TORONTO CITY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2001

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Education
Toronto City School District

We have reviewed the Independent Auditor's Report of the Toronto City School District, Jefferson County, prepared by Rea & Associates, Inc. for the audit period July 1, 2000 through June 30, 2001. 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 Toronto City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 31, 2002

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TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY

JUNE 30, 2001

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 12, 2001

To the Board of Education
Toronto City School District
Toronto, OH 43964

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Toronto City School District (the "School District") as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Toronto City School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated December 12, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

Toronto City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 167,791	$ 267,035	$ 528,206	$ 36,163
Cash and Cash Equivalents:				
With Fiscal Agents				
Restricted	35,821	0	0	0
Investments:				
Investments	2,462,917	0	0	0
Receivables:				
Taxes	2,723,913	0	0	0
Accounts	11,114	6,467	930	0
Intergovernmental	0	53,922	0	0
Accrued Interest	95,238	0	48,366	0
Materials and Supplies Inventory	13,111	0	0	0
Prepaid Items	6,825	0	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
Other Debits:				
Amount in Debt Service Fund for Retirement of Of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0
Total Assets and Other Debits	$ 5,516,730	$ 327,424	$ 577,502	$ 36,163
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$ 52,460	$ 0	$ 0	$ 0
Accrued Wages and Benefits	401,811	82,167	0	0
Compensated Absences Payable	11,385	958	0	0
Intergovernmental Payable	136,991	13,436	0	0
Deferred Revenue	1,694,471	0	0	0
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,297,118	96,561	0	0
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:	0	0	0	0
Reserved for Encumbrances	135,905	54,522	0	24,000
Reserved for Prepaid Items	6,825	0	0	0
Reserved for Debt Service Principal	0	0	577,502	0
Reserved for Endowments	0	0	0	0
Reserved for Property Taxes	1,029,442	0	0	0
Reserved for Budget Stabilization	35,821	0	0	0
Unreserved:				
Designated for Bus Purchase	72,896	0	0	0
Unreserved, Undesignated	1,938,723	176,341	0	12,163
Total Fund Equity and Other Credits	3,219,612	230,863	577,502	36,163
Total Liabilities, Fund Equity and Other Credits	$ 5,516,730	$ 327,424	$ 577,502	$ 36,163

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$ 39,360	$ 0	$ 41,787	$ 0	$ 0	$ 1,080,342
	309,809	0	0	0	309,809
0	0	0	0	0	35,821
0	0	19,083	0	0	2,482,000
0	0	0	0	0	2,723,913
0	0	48	0	0	18,559
14,635	0	0	0	0	68,557
0	0	0	0	0	143,604
6,666	0	0	0	0	19,777
0	0	0	0	0	6,825
130,029	0	0	7,542,924	0	7,672,953
(117,275)	0	0	0	0	(117,275)
0	0	0	0	529,136	529,136
0	0	0	0	286,869	286,869
$ 73,415	$ 309,809	$ 60,918	$ 7,542,924	$ 816,005	$ 15,260,890
$ 0	$ 0	$ 0	$ 0	$ 0	$ 52,460
9,415	0	0	0	0	493,393
4,465	0	0	0	394,269	411,077
10,996	0	0	0	51,736	213,159
2,225	0	0	0	0	1,696,696
0	0	13,295	0	0	13,295
0	64,115	0	0	0	64,115
0	0	0	0	370,000	370,000
27,101	64,115	13,295		816,005	3,314,195
0	0	0	7,542,924	0	7,542,924
46,314	245,694	0	0	0	292,008
0	0	0	0	0	
0	0	3,000	0	0	217,427
0	0	0	0	0	6,825
0	0	0	0	0	577,502
0	0	18,970	0	0	18,970
0	0	0	0	0	1,029,442
0	0	0	0	0	35,821
0	0	0	0	0	72,896
0	0	25,653	0	0	2,152,880
46,314	245,694	47,623	7,542,924	0	11,946,695
$ 73,415	$ 309,809	$ 60,918	$ 7,542,924	$ 816,005	$ 15,260,890

