

# **Toronto City School District**

*Audited Financial Statements*

***June 30, 2003***





**Auditor of State  
Betty Montgomery**

Board of Education  
Toronto City School District  
300 Myers Street  
Toronto, Ohio 43964

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, 2002 through June 30, 2003. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 1, 2004

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**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**JUNE 30, 2003**

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# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

January 16, 2004

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, 2003, 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, 2003, 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 January 16, 2004 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, 2003**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 189,947	\$ 168,696	\$ 510
Investments	2,825,000	0	122,000
Receivables:			
Taxes	2,512,143	0	0
Accounts	2,419	0	0
Intergovernmental	0	74,460	0
Accrued Interest	58,746	0	0
Interfund Receivable	237,881		
Materials and Supplies Inventory	0	0	0
Prepaid Items	17,795	0	0
Fixed Assets	0	0	0
Accumulated Depreciation	0	0	0
<b>Other Debits:</b>			
Amount in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0
Amount to be Provided for Retirement of General Long Term Debt	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 5,843,931</b>	<b>\$ 243,156</b>	<b>\$ 122,510</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 44,484	\$ 0	\$ 0
Accrued Wages and Benefits	467,229	78,223	0
Compensated Absences Payable	23,527	960	0
Interfund Payable	0	0	0
Intergovernmental Payable	90,498	12,737	0
Deferred Revenue	1,776,485	23,207	0
Due to Students	0	0	0
Claims Payable	0	0	0
<b>Total Liabilities</b>	<b>2,402,223</b>	<b>115,127</b>	<b>0</b>
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balances:			
Reserved:			
Reserved for Encumbrances	150,224	61,129	0
Reserved for Prepaid Items	17,795	0	0
Reserved for Debt Service Principal	0	0	122,510
Reserved for Contributions	0	0	0
Reserved for Property Taxes	254,662	0	0
Unreserved:			
Unreserved, Undesignated	3,019,027	66,900	0
<b>Total Fund Equity and Other Credits</b>	<b>3,441,708</b>	<b>128,029</b>	<b>122,510</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 5,843,931</b>	<b>\$ 243,156</b>	<b>\$ 122,510</b>

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



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 52,765	\$ 36,605	\$ 47,595	\$ 0	\$ 0	\$ 496,118
0	0	19,083	0	0	2,966,083
0	0	0	0	0	2,512,143
0	0	0	0	0	2,419
19,617	0	0	0	0	94,077
0	0	0	0	0	58,746
5,169	0	0	0	0	237,881
0	0	0	0	0	5,169
119,500	0	0	7,797,757	0	17,795
(104,384)	0	0	0	0	7,917,257
					(104,384)
0	0	0	0	122,510	122,510
0	0	0	0	421,609	421,609
<u>\$ 92,667</u>	<u>\$ 36,605</u>	<u>\$ 66,678</u>	<u>\$ 7,797,757</u>	<u>\$ 544,119</u>	<u>\$ 14,747,423</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,484
8,643	0	0	0	0	554,095
4,640	0	0	0	482,988	512,115
21,793	216,088	0	0	0	237,881
12,761	0	0	0	61,131	177,127
0	0	0	0	0	1,799,692
0	0	19,265	0	0	19,265
0	362,010	0	0	0	362,010
<u>47,837</u>	<u>578,098</u>	<u>19,265</u>	<u>0</u>	<u>544,119</u>	<u>3,706,669</u>
0	0	0	7,797,757	0	7,797,757
44,830	(541,493)	0	0	0	(496,663)
0	0	2,000	0	0	213,353
0	0	0	0	0	17,795
0	0	0	0	0	122,510
0	0	18,970	0	0	18,970
0	0	0	0	0	254,662
0	0	26,443	0	0	3,112,370
44,830	(541,493)	47,413	7,797,757	0	11,040,754
<u>\$ 92,667</u>	<u>\$ 36,605</u>	<u>\$ 66,678</u>	<u>\$ 7,797,757</u>	<u>\$ 544,119</u>	<u>\$ 14,747,423</u>

