwil Drive. These loans are interest free and will be paid off in 2036.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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

The annual requirements to pay principal and interest on long-term debt at December 31, 2017 are as follows:

Year Ending December 31	General		OWDA
	Obligation Bonds		Loan
	Principal	Interest	Principal
2018	\$243,333	\$26,593	\$130,277
2019	178,335	17,512	130,277
2020	70,000	10,980	130,277
2021	69,400	7,885	130,277
2022	50,000	4,590	130,277
2023-2027	47,800	2,295	651,385
2028-2032	0	0	579,632
2033-2034	0	0	168,275
Total	<u>\$658,868</u>	<u>\$69,855</u>	<u>\$2,050,677</u>

Note 8 – Leases

Lessee

During 2015 The City entered into a capital lease for an Altec Bucket Truck, Southeastern Backhoe, Tri County doors, a Zimmer Tractor and a BrewPro Hot Box.

The lease meets the criteria of capital lease which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee.

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

Fiscal Year Ending December 31,	Long-Term Debt
2018	\$75,653
2019	75,653
2020	75,651
Total Minimum Lease Payments	226,957
Less: Amount Representing Interest	(11,162)
Present Value of Minimum Lease Payments	<u>\$215,795</u>

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Ohio Public Employees Retirement System (OPERS)

Plan Description – The City’s employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

City of Reading, Ohio
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For The Year Ended December 31, 2017

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City is contractually required contribution was \$208,899 for 2017. Of this amount \$18,332 is reported as accrued wages and benefits.

Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time safety officers participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Safety Officers</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

The City's contractually required contribution to OPF was \$606,660 for 2017. Of this amount \$45,680 is reported as accrued wages and benefits.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City proportion of the net pension liability was based on the City share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,002,491	\$8,245,597	\$11,248,088
Proportion of the Net Pension Liability			
Current Measurement Date	0.01322200%	0.13018200%	
Proportion of the Net Pension Liability			
Prior Measurement Date	<u>0.01256500%</u>	<u>0.13562100%</u>	
Change in Proportionate Share	0.0006570%	-0.0054390%	
Pension Expense	\$602,918	\$1,035,766	\$1,638,684

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$4,069	\$2,333	\$6,402
Changes in assumptions	476,232	0	476,232
Net difference between projected and actual earnings on pension plan investments	447,140	801,848	1,248,988
Changes in employer proportionate share of net pension liability	55,796	58,468	114,264
Contributions subsequent to the measurement date	208,899	606,660	815,559
Total Deferred Outflows of Resources	<u>\$1,192,136</u>	<u>\$1,469,309</u>	<u>\$2,661,445</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$17,869	\$18,985	\$36,854
Changes in employer proportionate share of net pension liability	54,647	245,743	300,390
Total Deferred Inflows of Resources	<u>\$72,516</u>	<u>\$264,728</u>	<u>\$337,244</u>

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

\$815,559 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2018	\$355,120	\$270,058	\$625,178
2019	407,470	270,058	677,528
2020	161,239	197,392	358,631
2021	(13,107)	(88,878)	(101,985)
2022	0	(45,937)	(45,937)
Thereafter	<u>0</u>	<u>(4,773)</u>	<u>(4,773)</u>
Total	<u>\$910,722</u>	<u>\$597,920</u>	<u>\$1,508,642</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2016
Experience Study	5 year period ending December 31, 2015
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Cost-of-Living Adjustments:	
Pre 1/7/2013 Retirees	3.00% Simple,
Post 1/7/2013 Retirees	3.00% Simple,
Through 2018, then	2.15% Simple.

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate - The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability or asset calculated using the discount rate of 7.5%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability:			
OPERS	\$4,586,976	\$3,002,491	\$1,682,103

Changes in Benefit Terms and Assumptions - There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board’s investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities the plan will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

<u>Key Methods and Assumptions Used in Valuation of Total Pension Liability</u>	
<u>Actuarial Information</u>	<u>OPF Pension Plan</u>
Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Experience Study	5 year period ending December 31, 2011
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Wage Inflation	3.25%, plus productivity increase rate of 0.50%
Projected Salary Increases	4.25% - 11.00%
Cost-of-Living Adjustments	3.00% Simple; 2.60% simple for increases based on the lesser of the increase in CPI and 3.00%

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police (safety officers) and three years for firefighters. For service retirements, set back zero years for police (safety officers) and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study of five years was completed in 2017 covering the period 2012-2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the OPF's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalent	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	4.46	5.21
Non-US Equity	16.00	4.66	5.40
Core Fixed Income*	20.00	1.67	2.37
Global Inflation Protected Securities*	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	120.00 %		

Note: Assumptions are geometric

* levered 2x

** Numbers are net of expected inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the preceding table presents the net pension liability calculated using the discount rate of 8.25% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 7.25% or one percentage point higher, 9.25% than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability :			
OPF	\$10,982,158	\$8,245,597	\$5,926,324

Changes Between Measurement Date and Report Date – In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City’s net pension liability.