Toronto City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 2001

	Governmental Fund Types	
	General	**Special Revenue**
Revenues:		
Intergovernmental	$ 2,765,946	$ 1,130,262
Interest	229,682	100
Tuition and Fees	11,945	0
Extracurricular Activities	0	224,042
Gifts and Donations	0	3,577
Property & Other Local Taxes	3,192,569	0
Miscellaneous	15,948	6,497
Total Revenues	6,216,090	1,364,478
Expenditures:		
Instruction:		
Regular	2,185,014	372,287
Special	294,881	292,316
Vocational	151,980	0
Other	2,653	0
Support services:		
Pupils	216,254	19,561
Instructional Staff	185,248	149,116
Board of Education	4,986	0
Administration	639,425	72,415
Fiscal	208,018	0
Business	0	32,657
Operation and Maintenance of Plant	812,551	144
Pupil Transportation	217,141	25,200
Central	0	100
Non-Instructional Services	0	103,168
Extracurricular activities	129,110	175,618
Capital Outlay	0	0
Debt Service		
Debt Service - Principal	0	0
Debt Service - Interest	0	0
Total Expenditures	5,047,261	1,242,582
Excess of Revenues Over (Under) Expenditures	1,168,829	121,896
Other Financing Sources and Uses		
Operating Transfers Out	(45,000)	0
Total Other Financing Sources (Uses)	(45,000)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,123,829	121,896
Fund Balance at Beginning of Year	2,095,783	108,967
Fund Balance at End of Year	$ 3,219,612	$ 230,863

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Types	
Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum) Only)
$ 0	$ 34,000	$ 0	$ 3,930,208
48,366	0	401	278,549
0	0	0	11,945
0	0	0	224,042
0	0	21,900	25,477
0	0	0	3,192,569
930	0	0	23,375
49,296	34,000	22,301	7,686,165
0	44,319	0	2,601,620
0	0	0	587,197
0	0	0	151,980
0	0	0	2,653
0	0	0	235,815
0	0	0	334,364
0	0	0	4,986
0	0	0	711,840
0	0	0	208,018
0	0	0	32,657
0	0	0	812,695
0	0	0	242,341
0	0	0	100
0	0	1,800	104,968
0	0	0	304,728
466	0	0	466
185,000	0	0	185,000
44,516	0	0	44,516
229,982	44,319	1,800	6,565,944
(180,686)	(10,319)	20,501	1,120,221
0	0	0	(45,000)
0	0	0	(45,000)
(180,686)	(10,319)	20,501	1,075,221
758,188	46,482	4,805	3,014,225
$ 577,502	$ 36,163	$ 25,306	$ 4,089,446

Toronto City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 2001

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	$ 2,828,803	$ 2,827,745	$ (1,058)
Interest	133,400	134,444	1,044
Tuition and Fees	12,500	12,463	(37)
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Property & Other Local Taxes	2,601,270	2,601,360	90
Total Revenues	5,575,973	5,576,012	39
Expenditures:			
Current:			
Instruction:			
Regular	2,234,667	2,229,972	4,695
Special	300,150	295,049	5,101
Vocational	153,000	151,306	1,694
Other	26,250	15,903	10,347
Support services:			
Pupils	210,505	205,914	4,591
Instructional Staff	183,628	184,835	(1,207)
Board of Education	7,100	5,159	1,941
Administration	684,360	657,156	27,204
Fiscal	230,700	218,559	12,141
Business	0	0	0
Operation and Maintenance of Plant	868,169	845,044	23,125
Pupil Transportation	301,345	275,928	25,417
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular activities	120,000	119,623	377
Capital Outlay	0	0	0
Debt Service			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Total Expenditures	5,319,874	5,204,448	115,426
Excess of Revenues Over (Under) Expenditures	256,099	371,564	115,465
Other Financing Sources and Uses			
Refund of Prior Year Expenditures	42,946	42,589	(357)
Operating Transfers Out	(45,000)	(45,000)	0
Total Other Financing Sources (Uses)	(2,054)	(2,411)	(357)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	254,045	369,153	115,108
Fund Balances at Beginning of Year	1,855,380	1,855,380	0
Prior Year Encumbrances Appropriated	253,679	253,679	0
Fund Balance at end of Year	$ 2,363,104	$ 2,478,212	$ 115,108

