CITY OF TORONTO
JEFFERSON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

CITY OF TORONTO
JEFFERSON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

City of Toronto
Jefferson County
P.O. Box 189
Toronto, Ohio 43964

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

The financial statements exclude certain capital assets and related depreciation for the governmental activities, the business type activities, the Water, Sewer and Refuse Funds. Accounting principles generally accepted in the United States of America require that capital assets and related depreciation be reported, which would increase the assets and net assets and change the expenses in the governmental activities, business type activities and the Water, Sewer and Refuse Funds. We cannot reasonably determine the amount by which this departure would increase the amounts reported for these capital assets, net assets, fund balances and expenses.

In our opinion, except for the effects of not reporting certain capital assets and the depreciation for the governmental activities, the business type activities and the Water, Sewer and Refuse Funds, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and the Water, Sewer and Refuse Funds of the City of Toronto, Jefferson County, Ohio as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General and the Capital Improvement major funds and the aggregate remaining fund information for the City of Toronto, Jefferson County, Ohio, as of December 31, 2006 and the respective changes in the financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 17, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that resting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should be read it in conjunction with this report in assessing the results of our audit

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the supplementary information. As a result of our limited procedures, we believe Management's Discussion and Analysis does not conform to Government Accounting Standards Board guideline, since as discussed in paragraph three, assets and net assets of governmental activities and business type activities presented in Table 1 are understated and the expenses presented in Table 2 are understated since there are capital assets and the depreciation thereof that have not been reported.

Mary Taylor
Auditor of State

December 17, 2008

The discussion and analysis of the City of Toronto's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- General Revenues accounted for $3,266,556 in revenue or 46 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for $3,837,284 or 54 percent of total revenues of $7,103,840.

- Total program expenses were $5,335,346; $2,905,259 in governmental activities and $2,430,087 in business-type activities.

- In total, net assets increased $1,768,494. Net assets of governmental activities increased $1,129,913, which represents a 40 percent increase from 2005. Net assets of business-type activities increased $638,581 from 2005.

- Outstanding debt increased from $13,756,697 to $14,515,669 through the issuance of new debt.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Toronto as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City operations, as they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2006 and how they affected the operations of the City as a whole.

Reporting the City of Toronto as a Whole

Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of Toronto, the general and capital improvements funds are the most significant governmental funds. The water, sewer and refuse funds are the significant enterprise funds.

A question typically asked about the City's finances "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and refuse funds are reported as business activities.

Reporting the City of Toronto's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general and capital improvements funds.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, sanitation and master capital funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (water, sewer and refuse); therefore, these statements will essentially match.

The City of Toronto as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	$ 2,611,224	$ 1,816,594	$ 765,320	$ 539,706	$ 3,376,544	$ 2,356,300
Capital Assets	2,099,354	1,722,187	15,634,890	14,676,469	17,734,244	16,398,656
Total Assets	4,710,578	3,538,781	16,400,210	15,216,175	21,110,788	18,754,956
Liabilities						
Long-Term Liabilities	297,527	473,629	145,864	13,601,922	443,391	14,075,551
Other Liabilities	488,153	270,167	14,384,388	382,876	14,872,541	653,043
Total Liabilities	785,680	743,796	14,530,252	13,984,798	15,315,932	14,728,594
Net Assets						
Invested in Capital Assets Net of Debt	2,048,558	1,653,293	1,308,176	1,056,718	3,356,734	2,710,011
Restricted	902,556	635,555	0	0	902,556	635,555
Unrestricted (Deficit)	973,784	506,137	561,782	174,659	1,535,566	680,796
Total Net Assets	$ 3,924,898	$ 2,794,985	$ 1,869,958	$ 1,231,377	$ 5,794,856	$ 4,026,362

Total assets increased by $2,355,832 with governmental assets increasing by $1,171,797 and business-type assets increasing by $1,184,035. An increase of $1,335,588 in total capital assets reflects the construction of a new water treatment plant. This was the majority of the increase in business-type assets. Total liabilities increased by $587,338 with governmental liabilities increasing $41,884 and business-type liabilities increasing $545,454. The majority of this increase was from OWDA loans proceeds for the new water treatment plant in business-type activities.

Total net assets increased by $1,768,494. This number reflects an increase of $1,129,913 in governmental activities and a increase of $638,581 in the net assets of the business-type activities.

Table 2 shows the changes in net assets for fiscal year 2006. This table presents two fiscal years in side-by-side comparisons, which will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Business-Type Activities 2006	Total 2006	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Revenues						
Program Revenues:						
Charges for Services and Sales	$ 131,279	$ 3,003,845	$ 3,135,124	$ 132,692	$ 1,720,193	$ 1,852,885
Operating Grants and Contributions	702,160	0	702,160	344,640	11,870	356,510
Capital Grants and Contributions	0	0	0	0	1,000	1,000
General Revenues:						
Property Taxes	232,905	0	232,905	371,167	0	371,167
Income Taxes	2,427,169	0	2,427,169	1,548,720	0	1,548,720
Other Taxes	47,971	0	47,971	0	0	0
Grants and Entitlements	294,691	0	294,691	232,348	0	232,348
Investment Earnings	71,970	2,165	74,135	32,668	0	32,668
Miscellaneous	187,027	2,658	189,685	56,564	6,043	62,607
Total Revenues	4,095,172	3,008,668	7,103,840	2,718,799	1,739,106	4,457,905
Program Expenses						
General Government	472,499	0	472,499	381,056	0	381,056
Security of Persons and Property	1,427,278	0	1,427,278	1,412,315	0	1,412,315
Public Health Services	18,615	0	18,615	26,407	0	26,407
Leisure Time Activities	176,783	0	176,783	131,740	0	131,740
Community and Economic Development	425,510	0	425,510	209,594	0	209,594
Transportation	376,721	0	376,721	292,026	0	292,026
Interest and Fiscal Charges	7,853	0	7,853	12,025	0	12,025
Enterprise Operations:						
Water	0	1,536,263	1,536,263	0	843,074	843,074
Sewer	0	520,645	520,645	0	516,603	516,603
Refuse	0	373,179	373,179	0	389,200	389,200
Total Program Expenses	2,905,259	2,430,087	5,335,346	2,465,163	1,748,877	4,214,040
Increase in Net Assets Before Transfers	1,189,913	578,581	1,768,494	253,636	(9,771)	243,865
Transfers	(60,000)	60,000	0	(4,900)	4,900	0
Increase in Net Assets	$ 1,129,913	$ 638,581	$ 1,768,494	$ 248,736	$ (4,871)	$ 243,865

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, and charges for services.

