



Dave Yost • Auditor of State

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Toronto City School District
Jefferson County
1307 Dennis Way
Toronto, Ohio 43964

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Toronto City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Toronto City School District, Jefferson County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof and the 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 January 23, 2013, on our consideration of the District'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 did 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 testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Government Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule was subject to auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting records used to prepare the basic financial statements or the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 23, 2013

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited**

The discussion and analysis of the financial performance of Toronto City School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

In total, net assets decreased \$3,000,617.

General revenues accounted for \$4,078,801, or 66 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$2,116,267, or 34 percent of total revenues of \$6,195,068.

The District's major funds are the General Fund, the Bond Retirement Fund and the Classroom Facilities Fund.

The General Fund had \$6,614,657 in revenues and other financing sources and \$7,108,442 in expenditures and other financing uses. The General Fund's balance decreased \$493,785 from the prior fiscal year.

The Bond Retirement Fund had \$663,109 in revenues and \$717,947 in expenditures. The Bond Retirement Fund's balance decreased \$54,838 from the prior fiscal year.

The Classroom Facilities Fund had \$7,479,417 in revenues and \$2,528,970 in expenditures. The Classroom Facilities Fund's balance increased \$4,950,447 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund and Classroom Facilities Fund are by far the most significant funds. The General Fund, the Bond Retirement Fund and the Classroom Facilities Fund are the only major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited**

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund and the Classroom Facilities Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2012 compared to fiscal year 2011.

**Table 1
Net Assets
Governmental Activities**

	2012	2011
<u>Assets:</u>		
Current and Other Assets	\$20,967,835	\$26,829,186
Capital Assets, Net	5,165,862	2,136,892
Total Assets	<u>26,133,697</u>	<u>28,966,078</u>
<u>Liabilities:</u>		
Current and Other Liabilities	2,875,189	2,694,539
Long-Term Liabilities	9,083,731	9,022,725
Total Liabilities	<u>11,958,920</u>	<u>11,717,264</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	5,126,167	2,105,947
Restricted	6,086,897	11,813,127
Unrestricted	2,961,713	3,329,740
Total	<u>\$14,174,777</u>	<u>\$17,248,814</u>

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011. The decrease in net assets was attributed to the issuance of construction bonds in fiscal year 2011.

**Table 2
Change in Net Assets
Governmental Activities**

	2012	2011
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,010,025	\$803,463
Operating Grants, Contributions and Interest	1,106,242	1,651,412
Total Program Revenues	<u>2,116,267</u>	<u>2,454,875</u>
General Revenues:		
Property Taxes	1,638,638	1,559,157
Grants and Entitlements not Restricted	2,227,084	4,598,546
Grants and Entitlements Restricted for Ohio School Facilities		11,739,413
Gifts and Donations	85,197	9,711
Interest	75,911	63,682
Miscellaneous	(157)	10,922
Proceeds from Sale of Capital Assets	2,128	4,812
Insurance Recoveries	50,000	
Total General Revenues	<u>4,078,801</u>	<u>17,986,243</u>
Total Revenues	<u>6,195,068</u>	<u>20,441,118</u>

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited**

<u>Expenses:</u>		
Instruction	\$4,958,410	\$5,057,738
Support Services:		
Pupils	270,046	231,306
Instructional Staff	271,508	268,006
Board of Education	10,318	10,355
Administration	955,843	936,834
Fiscal	326,180	306,453
Business	73,856	65,971
Operation and Maintenance of Plant	735,065	857,018
Pupil Transportation	128,662	129,736
Central	10,274	
Non-Instructional	396,614	399,797
Extracurricular Activities	302,996	278,436
Capital Outlay	28,311	
Interest and Fiscal Charges	727,602	230,324
Total Expenses	<u>9,195,685</u>	<u>8,771,974</u>
Increase/(Decrease) in Net Assets	<u>(\$3,000,617)</u>	<u>\$11,669,144</u>

The District had a decrease in program revenue due mainly to the decrease in intergovernmental revenue for the new building construction project.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Instruction	\$4,958,410	\$3,630,885	\$5,057,738	\$3,366,520
Support Services:				
Pupils	270,046	215,046	231,306	223,015
Instructional Staff	271,508	175,596	268,006	141,237
Board of Education	10,318	10,318	10,355	10,355
Administration	955,843	884,612	936,834	867,888
Fiscal	326,180	326,180	306,453	305,831
Business	73,856	73,856	65,971	65,971
Operation and Maintenance of Plant	735,065	735,065	857,018	841,967
Pupil Transportation	128,662	128,662	129,736	129,736
Central	10,274	10,274		
Non-Instructional	396,614	10,460	399,797	9,755
Extracurricular Activities	302,996	122,551	278,436	124,500
Capital Outlay	28,311	28,311		
Interest and Fiscal Charges	727,602	727,602	230,324	230,324
Total Expenses	<u>\$9,195,685</u>	<u>\$7,079,417</u>	<u>\$8,771,974</u>	<u>\$6,317,099</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 73 percent of instruction activities are supported through taxes and other general revenues.