**Toronto City School District  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental and Similar Fiduciary Trust Fund Types  
 For the Year Ended June 30, 2003**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$ 3,210,733	\$ 933,316
Interest	116,838	37
Tuition and Fees	10,731	0
Extracurricular Activities	0	154,649
Gifts and Donations	0	1,017
Property & Other Local Taxes	2,032,029	0
Miscellaneous	39,009	0
Total Revenues	5,409,340	1,089,019
<b>Expenditures:</b>		
Instruction:		
Regular	2,409,574	370,696
Special	389,877	252,789
Vocational	187,293	0
Other	5,339	0
Support services:		
Pupils	198,301	45,991
Instructional Staff	287,883	106,012
Board of Education	6,307	0
Administration	682,997	97,866
Fiscal	226,205	0
Business	0	32,737
Operation and Maintenance of Plant	851,130	36
Pupil Transportation	157,686	15,282
Non-Instructional Services	105	63,901
Extracurricular activities	132,983	134,262
Capital Outlay	0	0
Debt Service		
Debt Service - Principal	0	0
Debt Service - Interest	0	0
Total Expenditures	5,535,680	1,119,572
Excess of Revenues Over (Under) Expenditures	(126,340)	(30,553)
<b>Other Financing Sources and Uses</b>		
Proceeds from Sale of Fixed Assets	250	0
Operating Transfers Out	(24,000)	0
Total Other Financing Sources (Uses)	(23,750)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(150,090)	(30,553)
Fund Balance at Beginning of Year	3,591,798	158,582
<b>Fund Balance at End of Year</b>	\$ 3,441,708	\$ 128,029

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

Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$ 0	\$ 27	\$ 0	\$	4,144,076
0	0	761		117,636
0	0	0		10,731
0	0	0		154,649
0	0	1,700		2,717
0	0	0		2,032,029
0	0	0		39,009
<u>0</u>	<u>27</u>	<u>2,461</u>		<u>6,500,847</u>
0	1,720	0		2,781,990
0	0	0		642,666
0	0	0		187,293
0	0	0		5,339
0	0	0		244,292
0	0	0		393,895
0	0	0		6,307
0	0	0		780,863
0	0	0		226,205
0	0	0		32,737
0	0	0		851,166
0	0	0		172,968
0	0	3,860		67,866
0	0	0		267,245
233	0	0		233
185,000	0	0		185,000
8,903	0	0		8,903
<u>194,136</u>	<u>1,720</u>	<u>3,860</u>		<u>6,854,968</u>
<u>(194,136)</u>	<u>(1,693)</u>	<u>(1,399)</u>		<u>(354,121)</u>
0	0	0		250
<u>0</u>	<u>0</u>	<u>0</u>		<u>(24,000)</u>
<u>0</u>	<u>0</u>	<u>0</u>		<u>(24,000)</u>
(194,136)	(1,693)	(1,399)		(378,121)
316,646	1,693	25,373		4,094,092
<u>\$ 122,510</u>	<u>\$ 0</u>	<u>\$ 23,974</u>	<u>\$</u>	<u>\$ 3,715,971</u>

**Toronto City School District**  
**Combined Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)**  
**All Governmental and Similar Fiduciary Trust Fund Types**  
**For the Year Ended June 30, 2003**

**Governmental Fund Types**

**General**

	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 3,146,051	\$ 3,210,733	\$ 64,682
Interest	180,000	181,515	1,515
Tuition and Fees	11,000	10,842	(158)
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Property & Other Local Taxes	2,165,179	2,165,179	0
<b>Total Revenues</b>	<u>5,502,230</u>	<u>5,568,269</u>	<u>66,039</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,470,393	2,353,340	117,053
Special	389,770	368,389	21,381
Vocational	191,220	190,119	1,101
Other	28,250	25,485	2,765
Support services:			
Pupils	236,751	228,585	8,166
Instructional Staff	303,850	272,124	31,726
Board of Education	9,040	6,263	2,777
Administration	760,195	690,335	69,860
Fiscal	236,130	243,270	(7,140)
Business	0	0	0
Operation and Maintenance of Plant	997,566	933,272	64,294
Pupil Transportation	221,766	166,444	55,322
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular activities	135,755	131,093	4,662
Capital Outlay	0	0	0
Debt Service			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
<b>Total Expenditures</b>	<u>5,980,686</u>	<u>5,608,719</u>	<u>371,967</u>
Excess of Revenues Over (Under) Expenditures	<u>(478,456)</u>	<u>(40,450)</u>	<u>438,006</u>
<b>Other Financing Sources and Uses</b>			
Proceeds From Sale of Fixed Assets	250	250	0
Refund of Prior Year Expenditures	37,000	36,590	(410)
Operating Transfers Out	(41,585)	(24,000)	17,585
Refund of Prior Year Receipts	0	(20,588)	(20,588)
Advances Out	0	(237,881)	(237,881)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,335)</u>	<u>(245,629)</u>	<u>(241,294)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(482,791)	(286,079)	196,712
Fund Balances at Beginning of Year	2,969,992	2,969,992	0
Prior Year Encumbrances Appropriated	140,147	140,147	0
<b>Fund Balance at end of Year</b>	<u>\$ 2,627,348</u>	<u>\$ 2,824,060</u>	<u>\$ 196,712</u>