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types					
Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
$ 1,130,262	$ 1,076,340	$ (53,922)	$ 0	$ 0	$ 0
100	100	0	0	0	0
0	0	0	0	0	0
230,359	227,677	(2,682)	0	0	0
3,577	3,577	0	0	0	0
0	0	0	0	0	0
1,364,298	1,307,694	(56,604)	0	0	0
495,821	374,389	121,432	0	0	0
338,155	278,276	59,879	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
22,064	21,505	559	0	0	0
158,226	151,338	6,888	0	0	0
0	0	0	0	0	0
83,047	71,711	11,336	0	0	0
0	0	0	6,500	0	6,500
35,922	33,009	2,913	0	0	0
144	144	0	0	0	0
25,200	25,200	0	0	0	0
1,312	100	1,212	0	0	0
117,644	109,134	8,510	0	0	0
214,437	211,036	3,401	0	0	0
0	0	0	750	466	284
0	0	0	185,000	185,000	0
0	0	0	45,000	44,516	484
1,491,972	1,275,842	216,130	237,250	229,982	7,268
(127,674)	31,852	159,526	(237,250)	(229,982)	7,268
0	30	30	0	0	0
0	0	0	0	0	0
0	30	30	0	0	0
(127,674)	31,882	159,556	(237,250)	(229,982)	7,268
110,967	110,967	0	758,188	758,188	0
69,664	69,664	0	0	0	0
$ 52,957	$ 212,513	$ 159,556	$ 520,938	$ 528,206	$ 7,268

(Continued)

Toronto City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 2001
(Continued)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	$ 34,000	$ 34,000	$ 0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Property & Other Local Taxes	0	0	0
Total Revenues	34,000	34,000	0
Expenditures:			
Current:			
Instruction:			
Regular	80,482	68,319	12,163
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support services:	0	0	0
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular activities	0	0	0
Capital Outlay	0	0	0
Debt Service			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Total Expenditures	80,482	68,319	12,163
Excess of Revenues Over (Under) Expenditures	(46,482)	(34,319)	12,163
Other Financing Sources and Uses			
Refund of Prior Year Expenditures	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(46,482)	(34,319)	12,163
Fund Balances at Beginning of Year	46,482	46,482	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance at end of Year	$ 0	$ 12,163	$ 12,163

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Type					
Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
$ 0	$ 0	$ 0	$ 3,993,065	$3,938,085	($54,980)
159	401	242	133,659	134,945	1,286
0	0	0	12,500	12,463	(37)
0	0	0	230,359	227,677	(2,682)
21,900	21,900	0	25,477	25,477	0
0	0	0	2,601,270	2,601,360	90
22,059	22,301	242	6,996,330	6,940,007	(56,323)
0	0	0	2,810,970	2,672,680	138,290
0	0	0	638,305	573,325	64,980
0	0	0	153,000	151,306	1,694
0	0	0	26,250	15,903	10,347
0	0	0	0		
0	0	0	232,569	227,419	5,150
0	0	0	341,854	336,173	5,681
0	0	0	7,100	5,159	1,941
0	0	0	767,407	728,867	38,540
0	0	0	237,200	218,559	18,641
0	0	0	35,922	33,009	2,913
0	0	0	868,313	845,188	23,125
0	0	0	326,545	301,128	25,417
0	0	0	1,312	100	1,212
4,950	4,800	150	122,594	113,934	8,660
0	0	0	334,437	330,659	3,778
0	0	0	750	466	284
0	0	0	185,000	185,000	0
0	0	0	45,000	44,516	484
4,950	4,800	150	7,134,528	6,783,391	351,137
17,109	17,501	392	(138,198)	156,616	294,814
0	0	0	42,946	42,619	(327)
0	0	0	(45,000)	(45,000)	0
0	0	0	(2,054)	(2,381)	(327)
17,109	17,501	392	(140,252)	154,235	294,487
2,805	2,805	0	2,773,822	2,773,822	0
2,000	2,000	0	325,343	325,343	0
$ 21,914	$ 22,306	$ 392	$ 2,958,913	$ 3,253,400	$ 294,487