The City's income tax is at a rate of 2.0 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations.

Police and fire represent the largest expense of the Governmental Activities. This expense of $1,427,278 represents 49 percent of the total expenses. These two departments operate out of the general fund.

The City also maintains a health department (public health services) and a park (leisure time services) within the City. These areas had expenses of $195,398 in 2006 equaling 7 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services. In 2006, charges for services of $3,003,845 accounted for 99 percent of the business-type revenues. The total expenses for the utilities were $2,430,087. The City had a increase in net assets of $638,581 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 14. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of $3,824,244 and expenditures of $3,267,902. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 17. These funds are accounted for on an accrual basis. All business type funds had operating expenses of $1,946,277 which was less than operating revenues of $3,006,503, by $1,060,226 or 35 percent of operating revenues.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2006, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, budget basis revenue was $897,000, over the original budget estimates of $2,116,013. Of this $897,000 increase, most was attributable to increased income tax and intergovernmental revenues.

For the general fund, the final appropriations were $1,843,344, representing a $72,334 increase from the original appropriations of $1,771,010.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2006, the City had $17,734,244 invested in land, construction in progress, works of art, buildings, land improvements, equipment, vehicles and water lines. A total of $2,099,354 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2006 balances compared with 2005.

(Table 3)
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 140,000	$ 140,000	$ 43,904	$ 43,904	$ 183,904	$ 183,904
Construction in Progress	0	0	0	13,233,183	0	13,233,183
Work of Art	17,500	17,500	10,465,668	0	10,483,168	17,500
Buildings	224,101	220,567	1,736,250	885,000	1,960,351	1,105,567
Land Improvements	354,558	395,731	0	0	354,558	395,731
Equipment	75,913	70,269	2,132,500	0	2,208,413	70,269
Vehicles	859,905	878,120	135,268	167,282	995,173	1,045,402
Infrastructure	427,377	0	0	0	427,377	0
Water Lines	0	0	1,121,300	347,100	1,121,300	347,100
Totals	$ 2,099,354	$ 1,722,187	$ 15,634,890	$ 14,676,469	$ 17,734,244	$ 16,398,656

The $1,335,588 increase in capital assets was attributable to additional purchases exceeding depreciation expense. The most significant addition in 2006 was the construction of a new water treatment plant. Note 8 provides capital asset activity during the 2006 year.

Debt

The outstanding debt for the City of Toronto as of December 31, 2006 was $14,515,669 with $111,187 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Installment Loan	$ 50,796	$ 68,894	$ 0	$ 0	$ 50,796	$ 68,894
Police and Fire Pension	138,159	140,623	0	0	138,159	140,623
General Obligation Bonds	0	0	17,642	51,821	17,642	51,821
OWDA Loans	0	0	14,309,072	13,495,359	14,309,072	13,495,359
Total	$ 188,955	$ 209,517	$ 14,326,714	$ 13,547,180	$ 14,515,669	$ 13,756,697

Additional information concerning the City's debt can be found in Note 15 to the basic financial statements.

Current Financial Issues

The City started to collect an additional .5 percent wage tax in 2006, enabling them to complete such capital improvements as $460,000 in street and alley improvements. They also purchased a new police vehicle.

The water treatment plant improvements were not completed as planned due to contractor delays. The City has started to sell water to Jefferson County. The budgeted revenue from county water sales is $1,300,000 annually.

The City had a $552,500 cash balance at the end of December 31, 2006 in the General Fund, a result of the City's largest employer paying $544,000 in net profit taxes in 2006.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bob Owen, City of Toronto, 416 Clark St., Toronto, Ohio 43964, telephone 740-537-4505 or email tauditor@localisps.net.

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City of Toronto
Statement of Net Assets
December 31, 2006

	Governmental Activities		Business-Type Activities		Total
Assets					
Equity in Pooled Cash and Cash Equivalents	$	883,663	$	327,378	$ 1,211,041
Restricted Assets:					
Cash and Cash Equivalents		0		49,503	49,503
Materials and Supplies Inventory		4,313		28,220	32,533
Accrued Interest Receivable		15,715		0	15,715
Accounts Receivable		0		329,719	329,719
Intergovernmental Receivable		701,979		0	701,979
Prepaid Items		14,640		30,500	45,140
Taxes Receivable		975,906		0	975,906
Loans Receivable		15,008		0	15,008
Non-Depreciable Capital Assets		157,500		43,904	201,404
Depreciable Capital Assets, Net		1,941,854		15,590,986	17,532,840
Total Assets		4,710,578		16,400,210	21,110,788
Liabilities					
Accounts Payable		11,480		13,434	24,914
Contracts Payable		0		75,481	75,481
Intergovernmental Payable		58,058		7,446	65,504
Customer Deposits		0		49,503	49,503
Deferred Revenue		227,989		0	227,989
Long-Term Liabilities:					
Due Within One Year		38,624		101,617	140,241
Due in More Than One Year		449,529		14,282,771	14,732,300
Total Liabilities		785,680		14,530,252	15,315,932
Net Assets					
Invested in Capital Assets, Net of Related Debt		2,048,558		1,308,176	3,356,734
Restricted for Capital Outlay		19,903		0	19,903
Restricted for Other Purposes		882,653		0	882,653
Unrestricted		973,784		561,782	1,535,566
Total Net Assets	$	3,924,898	$	1,869,958	$ 5,794,856

The accompanying notes are an integral part of the financial statements.