*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)
\$ 988,797	\$ 912,683	\$ (76,114)	\$ 0	\$ 0	\$ 0
37	37	0	0	0	0
0	0	0	0	0	0
156,680	156,114	(566)	0	0	0
1,100	1,017	(83)	0	0	0
0	0	0	0	0	0
<u>1,146,614</u>	<u>1,069,851</u>	<u>(76,763)</u>	<u>0</u>	<u>0</u>	<u>0</u>
436,347	400,849	35,498	0	0	0
310,981	268,606	42,375	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
47,745	47,203	542	0	0	0
110,305	107,139	3,166	0	0	0
0	0	0	0	0	0
106,980	97,165	9,815	0	0	0
0	0	0	0	0	0
45,005	36,129	8,876	0	0	0
36	36	0	0	0	0
15,282	15,282	0	0	0	0
641	641	0	0	0	0
96,619	84,833	11,786	0	0	0
155,717	142,012	13,705	0	0	0
0	0	0	1,000	233	767
0	0	0	185,000	185,000	0
0	0	0	8,903	8,903	0
<u>1,325,658</u>	<u>1,199,895</u>	<u>125,763</u>	<u>194,903</u>	<u>194,136</u>	<u>767</u>
<u>(179,044)</u>	<u>(130,044)</u>	<u>49,000</u>	<u>(194,903)</u>	<u>(194,136)</u>	<u>767</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(179,044)	(130,044)	49,000	(194,903)	(194,136)	767
194,602	194,602	0	316,646	316,646	0
43,010	43,010	0	0	0	0
<u>\$ 58,568</u>	<u>\$ 107,568</u>	<u>\$ 49,000</u>	<u>\$ 121,743</u>	<u>\$ 122,510</u>	<u>\$ 767</u>

(Continued)

**Toronto City School District**  
**Combined Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)**  
**All Governmental and Similar Fiduciary Trust Fund Types**  
**For the Year Ended June 30, 2003**  
(Continued)

	<b>Governmental Fund Types</b>		
	<b>Capital Projects</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 486	\$ 486	\$ 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
<b>Total Revenues</b>	<b>486</b>	<b>486</b>	<b>0</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,720	1,720	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support services:			
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			
Debt Service			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
<b>Total Expenditures</b>	<b>1,720</b>	<b>1,720</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	<b>(1,234)</b>	<b>(1,234)</b>	<b>0</b>
<b>Other Financing Sources and Uses</b>			
Proceeds From Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Operating Transfers Out	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>(1,234)</b>	<b>(1,234)</b>	<b>0</b>
Fund Balances at Beginning of Year	1,234	1,234	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Balance at end of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 4,135,334	\$ 4,123,902	\$ (11,432)
1,125	761	(364)	181,162	182,313	1,151
0	0	0	11,000	10,842	(158)
0	0	0	156,680	156,114	(566)
2,050	1,700	(350)	3,150	2,717	(433)
0	0	0	2,165,179	2,165,179	0
<u>3,175</u>	<u>2,461</u>	<u>(714)</u>	<u>6,652,505</u>	<u>6,641,067</u>	<u>(11,438)</u>
0	0	0	2,908,460	2,755,909	152,551
0	0	0	700,751	636,995	63,756
0	0	0	191,220	190,119	1,101
0	0	0	28,250	25,485	2,765
0	0	0	284,496	275,788	8,708
0	0	0	414,155	379,263	34,892
0	0	0	9,040	6,263	2,777
0	0	0	867,175	787,500	79,675
0	0	0	236,130	243,270	(7,140)
0	0	0	45,005	36,129	8,876
0	0	0	997,602	933,308	64,294
0	0	0	237,048	181,726	55,322
0	0	0	641	641	0
6,100	5,860	240	102,719	90,693	12,026
0	0	0	291,472	273,105	18,367
0	0	0	1,000	233	767
0	0	0	185,000	185,000	0
0	0	0	8,903	8,903	0
<u>6,100</u>	<u>5,860</u>	<u>240</u>	<u>7,509,067</u>	<u>7,010,330</u>	<u>498,737</u>
<u>(2,925)</u>	<u>(3,399)</u>	<u>(474)</u>	<u>(856,562)</u>	<u>(369,263)</u>	<u>487,299</u>
0	0	0	250	250	0
0	0	0	37,000	36,590	(410)
0	0	0	(41,585)	(24,000)	17,585
0	0	0	0	(20,588)	(20,588)
0	0	0	0	(237,881)	(237,881)
0	0	0	(4,335)	(245,629)	(241,294)
(2,925)	(3,399)	(474)	(860,897)	(614,892)	246,005
22,373	22,373	0	3,504,847	3,504,847	0
3,000	3,000	0	186,157	186,157	0
<u>\$ 22,448</u>	<u>\$ 21,974</u>	<u>\$ (474)</u>	<u>\$ 2,830,107</u>	<u>\$ 3,076,112</u>	<u>\$ 246,005</u>