Note 10 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS CAFR for details.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

Information from City's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The City's actual contributions for the current year, which were used to fund postemployment benefits, were \$51,900 for 2017, \$34,443 for 2016 and \$37,278 for 2015. The full amount has been contributed for 2017, 2016 and 2015.

Ohio Police and Fire Pension Fund

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

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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

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

Funding Policy

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Information from City's Records

The City's contributions to OP&F for the year ending December 31, 2017 was \$14,945, December 31, 2016 was \$13,287, and December 31, 2015 was \$13,196. The actual contributions for 2017, 2016 and 2015 were 100%.

Note 11 – Contingencies

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

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 12 – Interfund Transactions

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$0	\$118,765	\$0	\$474,398
Streets and Curbs	0	0	355,756	0
Capital Improvement Fund	113,960	0	70,550	0
Other Governmental Funds	0	64,950	0	0
Water Fund	69,755	0	48,092	0
Total All Funds	<u>\$183,715</u>	<u>\$183,715</u>	<u>\$474,398</u>	<u>\$474,398</u>

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

Note 13 – Accountability

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

<u>Other Governmental Funds:</u>	
General Sinking	\$ 59,846

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

Note 14 – Public Entity Risk Sharing Pools

Ohio Benefits Cooperative

The Ohio Benefits Cooperative (OBC) is a not-for-profit partnership of government and public entities throughout Ohio that have pooled resources to help control rapidly escalating benefit costs. Starting in September 2015, OBC offered a self-insured pool risk employee benefit program to its members. The City, as well as ten other members, elected to participate in the program. Under the program, the City selects the benefit package to offer its employees and OBC determines the needed contribution rates associated with that specific package. Outside the payment of monthly contribution amounts established for its covered employees, the City transfers all the risks associated with claims submitted through the program to the pool. OBC contracts with third-party administrators to process and pay all program claims incurred by covered member’s employees. Stop-loss coverage has been purchased for claims in excess of a set amount for individual claims and in the aggregate for the program.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 15 – Fund Balances

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

Fund Balances	General	EPA	Streets and Curbs	Capital Improvement	Other	Total
		Brownsfield Grant			Governmental Funds	
Restricted for:						
Street Maintenance and Repair	0	0	0	0	358,591	358,591
State Highway Improvement	0	0	0	0	134,074	134,074
Mayor's Court Computer	0	0	0	0	30,302	30,302
DUI Enforcement	0	0	0	0	11,013	11,013
Streets and Curbs	0	0	954,819	0	0	954,819
Drug Enforcement	0	0	0	0	47,463	47,463
Motor Vehicle Permissive	0	0	0	0	227,846	227,846
Alcohol Education	0	0	0	0	12,715	12,715
Grant	0	0	0	0	47,188	47,188
Special Assessment Debt Service	0	0	0	0	385	385
Stadium	0	0	0	0	56,438	56,438
Fire/EMS Capital Improvement	0	0	0	0	393,755	393,755
Municipal Road	0	0	0	0	145,316	145,316
Stadium Track Improvement	0	0	0	0	274	274
Growth	0	0	0	0	50,191	50,191
Reading Road Development	0	0	0	0	494	494
OPWC SCIP	0	0	0	0	2,307	2,307
EPA Brownsfield Grant	0	971,413	0	0	0	971,413
Capital Improvement	0	0	0	609,633	0	609,633
Total Restricted	0	971,413	954,819	609,633	1,518,352	4,054,217
Unassigned (Deficit)	615,535	0	0	0	(59,846)	555,689
Total Fund Balance	<u>\$615,535</u>	<u>\$971,413</u>	<u>\$954,819</u>	<u>\$609,633</u>	<u>\$1,458,506</u>	<u>\$4,609,906</u>

Note 16 – Implementation of New Accounting Principles

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14", GASB Statement No. 81 "Irrevocable Split Interest Agreements", and GASB Statement No. 82, "Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of the Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

City of Reading, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by the employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.01322200%	0.01256500%	0.01384000%	0.01384000%
City's Proportionate Share of the Net Pension Liability	\$3,002,491	\$2,176,416	\$1,669,259	\$1,631,556
City's Covered-Employee Payroll	\$1,594,575	\$2,175,417	\$1,702,408	\$1,808,129
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	188.29%	100.05%	98.05%	90.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available

Note - The schedule is reported as of the measurement date of the Net Pension Liability.

See notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1301820%	0.1356210%	0.1339223%	0.1339223%
City's Proportionate Share of the Net Pension Liability	\$8,245,597	\$8,724,594	\$6,937,734	\$6,522,436
City's Covered-Employee Payroll	\$3,393,311	\$2,960,378	\$2,752,731	\$2,383,724
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	243.00%	294.71%	252.03%	273.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) - Information prior to 2014 is not available

Note - The schedule is reported as of the measurement date of the Net Pension Liability.

See notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$208,899	\$191,349	\$261,050	\$204,289
Contributions in Relation to the Contractually Required Contribution	<u>(208,899)</u>	<u>(191,349)</u>	<u>(261,050)</u>	<u>(204,289)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$1,606,915	\$1,594,575	\$2,175,417	\$1,702,408
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%

(1) - Information prior to 2014 is not available

See notes to the required supplementary information.