City of Toronto
Statement of Activities
For the Year Ended December 31, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	$ 472,499	$ 57,526	$ 10,021	$ (404,952)	$ 0	$ (404,952)
Security of Persons and Property	1,427,278	23,463	22,088	(1,381,727)	0	(1,381,727)
Public Health	18,615	6,717	0	(11,898)	0	(11,898)
Leisure Time Services	176,783	43,573	12,587	(120,623)	0	(120,623)
Community and Economic Development	425,510	0	478,511	53,001	0	53,001
Transportation	376,721	0	178,953	(197,768)	0	(197,768)
Interest and Fiscal Charges	7,853	0	0	(7,853)	0	(7,853)
Total Governmental Activities	2,905,259	131,279	702,160	(2,071,820)	0	(2,071,820)
Business-Type Activities:						
Refuse Fund	373,179	374,469	0	0	1,290	1,290
Sewer Fund	520,645	592,334	0	0	71,689	71,689
Water Fund	1,536,263	2,037,042	0	0	500,779	500,779
Total Business-Type Activities	2,430,087	3,003,845	0	0	573,758	573,758
Total - Primary Government	$ 5,335,346	$ 3,135,124	$ 702,160	(2,071,820)	573,758	(1,498,062)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes Levied for:			
General Purposes	162,241	0	162,241
Capital Outlay	15,550	0	15,550
Other Purposes	55,114	0	55,114
Income Taxes Levied for:			
General Purposes	2,427,169	0	2,427,169
Other Local Taxes	47,971	0	47,971
Grants and Entitlements not Restricted to Specific Programs	294,691	0	294,691
Investment Earnings	71,970	2,165	74,135
Miscellaneous	187,027	2,658	189,685
Total General Revenues	3,261,733	4,823	3,266,556
Transfers	(60,000)	60,000	0
Total General Revenues and Transfers	3,201,733	64,823	3,266,556
Change in Net Assets	1,129,913	638,581	1,768,494
Net Assets Beginning of Year	2,794,985	1,231,377	4,026,362
Net Assets End of Year	$ 3,924,898	$ 1,869,958	$ 5,794,856

The accompanying notes are an integral part of the financial statements.

City of Toronto
Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 553,880	$ 21,983	$ 307,800	$ 883,663
Materials and Supplies Inventory	0	0	4,313	4,313
Accrued Interest Receivable	15,715	0	0	15,715
Intergovernmental Receivable	114,420	0	587,559	701,979
Prepaid Items	8,140	0	6,500	14,640
Taxes Receivable	906,937	0	68,969	975,906
Loans Receivable	0	0	15,008	15,008
Total Assets	$ 1,599,092	$ 21,983	$ 990,149	$ 2,611,224
Liabilities				
Accounts Payable	5,758	5,000	722	11,480
Intergovernmental Payable	6,625	0	51,433	58,058
Deferred Revenue	868,643	0	637,248	1,505,891
Total Liabilities	881,026	5,000	689,403	1,575,429
Fund Balances				
Reserved for Loans Receivable	0	0	15,008	15,008
Unreserved, Undesignated, Reported in:				
General Fund	718,066	0	0	718,066
Special Revenue Funds	0	0	282,818	282,818
Capital Projects Funds	0	16,983	2,920	19,903
Total Fund Balances	718,066	16,983	300,746	1,035,795
Total Liabilities and Fund Balances	$ 1,599,092	$ 21,983	$ 990,149	$ 2,611,224

The accompanying notes are an integral part of the financial statements.

City of Toronto
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2006

Total Governmental Fund Balances			$ 1,035,795
Amounts reported for governmental activities in the statement of net assets are different because			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			2,099,354
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
	Property Taxes	$ 21,958	
	Income Tax	589,135	
	Intergovernmental	666,809	
	Total		1,277,902
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
	Loan Payable	(50,796)	
	Police and Fire Pension	(138,158)	
	Compensated Absences	(299,199)	
	Total		(488,153)
Net Assets of Governmental Activities			$ 3,924,898

The accompanying notes are an integral part of the financial statements.

City of Toronto
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended December 31, 2006

	General Fund	Capital Improvements	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$ 161,003	$ 15,550	$ 66,951	$ 243,504
Income Taxes	2,334,325	0	0	2,334,325
Other Local Taxes	0	0	47,971	47,971
Charges for Services	37,217	0	43,573	80,790
Licenses and Permits	27,026	0	0	27,026
Fines and Forfeitures	22,075	0	1,388	23,463
Intergovernmental	265,335	0	542,833	808,168
Interest	49,537	0	22,433	71,970
Other	186,462	0	565	187,027
Total Revenues	3,082,980	15,550	725,714	3,824,244
Expenditures				
Current:				
General Government	471,983	0	0	471,983
Security of Persons and Property	1,200,512	0	185,317	1,385,829
Public Health	18,615	0	0	18,615
Leisure Time Services	6,000	0	123,430	129,430
Community and Economic Development	0	0	425,510	425,510
Transportation	50,051	0	293,923	343,974
Capital Outlay	0	464,145	0	464,145
Debt Service:				
Principal Retirements	18,098	0	2,465	20,563
Interest and Fiscal Charges	705	0	7,148	7,853
Total Expenditures	1,765,964	464,145	1,037,793	3,267,902
Excess of Revenues Over (Under) Expenditures	1,317,016	(448,595)	(312,079)	556,342
Other Financing Sources and Uses				
Transfers In	0	445,000	252,050	697,050
Transfers Out	(757,050)	0	0	(757,050)
Total Other Financing Sources and Uses	(757,050)	445,000	252,050	(60,000)
Net Change in Fund Balance	559,966	(3,595)	(60,029)	496,342
Fund Balance, Beginning of Year	158,100	20,578	360,775	539,453
Fund Balance, End of Year	$ 718,066	$ 16,983	$ 300,746	$ 1,035,795

The accompanying notes are an integral part of the financial statements.