**Toronto City School District  
Combined Statement of Revenues, Expenses  
and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	
<b>Operating Revenues:</b>				
Sales	\$ 76,873	\$ 0	\$ 0	\$ 76,873
Charges for Services	0	505,798	0	505,798
Interest	0	0	780	780
Contributions and Donations	0	0	600	600
<b>Total Operating Revenues</b>	<b>76,873</b>	<b>505,798</b>	<b>1,380</b>	<b>584,051</b>
<b>Operating Expenses</b>				
Salaries	74,689	0	0	74,689
Fringe Benefits	19,747	0	0	19,747
Purchased Services	11,923	92,897	0	104,820
Materials and Supplies	128,154	0	0	128,154
Depreciation	1,076	0	0	1,076
Claims	0	990,260	0	990,260
Other	4,337	0	900	5,237
<b>Total Operating Expenses</b>	<b>239,926</b>	<b>1,083,157</b>	<b>900</b>	<b>1,323,983</b>
<b>Operating Income (Loss)</b>	<b>(163,053)</b>	<b>(577,359)</b>	<b>480</b>	<b>(739,932)</b>
<b>Non-Operating Revenues and Expenses</b>				
Federal Donated Commodities	18,054	0	0	18,054
Interest	5	962	0	967
Federal and State Subsidies	127,893	0	0	127,893
Loss on Sale of Fixed Assets	(70)	0	0	(70)
<b>Total Non-Operating Revenues and Expenses</b>	<b>145,882</b>	<b>962</b>	<b>0</b>	<b>146,914</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(17,171)</b>	<b>(576,397)</b>	<b>480</b>	<b>(593,018)</b>
Operating Transfers-In	16,000	0	0	16,000
<b>Net Income (Loss)</b>	<b>(1,171)</b>	<b>(576,397)</b>	<b>480</b>	<b>(577,018)</b>
Retained Earnings/Fund Balances, Beginning of Year	46,001	34,904	22,959	103,864
Retained Earnings/Fund Balances, End of Year	<u>\$ 44,830</u>	<u>\$ (541,493)</u>	<u>\$ 23,439</u>	<u>\$ (473,154)</u>