Toronto City School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Types	
	Enterprise	**Internal Service**	**Nonexpendable Trust**	**Totals (Memorandum Only)**
Operating Revenues:				
Sales	$ 71,846	$ 0	$ 0	$ 71,846
Charges for Services	0	437,612	0	437,612
Interest	0	0	1,050	1,050
Contributions and Donations	0	0	2,200	2,200
Total Operating Revenues	71,846	437,612	3,250	512,708
Operating Expenses				
Salaries	79,303	0	0	79,303
Fringe Benefits	29,511	42,421	0	71,932
Purchased Services	18,872	29,738	0	48,610
Materials and Supplies	110,744	0	0	110,744
Depreciation	4,730	0	0	4,730
Claims	0	506,766	0	506,766
Other	0	0	550	550
Total Operating Expenses	243,160	578,925	550	822,635
Operating Income (Loss)	(171,314)	(141,313)	2,700	(309,927)
Non-Operating Revenues				
Federal Donated Commodities	14,315	0	0	14,315
Interest	9	19,101	0	19,110
Federal and State Subsidies	115,723	0	0	115,723
Total Non-Operating Revenues	130,047	19,101	0	149,148
Income (Loss) Before Operating Transfers	(41,267)	(122,212)	2,700	(160,779)
Operating Transfers-In	45,000	0	0	45,000
Net Income (Loss)	3,733	(122,212)	2,700	(115,779)
Retained Earnings/Fund Balances at Beginning of Year	42,581	367,906	19,617	430,104
Retained Earnings/Fund Balances at End of Year	$ 46,314	$ 245,694	$ 22,317	$ 314,325

The notes to the general-purpose financial statements are an integral part of this statement.

Toronto City School District
Combined Statement of Cash Flow
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	
Increase/(Decrease) in Cash and Cash Equivalents	**Enterprise**	**Internal Service**	**Nonexpendable Trust**	**Totals (Memorandum Only)**
Cash Flows from Operating Activities:				
Cash Received from Sales	$ 71,846	$ 0	$ 0	$ 71,846
Cash Received from Charges for Services	0	437,612	0	437,612
Other Cash Receipts	0	0	2,200	2,200
Cash Payments to Suppliers for Goods and Service	(96,641)	0	0	(96,641)
Cash Payments for Contract Services	(18,872)	(29,738)	0	(48,610)
Cash Payments for Claims	0	(545,585)	0	(545,585)
Cash Payments for Employee Services	(79,201)	0	0	(79,201)
Cash Payments for Employee Benefits	(22,108)	(42,421)	0	(64,529)
Other Cash Payments	0	0	(550)	(550)
Net Cash Provided (Used) by Operating Activities	(144,976)	(180,132)	1,650	(323,458)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	101,174	0	0	101,174
Transfers In	45,000	0	0	45,000
Net Cash Provided (Used) by Noncapital Financing Activities	146,174	0	0	146,174
Cash Flows from Investing Activities:				
Interest Received	9	19,101	1,050	20,160
Net Increase (Decrease) in Cash and Cash Equivalents	1,207	(161,031)	2,700	(157,124)
Cash and Cash Equivalents at Beginning of Year	38,153	470,840	19,617	528,610
Cash and Cash Equivalents at End of Year	$ 39,360	$ 309,809	$ 22,317	$ 371,486
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (171,314)	$ (141,313)	$ 2,700	$ (309,927)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	4,730	0	0	4,730
Donated Commodities Used During the Year	14,315	0	0	14,315
Adjustments to Capital Outlay	(1,032)	0	0	(1,032)
Nonexpendable Trust Interest	0	0	(1,050)	(1,050)
(Increase) Decrease in Assets:				
Material and Supplies Inventory	2,047	0	0	2,047
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	(742)	0	0	(742)
Intergovernmental Payable	6,837	0	0	6,837
Deferred Revenue	(1,227)	0	0	(1,227)
Accrued Wages and Benefits	1,410	0	0	1,410
Claims Payable	0	(38,819)	0	(38,819)
Total Adjustments	26,338	(38,819)	(1,050)	(13,531)
Net Cash Provided (Used) by Operating Activities	$ (144,976)	$ (180,132)	$ 1,650	$ (323,458)