City of Toronto

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

December 31, 2006

Net Change in Fund Balances - Total Governmental Funds		$ 496,342
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	$ 484,232	
Current Year Depreciation	(107,065)	
Total		377,167
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(10,599)	
Income Tax	92,844	
Intergovernmental	188,684	
Total		270,929
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		20,563
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(35,088)
Change in Net Assets of Governmental Activities		$ 1,129,913

The accompanying notes are an integral part of the financial statements.

City of Toronto
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	$ 145,600	$ 145,600	$ 161,003	$ 15,403
Income Taxes	1,574,000	2,274,000	2,244,230	(29,770)
Charges for Services	40,900	40,900	37,217	(3,683)
Licenses and Permits	25,700	25,700	27,026	1,326
Fines and Forfeitures	21,500	21,500	22,075	575
Intergovernmental	291,313	299,312	265,335	(33,977)
Interest	0	26,000	57,053	31,053
Other	17,000	180,001	186,462	6,461
Total Revenues	2,116,013	3,013,013	3,000,401	(12,612)
Expenditures				
General Government	392,930	507,031	472,667	34,364
Security of Persons and Property	1,302,350	1,232,788	1,210,381	22,407
Public Health	29,200	29,222	19,075	10,147
Leisure Time Services	26,000	6,000	6,000	0
Transportation	20,530	49,500	46,788	2,712
Debt Service:				
Principal Retirements	0	18,098	18,098	0
Interest and Fiscal Charges	0	705	705	0
Total Expenditures	1,771,010	1,843,344	1,773,714	69,630
Excess of Revenues Over Expenditures	345,003	1,169,669	1,226,687	57,018
Other Financing Sources and Uses				
Transfers Out	(346,050)	(757,050)	(757,050)	0
Total Other Financing Sources and Uses	(346,050)	(757,050)	(757,050)	0
Net Change in Fund Balance	(1,047)	412,619	469,637	57,018
Fund Balance, Beginning of Year	83,041	83,041	83,041	0
Prior Year Encumbrances Appropriated	835	835	835	0
Fund Balance, End of Year	$ 82,829	$ 496,495	$ 553,513	$ 57,018

The accompanying notes are an integral part of the financial statements.

City of Toronto
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	Business-Type Activities				
	Water Fund	Sewer Fund	Refuse Fund	Other Enterprise Funds	Totals
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	$ 144,872	$ 74,192	$ 108,314	$ 0	$ 327,378
Materials and Supplies Inventory	26,680	1,540	0	0	28,220
Accounts Receivable	213,158	71,093	45,468	0	329,719
Prepaid Items	10,000	9,500	11,000	0	30,500
Total Current Assets	394,710	156,325	164,782	0	715,817
Non-Current Assets:					
Restricted Equity in Pooled Cash and Cash Equivalents	0	0	0	49,503	49,503
Non-Depreciable Capital Assets	23,904	20,000	0	0	43,904
Depreciable Capital Assets, Net	14,634,085	900,079	56,822	0	15,590,986
Total Non-Current Assets	14,657,989	920,079	56,822	49,503	15,684,393
Total Assets	15,052,699	1,076,404	221,604	49,503	16,400,210
Liabilities					
Current Liabilities:					
Accounts Payable	8,956	272	4,206	0	13,434
Contracts Payable	75,481	0	0	0	75,481
Intergovernmental Payable	4,233	893	2,320	0	7,446
Customer Deposits	0	0	0	49,503	49,503
Compensated Absences Payable	6,529	1,222	3,201	0	10,952
Revenue Bonds Payable	0	7,096	10,546	0	17,642
OWDA Loans Payable	0	73,023	0	0	73,023
Total Current Liabilities	95,199	82,506	20,273	49,503	247,481
Long-Term Liabilities:					
Compensated Absences Payable - Net of Current Portion	29,908	678	16,136	0	46,722
OWDA Loans Payable - Net of Current Portion	14,067,358	168,691	0	0	14,236,049
Total Long-Term Liabilities	14,097,266	169,369	16,136	0	14,282,771
Total Liabilities	14,192,465	251,875	36,409	49,503	14,530,252
Net Assets					
Invested in Capital Assets, Net of Related Debt	590,631	671,269	46,276	0	1,308,176
Unrestricted	269,603	153,260	138,919	0	561,782
Total Net Assets	$ 860,234	$ 824,529	$ 185,195	$ 0	$ 1,869,958

The accompanying notes are an integral part of the financial statements.

City of Toronto

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2006

	Business-Type Activities			
	Water Fund	Sewer Fund	Refuse Fund	Totals
Operating Revenue				
Charges for Services	$ 2,037,042	$ 592,334	$ 374,469	$ 3,003,845
Other	2,458	200	0	2,658
Total Operating Revenues	2,039,500	592,534	374,469	3,006,503
Operating Expenses				
Personal Services	406,539	95,720	181,962	684,221
Contractual Services	295,616	355,790	170,291	821,697
Materials and Supplies	164,227	8,702	1,289	174,218
Depreciation	209,301	38,197	18,643	266,141
Total Operating Expenses	1,075,683	498,409	372,185	1,946,277
Operating Income	963,817	94,125	2,284	1,060,226
Non-Operating Revenues (Expenses)				
Interest	2,165	0	0	2,165
Interest and Fiscal Charges	(460,580)	(22,236)	(994)	(483,810)
Total Non-Operating Revenues (Expenses)	(458,415)	(22,236)	(994)	(481,645)
Income Before Transfers	505,402	71,889	1,290	578,581
Transfers In	0	0	60,000	60,000
Change in Net Assets	505,402	71,889	61,290	638,581
Net Assets, Beginning of Year	354,832	752,640	123,905	1,231,377
Net Assets, End of Year	$ 860,234	$ 824,529	$ 185,195	$ 1,869,958

The accompanying notes are an integral part of the financial statements.