The District's Funds

The District's major governmental funds are the General Fund, the Bond Retirement Fund and the Classroom Facilities Fund.

Total governmental funds had revenues and other financing sources of \$16,246,221 and expenditures of \$12,367,879. The net positive change of \$3,878,342 in fund balance for the year indicates the District's was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$8,112,491 while actual expenditures were \$7,584,912. The \$527,579 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$5,165,862 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see Note 7 to the basic financial statements.

Debt

At June 30, 2012, the District had \$8,709,008 in classroom facilities and school improvement general obligation bonds, capital appreciation bonds and accretion on bonds for construction and building improvements. The bonds were issued in the amount of \$8,652,806 for a thirty-five year period, with final maturity on December 1, 2045.

At June 30, 2012, the District's overall legal debt margin was (\$2,573,526), with an un-voted debt margin of \$66,034.

For further information regarding the District's debt, see Note 12 to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Toronto is a small residential community of 5,024 people along the Ohio River in Eastern Ohio. Its major business is TIMET, a worldwide producer/distributor of titanium sheet metal products. Many of its residents are employed in the area gaming industry at Mountaineer Park and Wheeling Downs as well as The Franciscan University of Steubenville, Trinity Health Systems and Wal Mart Distribution Center. It also has a number of small and medium businesses.

The District is currently operating in the second year of the state biennium budget. 22 percent of District revenue sources are from local funds, 71 percent is from state funds, and the remaining 7 percent is from federal funds. The total expenditure per pupil was calculated at \$9,923.

Over the past several years, the District has remained in a good financial position. In May 1995, the District passed a 5 mill five-year operating levy. Voters have approved a replacement of the levy in November 1999, November 2004, and again in November 2009. The replacement levy will generate \$328,661 annually. The last collection on that levy will occur in calendar year 2015. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of federal and state budget crises and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cheryl Vukelic, Treasurer, Toronto City School District, 1307 Dennis Way., Toronto, Ohio 43964.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Statement of Net Assets
June 30, 2012**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	8,954,663
Cash and Cash Equivalents with Fiscal Agents		2,299,954
Investments		7,375,720
Materials and Supplies Inventory		18,361
Accrued Interest Receivable		1,812
Accounts Receivable		2,242
Intergovernmental Receivable		178,025
Prepaid Items		6,604
Taxes Receivable		1,938,341
Deferred Charges		192,113
Capital Assets:		
Non-Depreciable Capital Assets		3,981,071
Depreciable Capital Assets, net		1,184,791
Total Assets		<u>26,133,697</u>
 LIABILITIES:		
Accounts Payable		19,565
Accrued Wages and Benefits		582,302
Contracts Payable		373,083
Intergovernmental Payable		191,023
Matured Compensated Absences Payable		35,228
Deferred Revenue		1,561,429
Claims Payable		112,559
Long-Term Liabilities:		
Due Within One Year		182,691
Due in More Than One Year		8,901,040
Total Liabilities		<u>11,958,920</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		5,126,167
Restricted for Debt Service		451,718
Restricted for Capital Outlay		5,380,746
Restricted for Other Purposes		254,433
Unrestricted		2,961,713
Total Net Assets	\$	<u>14,174,777</u>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2012**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Instruction:			
Regular	\$ 3,120,352	\$ 734,445	\$ 222,528
Special	1,004,880		346,089
Vocational	101,889		24,463
Student Intervention Services	77,417		(77,417)
Other	653,872		(653,872)
Support Services:			
Pupils	270,046		55,000
Instructional Staff	271,508	6,060	89,852
Board of Education	10,318		(10,318)
Administration	955,843		71,231
Fiscal	326,180		(326,180)
Business	73,856		(73,856)
Operation and Maintenance of Plant	735,065		(735,065)
Pupil Transportation	128,662		(128,662)
Central	10,274		(10,274)
Operation of Non-Instructional Services	396,614	89,075	297,079
Extracurricular Activities	302,996	180,445	(122,551)
Capital Outlay	28,311		(28,311)
Interest and Fiscal Charges	727,602		(727,602)
Totals	\$ 9,195,685	\$ 1,010,025	\$ 1,106,242
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			1,289,013
Property Taxes, Levied for Debt Service			322,528
Property Taxes, Levied for Other			27,097
Grants and Entitlements not Restricted to Specific Programs			2,227,084
Gifts and Donations not Restricted to Specific Programs			85,197
Investment Earnings			75,911
Miscellaneous			(157)
Proceeds from Sale of Capital Assets			2,128
Insurance Recoveries			50,000
Total General Revenues			4,078,801
Change in Net Assets			(3,000,617)
Net Assets Beginning of Year (Restated-Note 22)			17,175,394
Net Assets End of Year			\$ 14,174,777