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:	
Cash and Cash Equivalents — Trust and Agency Funds	$ 60,870
Less: Expendable Trust Funds	(25,306)
Less: Agency Funds	(13,247)
Cash and Cash Equivalents — Nonexpendable Trust Funds	$ 22,317

The notes to the general-purpose financial statements are an integral part of this statement.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Toronto City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and/or federal guidelines**.**

The School District was established in 1884 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 12 square miles. It is located in Jefferson County, and includes the City of Toronto and portions of Knox and Island Creek Townships. The School District is the 489th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 46 non-certificated employees and 83 certificated full-time teaching personnel who provide services to 1,043 students and other community members. The School District currently operates 4 instructional buildings.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Toronto City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, St. Francis Central School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. The state monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four organizations, which are defined as a joint venture, a jointly governed organization, and insurance purchasing pools. These organizations include the Ohio Mid-Eastern Regional Education Service Agency, the Jefferson County Career Center, the Ohio School Boards Association Worker's Compensation Group Rating Plan, and the Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The Internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earning components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements included timing requirements, which specify the year when the revenue resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary statements are not presented for proprietary and nonexpendable trust funds.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Jefferson County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2001, investments were limited to certificate of deposits. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute based upon School District policy. Interest Revenue credited to the General Fund during fiscal year 2001 amounted to $229,682, which includes $49,744 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements
- *General Fund*
  - State Foundation Program
  - State Property Tax Relief
- *Special Revenue Funds*
  - Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants
- *Special Revenue Funds*
  - Auxiliary Services
  - Teacher Development
  - Education Management Information Systems
  - Public School Preschool
  - Data Communication Subsidy
  - School Net Professional Development
  - Textbook
  - Ohio Reads
  - Summer School Subsidy
  - Extended Learning Opportunities
  - Safe School Helpline
  - Eisenhower
  - Title VI-B
  - Title I
  - Title II
  - Title VI
  - Drug-Free Schools
  - EHA Preschool Handicapped
  - Continuous Improvement – School to Work
  - Title VI-R
- *Capital Projects Funds*
  - School Net Plus

Reimbursable Grants
- *General Fund*
  - Driver Education
- *Proprietary Funds*
  - Government Donated Commodities
  - National School Lunch Program
  - School Breakfast Program
  - Special Milk Program

Grants and entitlements amounted to approximately 53 percent of the School District's operating revenue during the 2001 fiscal year.

H. 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 School District 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 liability includes the employees who are currently eligible to receive termination benefits and those, the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after they have met one of the following criteria: 1) 20 or more years of service, 2) 15 years of service and at and at least 45 years of age, 3) 10 or more years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and retirement incentives, that will be paid from governmental funds, are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the BWC Refund Reserve. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Fund Balance Reserves and Designations

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

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

The School District records designations for portions of fund equity, which the District Board of Education has segregated for specific future use.

M Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". The statement established accounting and reporting guidelines for governments' decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB Statement No. 33 did not have a material effect on fund balance/retained earnings as it was previously reported as of June 30, 2000.

NOTE 4 - ACCOUNTABILITY

At June 30, 2001, the Public School Preschool, Disadvantaged Pupil Impact Aid and the Miscellaneous Federal Grant Funds had deficit fund balances of $8,541, $38,097, and $77, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and Expendable Trust Funds are 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	$369,153	$31,882	($229,982)	($34,319)	$17,501
Adjustments for:					
Revenue Accruals	640,078	56,784	49,296	0	0
Expenditure Accruals	(31,130)	(21,262)	0	0	0
Other Sources/Uses	(42,589)	(30)	0	0	0
Encumbrances	188,317	54,522	0	24,000	3,000
GAAP Basis	$1,123,829	$121,896	($180,686)	($10,319)	$20,501

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of School District'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 monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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 School District, 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.

Funds invested by fiscal agents are determined by trust agreements and bond indentures. Like the cash invested by the District Treasurer, eligible investments include U.S. government obligations, U.S. government agencies, and certificate of deposit.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was $2,732,970 and the bank balance was $2,751,096. Of the bank balance, $100,930 was covered by federal depository insurance and $2,650,166 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation. The balances above do not include the balances held by the Ohio Mid-Eastern Regional Educational Services Agency School Employees Insurance Consortium.

Funds Held by Fiscal Agent: The District participates in the Ohio Mid-Eastern Regional Educational Service Agency School Employees Insurance Consortium for employee benefits. The bank balance at fiscal year end for the Employee Benefit Self-Insurance Fund was $309,809. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

Investments: GASB Statement No. 3 entitled "Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the School District to categorize investments to give an indication of the level of custodial credit risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counter-party's, trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District's name. The carrying value of deposits and investments are presented in the combined balance sheet as equity in pooled cash and cash equivalents.

Investments:	Category 3	Fair Value
Repurchase Agreement	$865,193	$865,193

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$1,425,972	$2,482,000
Certificate of Deposit with a maturity of greater than three months	2,482,000	(2,482,000)
Funds Held by Fiscal Agent	(309,809)	0
Repurchase Agreement	(865,193)	865,193
GASB Statement No. 3	$2,732,970	$865,193

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was $1,029,442 in the General Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$39,667,900	51%	$50,272,150	54%
Public Utility	8,417,550	11%	4,731,910	5%
Tangible Personal Property	29,450,561	38%	38,145,930	41%
Total Assessed Value	$77,536,011	100%	$93,149,990	100%
Tax rate per $1,000 of assessed valuation	$37.65		$37.65	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (customer charges and student fees), and accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the intergovernmental receivables follows:

	Amounts
Special Revenue Fund:	
Title I Grant	$53,922
Enterprise Fund:	
National School Lunch Program	14,635
Total Receivables	$68,557

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	$130,029
Less: Accumulated Depreciation	(117,275)
Net Fixed Assets	$12,754

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	$708,164			$708,164
Buildings	5,138,318			5,138,318
Furniture and Equipment	1,213,497	$103,976	$70,322	1,247,151
Vehicles	388,509	60,782		449,291
Totals	$7,448,488	$164,758	$70,322	$7,542,924

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District's insurance coverage was as follows:

Type of Coverage	Insurance Carrier	Deductible	Liability Limit
Building and Contents	Indiana Insurance Company	$1,000	$20,089,646
Boiler and Machinery	Indiana Insurance Company	1,000	14,000,000
Crime Insurance	Indiana Insurance Company	0	3,000
Automobile Liability	Indiana Insurance Company	250	1,000,000
Uninsured Motorists	Indiana Insurance Company	250	1,000,000
General Liability	Nationwide Insurance		
Per occurrence		0	2,000,000
Per year		0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the last fiscal year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of $64,115 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	$84,597	$407,029	$388,692	$102,934
2001	$102,934	$506,766	$545,585	$64,115