*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 and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$ 76,873	\$ 0	\$ 0	\$ 76,873
Cash Received from Charges for Services	0	505,798	0	505,798
Other Cash Receipts	0	0	600	600
Cash Payments to Suppliers for Goods and Service	(114,930)	0	0	(114,930)
Cash Payments for Contract Services	(11,923)	(92,897)	0	(104,820)
Cash Payments for Employee Services	(75,533)	0	0	(75,533)
Cash Payments for Employee Benefits	(17,180)	0	0	(17,180)
Cash Payments for Claims	0	(768,654)	0	(768,654)
Other Cash Payments	(4,337)	0	(900)	(5,237)
Net Cash Provided (Used) by Operating Activities	<u>(147,030)</u>	<u>(355,753)</u>	<u>(300)</u>	<u>(503,083)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	108,276	0	0	108,276
Advance In	21,793	216,088	0	237,881
Transfer In	16,000	0	0	16,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>146,069</u>	<u>216,088</u>	<u>0</u>	<u>362,157</u>
Cash Flows from Investing Activities:				
Interest Received	<u>5</u>	<u>1,173</u>	<u>780</u>	<u>1,958</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(956)	(138,492)	480	(138,968)
Cash and Cash Equivalents at Beginning of Year	53,721	175,097	3,876	232,694
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 52,765</u>	<u>\$ 36,605</u>	<u>\$ 4,356</u>	<u>\$ 93,726</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (163,053)	\$ (577,359)	\$ 480	\$ (739,932)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,076	0	0	1,076
Donated Commodities Used During the Year	18,054	0	0	18,054
Adjustments for Noncash Transactions	(4,500)	0	0	(4,500)
Nonexpendable Trust Interest	0	0	(780)	(780)
(Increase) Decrease in Assets:				
Material and Supplies Inventory	1,348	0	0	1,348
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	(28)	0	0	(28)
Intergovernmental Payable	2,734	0	0	2,734
Deferred Revenue	(1,678)	0	0	(1,678)
Accrued Wages and Benefits	(983)	0	0	(983)
Claims Payable	0	221,606	0	221,606
Total Adjustments	<u>16,023</u>	<u>221,606</u>	<u>(780)</u>	<u>236,849</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (147,030)</u>	<u>\$ (355,753)</u>	<u>\$ (300)</u>	<u>\$ (503,083)</u>

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:				
Cash and Cash Equivalents — Trust and Agency Funds			\$	47,595
Less: Expendable Trust Funds				(23,974)
Less: Agency Funds				(19,265)
Cash and Cash Equivalents — Nonexpendable Trust Funds			<u>\$</u>	<u>4,356</u>

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

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003**

**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 499th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 45 non-certificated employees and 83 certificated full-time teaching personnel who provide services to 996 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 15 and 16 to the general purpose financial statements.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**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:

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

*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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

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 6) 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 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, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2004 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.

**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.

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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

*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 2003.

*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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

*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 2003, 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 2003 amounted to \$116,838, which includes \$43,230 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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**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  
Management Information Systems  
Preschool  
DPIA  
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 VI  
Drug-Free Schools  
Special Ed Preschool  
E-Rate  
Continuous Improvement  
Title VI-R  
Title II-D  
Get Hooked on Books  
ABC's of Success  
School Renovation

*Capital Projects Funds*

School Net Plus



**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

*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 57 percent of the School District's operating revenue during the 2003 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 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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

**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 19 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 - ACCOUNTABILITY**

At June 30, 2003, the Public School Preschool, Disadvantaged Pupil Impact Aid, the EHA Preschool Grant, and the Employee Benefits Self Insurance Funds had deficit fund balances of \$16,607, \$34,303, \$96, and \$343,602, 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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 4 - 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 (Non-GAAP Basis) and Actual-All Governmental Fund Types 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	(\$286,079)	(\$130,044)	(\$194,136)	(\$1,234)	(\$3,399)
Adjustments for:					
Revenue Accruals	(195,519)	19,168		(459)	
Expenditure Accruals	(97,260)	19,195			
Other Sources/Uses	237,881				
Encumbrances	190,887	61,128			2,000
GAAP Basis	<u>(\$150,090)</u>	<u>(\$30,553)</u>	<u>(\$194,136)</u>	<u>(\$1,693)</u>	<u>(\$1,399)</u>

**NOTE 5 - 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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

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 \$2,926,812 and the bank balance was \$3,113,971. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,013,971 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 (\$179,483). 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. The (\$179,483) negative cash represents money owed to the insurance consortium for payments. The School District advanced General fund cash to the Self Insurance fund to eliminate the negative cash fund balance.

*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.

<b>Investments:</b>	<b>Category 3</b>	<b>Fair Value</b>
Repurchase Agreement	\$714,872	\$714,872

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:

	<b>Cash and Cash Equivalents</b>	<b>Investments</b>
GASB Statement No. 9	\$496,118	\$2,966,083
Certificate of Deposit with a maturity of greater than three months	2,966,083	(2,966,083)
Funds Held by Fiscal Agent	179,483	
Repurchase Agreement	(714,872)	714,872
GASB Statement No. 3	\$2,926,812	\$714,872

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 6 - 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, 2003, are available to finance fiscal year 2003 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, 2003. 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, 2003, was \$254,662 in the General Fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$50,319,500	56%	\$50,421,620	61%
Public Utility	3,448,300	4%	3,509,520	4%
Tangible Personal Property	36,460,630	40%	29,229,923	35%
Total Assessed Value	<u>\$90,228,430</u>	<u>100%</u>	<u>\$83,161,063</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$37.65		\$37.65	