City of Reading, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 Ohio Police and Fire Pension Fund
 Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$606,660	\$644,729	\$594,740	\$560,456
Contributions in Relation to the Contractually Required Contribution	<u>(606,660)</u>	<u>(644,729)</u>	<u>(594,740)</u>	<u>(560,456)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$3,192,947	\$3,393,311	\$2,960,378	\$2,752,731
Contributions as a Percentage of Covered-Employee Payroll	19.00%	19.00%	20.09%	20.36%

(1) - Information prior to 2014 is not available

See notes to the required supplementary information.

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$266,056	\$272,440	\$273,047	\$607
Fines, Licenses & Permits	321,664	329,384	330,117	733
Intergovernmental	171,573	175,691	176,082	391
Charges for Services	733,881	751,493	753,166	1,673
Other Revenues	255,049	261,169	261,751	582
Total Revenues	1,748,223	1,790,177	1,794,163	3,986
Expenditures:				
Current:				
<u>General Government</u>				
Personal Services	1,408,641	1,435,126	1,431,575	3,551
Materials and Supplies	461,147	469,817	468,655	1,162
Total General Government	1,869,788	1,904,943	1,900,230	4,713
<u>Public Safety</u>				
Personal Services	5,016,376	5,110,693	5,098,048	12,645
Materials and Supplies	380,830	387,990	387,030	960
Total Public Safety	5,397,206	5,498,683	5,485,078	13,605
<u>Leisure Time Activities</u>				
Personal Services	111,195	113,285	113,005	280
Materials and Supplies	167,949	171,106	170,683	423
Total Leisure Time Activities	279,144	284,391	283,688	703
<u>Community Development</u>				
Personal Services	30,410	30,982	30,905	77
Materials and Supplies	135,123	137,664	137,323	341
Total Community Development	165,533	168,646	168,228	418
<u>Basic Utility Service</u>				
Contractual Services	441,561	449,863	448,750	1,113
Total Basic Utility Service	441,561	449,863	448,750	1,113

Continued

City of Reading, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Total Expenditures	8,153,232	8,306,526	8,285,974	20,552
Excess of Revenues Over (Under) Expenditures	(6,405,009)	(6,516,349)	(6,491,811)	24,538
Other financing sources (uses):				
Transfers In	6,401,776	6,555,404	6,570,000	14,596
Transfers (Out)	(69,420)	(70,725)	(70,550)	175
Total Other Financing Sources (Uses)	6,332,356	6,484,679	6,499,450	14,771
Net Change in Fund Balance	(72,653)	(31,670)	7,639	39,309
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	175,221	175,221	175,221	0
Fund Balance End of Year	<u>\$102,568</u>	<u>\$143,551</u>	<u>\$182,860</u>	<u>\$39,309</u>

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	EPA Brownsfield Grant Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$5,000	\$66,000	\$69,150	\$3,150
Total Revenues	5,000	66,000	69,150	3,150
Expenditures:				
Current:				
Transportation & Street Repair	40,000	66,000	65,019	981
Total Expenditures	40,000	66,000	65,019	981
Net Change in Fund Balance	(35,000)	0	4,131	4,131
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	44,535	44,535	44,535	0
Fund Balance End of Year	\$9,535	\$44,535	\$48,666	\$4,131

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	Streets and Curbs Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Transportation & Street Repair	350,000	350,000	130,278	219,722
Total Expenditures	350,000	350,000	130,278	219,722
Excess of Revenues Over (Under) Expenditures	(350,000)	(350,000)	(130,278)	219,722
Other Financing Sources (uses):				
Transfers In	300,000	300,000	355,756	55,756
Total Other Financing Sources (Uses)	300,000	300,000	355,756	55,756
Net Change in Fund Balance	(50,000)	(50,000)	225,478	275,478
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	729,339	729,339	729,339	0
Fund Balance End of Year	<u>\$679,339</u>	<u>\$679,339</u>	<u>\$954,817</u>	<u>\$275,478</u>

See accompanying notes to the required supplementary information.

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2017

Note 1 - Budgetary Process

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

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

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

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

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

City of Reading, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2017

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

Net Change in Fund Balance

	General	EPA Brownsfield Grant	Steet and Curbs
GAAP Basis	(\$179,025)	\$4,131	\$225,478
Adjustments:			
Revenue Accruals	(6,937,251)	0	0
Expenditure Accruals	150,968	0	0
Transfers In	6,570,000	0	0
Transfers (Out)	403,848	0	0
Encumbrances	(901)	0	0
Funds Budgeted Elsewhere	0	0	0
Budget Basis	<u>\$7,639</u>	<u>\$4,131</u>	<u>\$225,478</u>

Note 2 – Pension Plans

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

Changes Between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board's investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities we will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

CITY OF READING



Yellow Book Report

December 31, 2017

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
City of Reading

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reading (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

August 30, 2018

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Dave Yost • Auditor of State

CITY OF READING

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER, 2 2018