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Toronto City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statement and required supplementary information. The report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Toronto City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board, within the rates allowed by State statute. The School District's contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were $184,431, $180,361, and $176,450, respectively; 61 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for fiscal years 2000 and 1999. $71,400 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Toronto City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed the maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $441,115, $400,605, and $376,398, respectively; 85 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for fiscal years 2000 and 1999. $66,968 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was $3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were $140,696,340 and the target level was $211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were $252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for classified personnel and 255 days for certificated personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for classified employees and 50 days for certificated employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

NOTE 14 - NON-CASH TRANSACTIONS

The School District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was $14,315.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
School Improvement Bonds	$555,000		$185,000	$370,000
Intergovernmental Payable	54,183		2,447	51,736
Compensated Absences	321,832	$72,437		394,269
Total Long-Term Obligations	$931,015	$72,437	$187,447	$816,005

School Improvement General Obligation Bonds - On March 1, 1983, the Toronto City School District issued $3,780,000 in voted general obligation bonds for the purpose of constructing a new middle school and renovations to existing buildings. The bonds were issued for a twenty-year period with final maturity at December 1, 2002. The bonds will be retired from the debt service fund. The interest rate on the bonds was 9.625 percent.

Compensated absences, the retirement incentive, and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was $8,013,499 with an unvoted debt margin of $93,150 at June 30, 2001.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	$185,000	$26,710	$211,710
2003	185,000	8,903	193,903
Total	$370,000	$35,613	$405,613

NOTE 16- SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Toronto City School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Preschool Fees	Total Enterprise Funds
Operating Revenues	$65,811	$6,035	$71,846
Depreciation Expense	4,730	0	4,730
Operating Income (Loss)	(177,349)	6,035	(171,314)
Donated Commodities	14,315	0	14,315
Grants	115,723	0	115,723
Interest	9	0	9
Operating Transfers - In	45,000	0	45,000
Net Income (Loss)	(2,302)	6,035	3,733
Net Working Capital	11,912	21,648	33,560
Total Assets	51,767	21,648	73,415
Total Liabilities	27,101	0	27,101
Total Equity	24,666	21,648	46,314

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services, to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

Jefferson County Career Center - The Jefferson County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Jefferson County Career Center, Karen S. Spoonemore, who serves as Treasurer, at 1509 Co Hwy 22A, Bloomingdale, Ohio 43910-9781.

NOTE 18 - INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan - The School District participates in the Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan, an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the school districts and county boards of education in the Plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Pending Litigation

There are currently no matters in litigation with the School District as defendant.

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbooks	Capital Acquisition	BWC Refund	Totals
Set-aside Cash Balance as of June 30, 2000	$0	$0	$107,771	$107,771
Current Year Set-aside Requirement	139,565	139,565	0	279,130
Workers Compensation Refund	0	0	946	946
Amount returned to General Fund and designated for bus purchase	0	0	(72,896)	(72,896)
Qualifying Disbursements	(206,088)	(140,012)	0	(346,100)
Total	($66,523)	($447)	$35,821	($31,149)
Cash balance carried forward to FY 2002	($66,523)	$0	$35,821	

Effective April 10, 2001, the Ohio legislature pass Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001, are classified in two categories (1) Bureau of Workers' Compensation (BWC) refunds, and (2) the balance of the reserve which does not represent BWC refunds. The Statute includes specific purposes for which the monies representing the BWC refunds can be used. The monies, which do not represent BWC refunds, may be left in the budget reserve set-aside, transferred to the Classroom Facilities Fund, or returned to the General Fund and used at the discretion of the district's Board of Education. The School District has elected to maintain the budget reserve until a future determination on the use of the funds can be made. The amount of the former budget stabilization reserve identified as Bureau of Workers' Compensation refunds is now classified as Reserve for BWC Refunds and the remaining balance has been designated by the Board of Education and has been classified as Fund Balance – Designated for Bus Purchase.