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003, 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:

	<b>Amounts</b>
Special Revenue Fund:	
Title I Grant	\$70,620
Title VI Grant	2,616
Drug Free Grant	661
Miscellaneous Federal Grants	563
Total Special Revenue	74,460
Enterprise Funds:	
National School Lunch Grants	19,617
Total	<b>\$94,077</b>

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$119,500
Less: Accumulated Depreciation	(104,384)
Net Fixed Assets	<b>\$15,116</b>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<b>Asset Category</b>	<b>Balance at 6/30/02</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/03</b>
Land and Improvements	\$708,164	\$79,355		\$787,519
Buildings	5,138,318			5,138,318
Furniture and Equipment	1,268,000	96,209	\$33,333	1,330,876
Vehicles	600,687		59,643	541,044
Totals	<b>\$7,715,169</b>	<b>\$175,564</b>	<b>\$92,976</b>	<b>\$7,797,757</b>

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 9 - 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 2003, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Insurance Carrier</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	Indiana Insurance Company	\$5,000	\$25,038,044
Boiler and Machinery	Travelers Property Casualty	1,000	5,000,000
Crime Insurance	Indiana Insurance Company	0	5,000
Automobile Liability	Indiana Insurance Company		1,000,000
Comprehensive		100	
Collision		250	
Uninsured Motorists	Indiana Insurance Company	250	1,000,000
Inland Marine	Indiana Insurance Company	500	134,946
General Liability	Marsh USA		
Per occurrence		0	2,000,000
Aggregate		0	4,000,000
Excess Liability	Marsh USA		
Per occurrence		0	1,000,000
Aggregate		0	1,000,000
Errors & Omissions	Marsh USA		
Per occurrence		5,000	1,000,000
Aggregate		5,000	1,000,000

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 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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.



**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

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 \$362,010 reported in the internal service fund at June 30, 2003 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:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2002	\$64,115	\$567,856	\$491,567	\$140,404
2003	\$140,404	\$990,260	\$768,654	\$362,010

**NOTE 10 - 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, 2003, 2002, and 2001 were \$193,302, \$183,702, and \$184,431, respectively; 63 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. \$71,100 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

**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, 2003 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, 2003, 2002, and 2001 were \$471,672, \$448,139, and \$441,115, respectively; 89 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. \$53,252 representing the unpaid contribution for fiscal year 2003 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, 2003, all members of the Board of Education have elected SERS.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5% of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

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

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% of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 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 .61, then adding the surcharge due as of June 30, 2002, as certified to your district by SERS.

**NOTE 12 - 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 255 days for classified personnel and 260 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 55 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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<b>Balance at 07/01/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 06/30/03</b>
School Improvement Bonds	\$185,000	\$0	\$185,000	\$0
Intergovernmental Payable	51,671	9,460	0	61,131
Compensated Absences	441,732	41,256	0	482,988
Total Long-Term Obligations	<u>\$678,403</u>	<u>\$50,716</u>	<u>\$185,000</u>	<u>\$544,119</u>

*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 were 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 \$7,484,496 with an unvoted debt margin of \$83,161 at June 30, 2003.

**NOTE 14 - INTERFUND TRANSFERS**

As of June 30, 2003, balance sheet receivables and payables that resulted from cash advances were as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Advances to Other Funds</b>	<b>Advances from Other Funds</b>
General Fund	\$ 237,881	\$ 0	\$ 237,881	\$ 0
Other Governmental Funds:				
Food Service	0	21,793	0	21,793
Internal Service	0	216,088	0	216,088
Totals	<u>\$ 237,881</u>	<u>\$ 237,881</u>	<u>\$ 237,881</u>	<u>\$ 237,881</u>

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 15 - 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, 2003.

	<u>Food Service</u>	<u>Preschool Fees</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$71,443	\$5,430	\$76,873
Depreciation Expense	1,076		1,076
Operating Income (Loss)	(164,146)	1,093	(163,053)
Donated Commodities	18,054		18,054
Grants	127,893		127,893
Interest	5		5
Loss on Sale of Fixed Assets	(70)		(70)
Operating Transfers - In	16,000		16,000
Net Income (Loss)	(2,264)	1,093	(1,171)
Net Working Capital	2,522	27,192	29,714
Total Assets	65,475	27,192	92,667
Total Liabilities	47,837		47,837
Total Equity	17,638	27,192	44,830

**NOTE 16 - 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.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 17 - 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 18 - 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, 2003.