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,512,73	\$ 390,992	\$ 6,410,517	\$ 640,415	\$ 8,954,663
Investments			7,360,401	15,319	7,375,720
Materials and Supplies Inventory				18,361	18,361
Accrued Interest Receivable			1,756		1,756
Accounts Receivable	2,242				2,242
Intergovernmental Receivable				178,025	178,025
Prepaid Items	6,604				6,604
Taxes Receivable	1,542,866	364,823		30,652	1,938,341
Total Assets	<u>\$ 3,064,451</u>	<u>\$ 755,815</u>	<u>\$ 13,772,674</u>	<u>\$ 882,772</u>	<u>\$ 18,475,712</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 19,565				\$ 19,565
Accrued Wages and Benefits	488,742			93,560	582,302
Contracts Payable			117,953	255,130	373,083
Intergovernmental Payable	170,139			20,884	191,023
Matured Compensated Absences Payable	26,229			8,999	35,228
Deferred Revenue	1,404,319	331,365		127,226	1,862,910
Total Liabilities	<u>2,108,994</u>	<u>331,365</u>	<u>117,953</u>	<u>505,799</u>	<u>3,064,111</u>
Fund Balances					
Nonspendable	6,604			18,361	24,965
Restricted		424,450	13,654,721	406,844	14,486,015
Assigned	31,602				31,602
Unassigned	917,251			(48,232)	869,019
Total Fund Balances	<u>955,457</u>	<u>424,450</u>	<u>13,654,721</u>	<u>376,973</u>	<u>15,411,601</u>
Total Liabilities and Fund Balances	<u>\$ 3,064,451</u>	<u>\$ 755,815</u>	<u>\$ 13,772,674</u>	<u>\$ 882,772</u>	<u>\$ 18,475,712</u>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2012**

Total Governmental Fund Balances	\$	15,411,601
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		5,165,862
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		301,481
Internal Service Fund		2,187,451
Deferred Charges		192,113
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Capital Leases Payable	(20,991)	
Bonds Payable	(8,124,116)	
Accretion on Bonds	(151,488)	
Premium on Bonds Issued	(433,404)	
Compensated Absences Payable	(353,732)	
	(9,083,731)	
Net Assets of Governmental Activities	\$	14,174,777

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 1,357,620	\$ 333,368		\$ 28,008	\$ 1,718,996
Intergovernmental	4,386,459	329,741	7,449,556	1,180,756	13,346,512
Interest	1,300		29,511	2,709	33,520
Tuition and Fees	734,445			6,060	740,505
Extracurricular Activities	82,712			97,733	180,445
Gifts and Donations	500			84,697	85,197
Customer Sales and Services				89,075	89,075
Miscellaneous	(507)		350		(157)
Total Revenues	<u>6,562,529</u>	<u>663,109</u>	<u>7,479,417</u>	<u>1,489,038</u>	<u>16,194,093</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,830,631			286,542	3,117,173
Special	582,453			437,626	1,020,079
Vocational	101,736				101,736
Student Intervention Services	77,417				77,417
Other	655,504				655,504
Support Services:					
Pupils	273,164			5,727	278,891
Instructional Staff	187,243			103,499	290,742
Board of Education	10,318				10,318
Administration	895,619			72,874	968,493
Fiscal	318,473	10,162		2,046	330,681
Business	73,599				73,599
Operation and Maintenance of Plant	766,119				766,119
Pupil Transportation	127,283				127,283
Central	10,274				10,274
Operation of Non-Instructional Services	(1,558)			396,308	394,750
Extracurricular Activities	179,100			116,670	295,770
Capital Outlay			2,528,970	601,228	3,130,198
Debt Service:					
Principal	9,954	75,880			85,834
Interest	1,113	631,905			633,018
Total Expenditures	<u>7,098,442</u>	<u>717,947</u>	<u>2,528,970</u>	<u>2,022,520</u>	<u>12,367,879</u>
Excess of Revenues Over (Under) Expenditures	<u>(535,913)</u>	<u>(54,838)</u>	<u>4,950,447</u>	<u>(533,482)</u>	<u>3,826,214</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In				10,000	10,000
Proceeds from Sale of Capital Assets	2,128				2,128
Insurance Recoveries	50,000				50,000
Transfers Out	(10,000)				(10,000)
Total Other Financing Sources and Uses	<u>42,128</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>52,128</u>
Net Change in Fund Balances	(493,785)	(54,838)	4,950,447	(523,482)	3,878,342
Fund Balance (Deficit) at Beginning of Year	1,449,242	479,288	8,704,274	900,455	11,533,259
Fund Balance (Deficit) at End of Year	<u>\$ 955,457</u>	<u>\$ 424,450</u>	<u>\$ 13,654,721</u>	<u>\$ 376,973</u>	<u>\$ 15,411,601</u>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ 3,878,342