City of Toronto
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Business-Type Activities				
	Water Fund	Sewer Fund	Refuse Fund	All Other Enterprise Funds	Totals
Increase in Cash and Cash Equivalents					
Cash flows from Operating Activities					
Cash Received from Customers	$ 1,912,776	$ 598,500	$ 380,812	$ 0	$ 2,892,088
Other Operating Receipts	2,458	200	0	15,050	17,708
Cash Payments to Suppliers for Goods and Services	(153,862)	(8,502)	(1,537)	0	(163,901)
Cash Payments to Employees	(407,915)	(96,352)	(178,011)	0	(682,278)
Cash Payments for Contractual Services	(305,224)	(356,003)	(169,361)	(14,299)	(844,887)
Net Cash Provided by Operating Activities	1,048,233	137,843	31,903	751	1,218,730
Cash Flows from Noncapital Financing Activities					
Transfers In	0	0	60,000	0	60,000
Cash Flows from Capital and Related Financing Activities					
Proceeds from Loans	1,422,500	0	0	0	1,422,500
Acquisition of Capital Assets	(1,450,904)	0	0	0	(1,450,904)
Principal Payments on Debt	(542,397)	(80,141)	(20,430)	0	(642,968)
Interest Payments	(460,580)	(22,236)	(994)	0	(483,810)
Net Cash Used for Capital and Related Financing Activities	(1,031,381)	(102,377)	(21,424)	0	(1,155,182)
Cash Flows from Investing Activities					
Interest	2,165	0	0	0	2,165
Net Increase in Cash and Cash Equivalents	19,017	35,466	70,479	751	125,713
Cash and Cash Equivalents, Beginning of Year	125,855	38,726	37,835	48,752	251,168
Cash and Cash Equivalents, End of Year	$ 144,872	$ 74,192	$ 108,314	$ 49,503	$ 376,881
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	$ 963,817	$ 94,125	$ 2,284	$ 0	$ 1,060,226
Adjustments:					
Depreciation	209,301	38,197	18,643	0	266,141
(Increase) Decrease in Assets:					
Accounts Receivable	(124,266)	6,166	6,343	0	(111,757)
Materials and Supplies Inventory	11,656	200	0	0	11,856
Increase (Decrease) in Liabilities:					
Accounts Payable	(10,899)	(218)	672	0	(10,445)
Customer Deposits	0	0	0	751	751
Compensated Absences Payable	(334)	(782)	4,050	0	2,934
Claims Payable	0	0	0	0	0
Intergovernmental Payable	(1,042)	155	(89)	0	(976)
Net Cash Provided by Operating Activities	$ 1,048,233	$ 137,843	$ 31,903	$ 751	$ 1,218,730

The accompanying notes are an integral part of the financial statements.

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Toronto (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City council is composed of eight members, four of whom are elected by their respective electors within their designated wards. Three councilmen at large and a council president are elected by the City at large. The City provides the following services: police and fire protection, water, wastewater and sanitation utilities, parks and recreation, health services, street maintenance, building inspection and development. Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, "The Financial Reporting Entity" and No. 39, "Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14".

The City provides various services including police, parks and recreation, planning, zoning, street construction, maintenance and repair, water, sewer and refuse services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore these operations are included in the primary government.

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

The City is involved with the Ohio Mid-Eastern Governments Association and Jefferson-Belmont Joint Solid Waste Authority, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 16.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

B. Fund Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

> ***General Fund* -** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Capital Improvement Fund*** – The capital improvement fund accounts for transactions relating to the acquiring, constructing, or improving of capital projects.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the City's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The water, sewer and refuse funds are the City's major enterprise funds.

> ***Water Fund*** – The water fund accounts for the provision of water service to the residents and commercial users located within the City.
>
> ***Sewer Fund*** **–** The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.
>
> ***Refuse Fund*** – The refuse fund accounts for the provision of trash disposal for the residents and commercial users located within the City.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

<u>NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to $49,537, which includes $24,598 assigned from other City funds.

Investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposits liability account.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25-50 Years	50 Years
Land Improvements	15-50 Years	15-50 Years
Equipment	10-25 Years	10-25 Years
Vehicles	8-40 Years	10-20 Years
Infrastructure	N/A	50 Years

The City’s infrastructure consists of water and sewer lines. The City did not record general infrastructure assets in governmental activities prior to December 31, 2002.

Improvements to infrastructure that extends the life of the asset will be capitalized and depreciation expense will be recorded after December 31, 2002.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future (employees with ten or more years of service). The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for 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 balance reserves are established for loans receivable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

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

Net assets restricted for other purposes include recreation, street construction and repair, and the operation of the police department.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and refuse services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

R. Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Budgetary Data

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

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

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

T. Changes in Accounting Principles

For the year ended December 31, 2006, the City has implemented GASB Statement No. 46 "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47 "*Accounting for Termination Benefits.*"

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements. At December 31, 2006, $47,857 of the City's net assets were restricted by enabling legislation.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

The implementation of these GASB Statements did not have an effect on the financial statements of the City.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

3. Encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance (GAAP).

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

Net Change in Fund Balance

	General
GAAP Basis	$ 559,966
Revenue accruals	(82,579)
Expenditure accruals	(7,383)
Encumbrances	(367)
Budget Basis	$ 469,637

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City 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 City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City 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.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 or 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. Bonds 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2006, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At fiscal year-end, the carrying amount of the City's deposits was $279,087. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2006, $34,696 of the City's bank balance of $330,632 was exposed to custodial risk as discussed above, while $295,936 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2006, the City had the following investments and maturities:

		Investment Maturities			
Investment Type	Fair Value	6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months
Repurchase Agreements	$ 981,457	$ 981,457	$ 0	$ 0	$ 0

The City has no investment policy in place at this time.