**B. Pending Litigation**

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

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 2003  
(Continued)**

**NOTE 19 - 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, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Balance as of June 30, 2002	(\$82,989)		(\$82,989)
Current Year Set-aside Requirement	135,408	\$135,408	270,816
Qualifying Disbursements	<u>(121,252)</u>	<u>(136,526)</u>	<u>(257,778)</u>
Total	<u>(\$68,833)</u>	<u>(\$1,118)</u>	<u>(\$69,951)</u>
Set-aside balance carried forward to FY 2004	(\$68,833)		(\$68,833)

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.

**NOTE 20 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 16, 2004

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, 2003, and have issued our report thereon dated January 16, 2004. 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

January 16, 2004

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, 2003. The School District's major federal programs are identified in the "summary of auditor's results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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, 2003.

Internal Control Over Compliance

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.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of Toronto City School District as of and for the year ended June 30, 2003, and have issued our report thereon dated January 16, 2004. 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, 2003

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	044917-C1S1- 2001	\$ 0		\$ 1,103	
Ed Consol Improvement Act		044917-C1S1- 2002	(9,123)		54,236	
		044917-C1S1- 2003	188,561		160,554	
Total Title 1			179,438		215,893	
Special Education Cluster:						
Special Education Grants to States	84.027	044917-6BSF-2002-P	1,440		24,021	
		044917-6BSF-2003-P	118,622		108,590	
Special Education - Preschool Grants	84.173	044917-PGS1-2002-P	0		515	
		044917-PGS1-2003-P	5,022		5,022	
Total Special Education Cluster			125,084		138,148	
Eisenhower Professional Development Grant	84.281	044917-MSS1-2002	600		781	
Title VI Ed Improve & Consol	84.298	044917-C2S1-2001	0		1,040	
		044917-C2S1-2002	(1,604)		2,003	
		044917-C2S1-2003	5,885		3,446	
Total Title VI			4,281		6,489	
Title VI R Class Reduction	84.340	044917-CRS1-2002	0		6,524	
Safe, Drug-Free Schools & Communities Act Grant	84.186	044917-DRS1-2001	0		50	
		044917-DRS1-2002	2,267		4,015	
		044917-DRS1-2003	6,331		4,467	
Total Safe, Drug-Free Schools			8,598		8,532	
Technology Literacy Challenge Fund Grant	84.318	044917-TJS1-2003	5,960		1,500	
School Renovation IDEA & Technology	84.352A	044917-ATS2-2002	6,285		6,285	
		044917-ATS3-2002	6,588		6,588	
Total School Renovation IDEA & Technology			12,873		12,873	
Title II-A - Improving Teacher Quality	84.367	044917-TRS1-2003	53,144		31,548	
Get Hooked on Books	84.215	044917-	15,972		15,862	
ABC's of Success	84.215		40,000		40,000	
Continuous Improvement Grant	84.276	044917-G2-S2-2001	0		119	
Total U. S. Department of Education			445,950		478,269	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program (CAFS)	93.778	FY2003	23,139		23,139	
Total U.S. Department Health and Human Services			23,139		23,139	
U. S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	10.550	FY2003		\$ 24,571		\$ 24,571
National School Lunch Program	10.555	044917-LLP4-2002	11,644		11,644	
		044917-LLP4-2003	68,411		68,411	
Total National School Lunch Program			80,055		80,055	
School Breakfast Program	10.553	044917-05PU-2002	2,914		2,914	
		044917-05PU-2003	17,248		17,248	
Total School Breakfast Program			20,162		20,162	
Special Milk Program	10.556	044917-02PU-2002	149		149	
		044917-02PU-2003	434		434	
			583		583	
Total Special Milk Program			583		583	
Total U.S. Department of Agriculture			100,800	24,571	100,800	24,571
Total Federal Financial Assistance			\$ 569,889	\$ 24,571	\$ 602,208	\$ 24,571

See accompanying notes to schedule of expenditures of federal awards.

TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2003

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

Non-monetary 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, 2003, 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, 2003**

**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): Nutrition Cluster Special Education Cluster	CFDA #10.55* CFDA # 84.027 & 84.173
(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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Betty Montgomery**

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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  
MARCH 23, 2004**