The School District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Amounts of qualifying disbursements presented in the table for the capital acquisition set-aside were limited to those necessary to reduce the year-end balance to zero, this extra amount may not be used to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refund	$35,821

NOTE 21 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

> A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
>
> Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration, will have on its future State funding and on its financial operations.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 12, 2001

To the Board of Education
Toronto City School District
Toronto, OH 43964

Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Toronto City School District (the "School District") as of and for the year ended June 30, 2001, and have issued our report thereon dated December 12, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 12, 2001

To the Board of Education
Toronto City School District
Toronto, OH 43964

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

Compliance

We have audited the compliance of Toronto City School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. The School District's major federal program is identified in the "summary of auditor's results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Toronto City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

<u>Internal Control Over Compliance</u>

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

<u>Schedule of Expenditures of Federal Awards</u>

We have audited the general purpose financial statements of Toronto City School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 12, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Rea & Associates, Inc.

TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title 1	84.010	C1-S1 2000	$ 51,518		$ 65,837	
Improving America's Schools Act (IASA)		C1-S1 2001	190,426		178,205	
Total Title 1			241,944		244,042	
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SF 2000	6,531		10,834	
		6B-SF 2001	79,378		71,031	
Special Education - Preschool Grants	84.173	PG-S1 2000	4,794		4,769	
Total Special Education Cluster			90,703		86,634	
Chapter 1 - Capital Expenses	84.216	CX-S1 2000	1,935		2,127	
Eisenhower Professional Development	84.281	MS-S1 2000	3,427		4,896	
State Grant, Title II		MS-S1 2001	4,898		1,100	
Total Title VI, of IESA			8,325		5,996	
Title VI, of IESA	84.298	C2-S1 1999	0		597	
Innovative Education Program Strategy Act		C2-S1 2000	0		2,499	
		C2-S1 2000	5,594		3,931	
			5,594		7,027	
Total Title VI, of IESA						
Total Title VI R Class Reduction	84.340	CR-S1 2000	871		6,625	
		CR-S1 2001	28,493		23,951	
			29,364		30,576	
Safe, Drug-Free Schools & Communities Act Grant	84.186	DR-S1 2000	1,721		3,121	
		DR-S1 2001	4,251		2,250	
Total Safe, Drug-Free Schools			5,972		5,371	
Total U. S. Department of Education			383,837		381,773	
U.S. DEPARTMENT OF LABOR						
(Passed through Ohio Department of Education)						
Continuous Improvement Grant - School to Work	84.276	WK-BE 2000	21,000		21,000	
		WK-BE 2001	14,000		3,640	
Total U.S. Department of Labor - School to Work			35,000		24,640	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program (CAFS)	93.778	FY2000	12,491		398	
U. S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	10.550	FY2001		$ 14,315		$ 14,315
National School Lunch Program	10.555	03-PU 2000	10,586		10,586	
		04-PU 2001	54,323		54,323	
		04-PU 2001	9,914		9,914	
Total National School Lunch Program			74,823		74,823	
School Breakfast Program	10.553	05-PU 2000	2,701		2,701	
		05-PU 2001	15,408		15,408	
Total School Breakfast Program			18,109		18,109	
Special Milk Program	10.556	02-PU 2000	211		211	
		02-PU 2001	888		888	
Total Special Milk Program			1,099		1,099	
Total U.S. Department of Agriculture - Nutrition Cluster			94,031	14,315	94,031	14,315
Total Federal Financial Assistance			$ 525,359	$ 14,315	$ 500,842	$ 14,315

TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2001

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2001, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Title 1, #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

4. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

NONE

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OFFICE OF THE AUDITOR
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TORONTO CITY SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 12, 2002