Credit Risk. The City's repurchase agreement is an unrated investment.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at June 30, 2006:

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	$ 981,457	100%

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes were levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. For 2006, tangible personal property is assessed at 18.75 percent for property including inventory. This percentage will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the City prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all City operations for the year ended December 31, 2006 was $3.40 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

NOTE 5 - PROPERTY TAXES (Continued)

Real Property	$	46,196,010
Tangible Personal Property		13,593,645
Public Utilities		3,137,060
Total	$	62,926,715

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 later payment dates to be established.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The governmental funds reflect housing loans receivable of $6,939. The housing loans receivable are for financing the sale of City property to individuals as a home mortgage. The loans were issued at 4-5 percent interest. The loans are to be repaid over a period of ten years. Also, included in the governmental funds are revolving loans of $8,069. These business revolving loans were issued to local businesses to improve their facades and sidewalks. The loans were issued at 4-5 percent interest. They are to be repaid over periods ranging from ten to twelve years.

NOTE 7 – INCOME TAX

The City levies a municipal income tax of 2.0 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to 2.0 percent for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individuals are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenues are credited to the general fund.

NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2006 follows:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 140,000	$ 0	$ 0	$ 140,000
Work of Art	17,500	0	0	17,500
Total Capital Assets Not Being Depreciated	157,500	0	0	157,500
Capital Assets, Being Depreciated:				
Buildings	538,000	15,274	0	553,274
Land Improvements	1,015,900	0	0	1,015,900
Equipment	111,279	10,315	0	121,594
Vehicles	1,187,426	22,544	0	1,209,970
Infrastructure	0	436,099	0	436,099
Total Capital Assets, Being Depreciated	2,852,605	484,232	0	3,336,837
Less Accumulated Depreciation:				
Buildings	317,433	11,740	0	329,173
Land Improvements	620,169	41,173	0	661,342
Equipment	41,010	4,671	0	45,681
Vehicles	309,306	40,759	0	350,065
Infrastructure	0	8,722	0	8,722
Total Accumulated Depreciation	1,287,918	107,065	0	1,394,983
Total Capital Assets Being Depreciated, Net	1,564,687	377,167	0	1,941,854
Total Governmental Activities Capital Assets, Net	$ 1,722,187	$ 377,167	$ 0	$ 2,099,354

Depreciation expense was charged to governmental functions as follows:

General Government	$ 516
Security of Persons and Property	36,165
Leisure Time Activities	47,353
Transportation	23,031
Total	$ 107,065

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 43,904	$ 0	$ 0	$ 43,904
Construction in Progress	13,233,183	1,224,562	(14,457,745)	0
Total Capital Assets Not Being Depreciated	13,277,087	1,224,562	(14,457,745)	43,904
Capital Assets, Being Depreciated:				
Buildings	1,500,000	9,707,745	0	11,207,745
Improvements	0	1,750,000	0	1,750,000
Equipment	0	2,200,000	0	2,200,000
Vehicles	344,398	0	0	344,398
Water Lines	890,000	800,000	0	1,690,000
Sewer Lines	105,199	0	0	105,199
Total Capital Assets Being Depreciated	2,839,597	14,457,745	0	17,297,342
Less Accumulated Depreciation:				
Buildings	615,000	127,077	0	742,077
Improvements	0	13,750	0	13,750
Equipment	0	67,500	0	67,500
Vehicles	177,116	32,014	0	209,130
Water Lines	542,900	25,800	0	568,700
Sewer Lines	105,199	0	0	105,199
Total Accumulated Depreciation	1,440,215	266,141	0	1,706,356
Total Capital Assets Being Depreciated, Net	1,399,382	14,191,604	0	15,590,986
Total Business-Type Capital Assets, Net	$ 14,676,469	$ 15,416,166	$(14,457,745)	$ 15,634,890

NOTE 9 - RISK MANAGEMENT

Risk Pool Membership
The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage
For an occurrence prior to January 1, 2006 PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (for claims prior to January 1, 2006) or $3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage
Through 2004, PEP retained property risks, including automobile physical damage, up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding $100,000 up to $500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. APEEP reinsures members for specific losses exceeding $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between $100,000 and $250,000, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2006 was $1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

NOTE 9 - RISK MANAGEMENT (Continued)

Financial Position
PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

Casualty Coverage	2006	2005
Assets	$30,997,868	$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	$15,122,127	$13,725,507

Property Coverage	2006	2005
Assets	$5,125,326	$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	$4,262,163	$3,375,087

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately $14.4 million and $14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately $14.4 million and $14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately $180,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2004	$89,744
2005	$90,014
2006	$90,280

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City of Toronto participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salaries; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were $77,677, $75,899 and $79,510, respectively. 91 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for police and firefighters were $64,370 and $45,786 for the year ended December 31, 2006, $63,508 and $44,048 for the year ended December 31, 2005, $63,533 and $44,163 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 72 percent has been contributed for 2006.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2006, the unfunded liability of the City was $138,159, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is presented as "Police and Fire Pension Payable" in the governmental activities columns of the statement of net assets.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 percent and 6 percent annually for the next eight years and 4 percent annually after eight years.

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The City's actual employer contributions for 2006, which were used to fund postemployment benefits were $37,998. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were $42,457 for police and $21,837 for fire. The OP&F's total health care expenses for the year ended December 31, 2005 (the latest information available) were $108,039,449, which was net of member contributions of $55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 was 13,922 for police and 10,537 for firefighters.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City provides life insurance and accidental death and dismemberment insurance to employees, excluding part-time elected officials and appointed part-time officials. The policy is in the amount of $15,000 life insurance and $15,000 accidental death and dismemberment.

The City offers two different health care plans with employees having the option of which plan to choose. The City contracts with Health Assurance for hospitalization insurance for all employees, excluding part-time elected and part-time appointed officials. The City pays 90 percent of the total monthly premiums of $1,265.36 family health care, $436.33 single health care, $853.03 employee plus children health care and $1007.05 employee plus spouse health care through Health Assurance. The City also contracts with Ohio AFSCME Eye Care in which the City pays 100 percent of the total monthly premium of $200.00 for family or single eye and hearing care for AFSCME members. Premiums are paid from the same funds that pay the employees' salaries.

B. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation can not be carried over, however, unforeseen circumstances may come into play and the superintendent may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 440 hours of accumulated sick time provided they have five years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have five years of service with the City. Upon separation, firefighters are paid for a maximum of 480 hours of accumulated sick time provided they have five years of service with the City. As of December 31, 2006, the liability for unpaid compensated absences was $331,250.

NOTE 13 – TRANSFERS

The City made the following transfers during 2006:

	Transfers In	Transfers Out
General	$ 0	$ 757,050
Police Severance	20,000	0
Fire Severance	20,000	0
Police Pension	89,200	0
Recreation	53,000	0
Fire Pension	49,850	0
Street Maintenance Repair	20,000	0
Refuse	60,000	0
Capital	445,000	0
Total	$ 757,050	$ 757,050

NOTE 13 – TRANSFERS (Continued)

The General Fund transferred $717,050 to various other governmental and business-type funds to distribute income tax revenue. The general fund transferred $20,000 to the police severance fund and $20,000 to the fire severance funds to provide additional resources.

NOTE 14 - CONTRACTUAL COMMITMENTS

As of December 31, 2006, the City had contractual commitment for the water treatment plant:

	Contractual Commitment	Expended	Balance 12/31/2006
Water Treatment Plant:			
Arcadis FPS	$ 923,000	$ 858,501	$ 64,499
Jack Gibson Contractor	9,409,402	9,333,921	75,481
Water Treatment Lagoons:			
PSI	4,000	3,189	811
Totals	$ 10,336,402	$ 10,195,611	$ 140,791

NOTE 15 - LONG-TERM OBLIGATIONS

The original issue date, maturity date, interest rate and original issuance amount for the City’s debt follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
Fire Truck Installment Loan - 2004	2.99%	$ 383,816	June 1, 2009
Business-Type Activities			
Sewer Treatment Plant OWDA Loan - 1985	7.00%	3,428,887	January 1, 2010
Water Treatment Plant OWDA Loan - 2001	3.26%	14,014,179	January 1, 2026
Water Treatament Lagoons OWDA Loan - 2005	1.00%	790,155	January 1, 2026
Vehicle Acquisition General Obligation Bonds - 2002	4.25%	160,684	May 30, 2007

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations during the year ended December 31, 2006, consisted of the following:

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006	Amounts Due In One Year
Governmental Activities					
Installment Loan	$ 68,894	$ 0	$ (18,098)	$ 50,796	$ 18,636
Compensated Absences	264,111	35,088	0	299,199	17,418
Police and Fire Pension Payable	140,623	0	(2,465)	138,158	2,570
Total Governmental Activities	$ 473,628	$ 35,088	$ (20,563)	$ 488,153	$ 38,624
Business-Type Activities					
Sewer Treatment Plant OWDA Loan	$ 308,105	$ 0	$ (66,391)	$ 241,714	$ 73,023
WaterTreatment Plant OWDA Loan	12,461,295	1,362,618	(506,521)	13,317,392	0
Water Treatment OWDA Plant Lagoons	725,960	59,882	(35,876)	749,966	0
General Obligation Bonds	51,822	0	(34,180)	17,642	17,642
Compensated Absences	54,740	27,146	(24,212)	57,674	10,952
Total Business-Type Activities	$13,601,922	$ 1,449,646	$ (667,180)	$ 14,384,388	$ 101,617

The installment loan and police and fire pension liability will be paid from property taxes receipted into the police, fire truck levy, police pension and fire pension special revenue funds. In the business-type activities, the general obligation bonds and OWDA loans will be paid from revenues derived from charges for services in the water, sewer and refuse funds. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. As of December 31, 2006, the City had received $13,344,568 from OWDA. In addition to the draw down, the City has incurred capitalized interest of $479,345 as of December 31, 2006. The City began to repay the loan in 2006. An amortization schedule has not been completed by the OWDA, therefore, the loan is not included in the following amortization schedule.

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of $790,155. The proceeds of this loan are being used to construct water treatment plant lagoons. As of December 31, 2006, the City had received $781,822 from OWDA. In addition to the draw down, the City has incurred capitalized interest of $4,020. The City began to repay this loan as of July 2006, but the OWDA has not completed an amortization schedule, therefore, the loan is not included in the following amortization schedule.

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

	Governmental Activities					
	Police and Fire Pension		Installment Loan		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 2,570	$ 5,845	$ 18,636	$ 1,364	$ 21,206	$ 7,209
2008	2,680	5,734	19,191	809	21,871	6,543
2009	2,795	5,619	12,969	192	15,764	5,811
2010	2,916	5,499	0	0	2,916	5,499
2011	3,041	5,374	0	0	3,041	5,374
2012-2016	17,279	24,795	0	0	17,279	24,795
2017-2021	21,322	20,751	0	0	21,322	20,751
2022-2026	26,311	15,762	0	0	26,311	15,762
2027-2031	32,469	9,604	0	0	32,469	9,604
2032-2035	26,775	2,301	0	0	26,775	2,301
	$ 138,158	$ 101,284	$ 50,796	$ 2,365	$ 188,954	$ 103,649

	Business-Type Activities					
	General Obligation Bonds		OWDA Loans		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 17,642	$ 285	$ 73,023	$ 24,147	$ 90,665	$ 24,432
2008	0	0	80,318	16,852	80,318	16,852
2009	0	0	88,373	8,797	88,373	8,797
	$ 17,642	$ 285	$ 241,714	$ 49,796	$ 259,356	$ 50,081

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association

Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board, however the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2006, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Jefferson-Belmont Joint Solid Waste Authority

Jefferson-Belmont Joint Solid Waste Authority (the Authority) was established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of Toronto is a member. The Authority is not dependent on the City of Toronto for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

NOTE 17 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 effect on the overall financial position of the City at December 31, 2006.

B. Litigation

The City of Toronto is not party to any litigation.

NOTE 18 – RESTATEMENT OF NET ASSETS

In the prior year, the general fund was overstated by $38,929 on the budgetary basis statements. To correct this error, the beginning fund balance has been restated as follows:

Budget (Non-GAAP Basis) Fund Balance	General Fund
Previously Reported Fund Balance at 12/31/2005	$ 121,970
Correction of Error	(38,929)
Restated Fund Balance at 01/01/2006	$ 83,041

NOTE 19 - ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

The Community Housing Improvement 2006 Fund had appropriations in excess of estimated revenue contrary to section 5705.39, Revised Code, in the amount of $50,000. The City will monitor estimated revenue levels in the future to ensure that appropriations are not in excess of the amount available.

The City made expenditures that were not certified or recorded in accordance with section5705.41(D), Revised Code, which provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Toronto
Jefferson County
P.O. Box 189
Toronto, Ohio 43964

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2008. We qualified our report on the governmental activities, business type activities, the Water, Sewer and Refuse Funds because certain capital assets and depreciation were not reported. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-003 and 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than remote likelihood that the City's internal control will not prevent or detect a material financial misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe findings number 2006-003 and 2006-004 are also material weaknesses.

We also noted certain matter**s** that we reported to the City's management in a separate letter dated December 17, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 17, 2008.

We intend this report solely for the information and use of management and City Council. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 17, 2008

CITY OF TORONTO
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources available for expenditure therefrom, as certified by the budget commission.

Appropriations exceeded the amount certified as available by the budget commission in the Community Housing Improvement Program 2006 Fund by $50,000 (10% of appropriations) in 2006.

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The City should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the City should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the City Council.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

> **1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
>
> If the amount involved is less than $3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the City Council if such expenditure is otherwise valid.
>
> **2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

In 2006, the City did not properly certify or record the amount against the applicable appropriation accounts for tested expenditures from the listed funds: General Fund (23%), Sewer Fund (75%), Water (29%), Refuse Fund (45%), and Remaining Funds Information (21%). The City did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, the City Auditor should certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

The City should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires for authorizing disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code in the system, to reduce the available appropriation.

FINDING NUMBER 2006-003

Significant Deficiency/Material Weakness

The City has not maintained documentation to support the valuation of capital assets that should have been capitalized and depreciated, where applicable, in the governmental type activities and business type activities. Accordingly, the City's financial statements omit certain capital assets and depreciation expenses which are reported in the governmental type activities and business type activities. Accounting principles generally accepted in the United States require the capitalization and depreciation, where applicable of capital assets. The City has neither adopted a written policy regarding capital assets nor provided a complete inventory of capital assets. The omission of the information resulted in a qualified opinion on the City's basic financial statements.

The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of capital assets. In addition, the City should outline procedures for the identification, capitalization and depreciation of general infrastructure required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic physical inventory requirements. This policy would then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal and maintenance of the City's property, plant and equipment.

FINDING NUMBER 2006-004

Significant Deficiency/Material Weakness

Posting Receipts

The City did not correctly code and classify intergovernmental and local tax receipts in 2006, resulting in a reclassification and an adjustment. The City Auditor has agreed to the reclassification and the adjustment and the reclassification and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the City ledgers.

Reclassifications -			
Fund Name	**Account Type**	**Amount**	**Description**
Permissive Motor Vehicle License	Local Tax Revenue	$24,266	Recorded as Intergovernmental Revenue
Adjustments			
Permissive Motor Vehicle License Street Construction Maintenance and Repair	Local Tax Revenue Intergovernmental Revenue	$23,705	Recorded as intergovernmental revenue in the Street Construction, Maintenance and Repair Fund rather than as local tax revenue in the Permissive Motor Vehicle License Fund

Failure to consistently follow a uniform chart of accounts increases the possibility the City will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The City Auditor should maintain the accounting system to enable the City to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a chart of accounts to help ensure that financial activity of the City is accurately recorded and reported. In addition, the City should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

Officials' Response
We did not receive a response from officials to the findings reported above.

CITY OF TORONTO
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2005-001	Ohio Revised Code Section 117.28 findings for recovery against city firefighters totaling $1,055.73	No	No action has been taken and no repayments have been made
2005-002	Ohio Revised Code Section 117.28 finding for recovery against Police Chief Danny Mosti in the amount of $735.22	No	No action has been taken and no repayments have been made
2005-003	Ohio Revised Code Section 5705.41(D)	No	Re-issued as Finding 2006-002
2005-004	Material weakness – no documentation to support the valuation of capital assets in the Business type activities	No	Re-issued as Finding 2006-003
2005-005	Lack of a system of internal control to ensure employees are compensated accurately.	Partially Corrected	Noted in the management letter

Mary Taylor, CPA
Auditor of State

CITY OF TORONTO

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 31, 2009

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