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

Governmental funds report capital outlay as expenditures. However, on 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 outlay exceeds depreciation in the current year.

Capital Outlay	3,154,114	
Depreciation	(120,728)	
	3,033,386	3,033,386

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(4,416)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(10,013,186)	
Delinquent Property Taxes	(80,358)	
	(10,093,544)	(10,093,544)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

85,834

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

(94,584)

Internal service fund is not included in governmental fund financial statements.

178,936

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	15,429	
	15,429	15,429

Change in Net Assets of Governmental Activities		\$ <u><u>(3,000,617)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/(Negative)</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,425,369	\$ 1,370,328	\$ 1,370,329	\$ 1
Intergovernmental	4,229,092	4,399,755	4,386,459	(13,296)
Interest	7,500	1,500	1,300	(200)
Tuition and Fees	666,000	722,886	735,807	12,921
Extracurricular Activities	60,000	83,000	82,712	(288)
Gifts and Donations	500	500	500	0
Miscellaneous			1	1
Total Revenues	<u>6,388,461</u>	<u>6,577,969</u>	<u>6,577,108</u>	<u>(861)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,447,480	3,447,480	2,912,748	534,732
Special	558,534	558,534	600,802	(42,268)
Vocational	124,924	112,756	117,020	(4,264)
Student Intervention Services	73,359	73,359	77,417	(4,058)
Other	655,500	655,500	676,932	(21,432)
Support Services:				
Pupils	299,296	299,296	296,721	2,575
Instructional Staff	192,495	192,495	189,620	2,875
Board of Education	12,134	12,134	10,271	1,863
Administration	954,249	954,249	972,446	(18,197)
Fiscal	312,631	312,631	321,968	(9,337)
Business	66,150	96,150	92,863	3,287
Operation and Maintenance of Plant	1,013,493	1,013,493	937,404	76,089
Pupil Transportation	163,175	163,175	161,391	1,784
Extracurricular Activities	186,239	186,239	184,177	2,062
Total Expenditures	<u>8,059,659</u>	<u>8,077,491</u>	<u>7,551,780</u>	<u>525,711</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,671,198)</u>	<u>(1,499,522)</u>	<u>(974,672)</u>	<u>524,850</u>
Other Financing Sources and Uses:				
Proceeds from Sale of Capital Assets	5,000	5,000	2,128	(2,872)
Insurance Recoveries		50,000	50,000	0
Refund of Prior Year Expenditures	40,000	30,500	30,498	(2)
Transfers Out	(20,000)	(10,000)	(10,000)	0
Refund of Prior Year Receipts	(25,000)	(25,000)	(23,132)	1,868
Total Other Financing Sources and Uses	<u>0</u>	<u>50,500</u>	<u>49,494</u>	<u>(1,006)</u>
Net Change in Fund Balances	(1,671,198)	(1,449,022)	(925,178)	523,844
Fund Balance (Deficit) at Beginning of Year	2,045,153	2,045,153	2,045,153	0
Prior Year Encumbrances Appropriated	165,322	165,322	165,322	0
Fund Balance (Deficit) at End of Year	<u>\$ 539,277</u>	<u>\$ 761,453</u>	<u>\$ 1,285,297</u>	<u>\$ 523,844</u>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Statement of Fund Net Assets
Proprietary Fund
June 30, 2012**

**Governemental
Activities -
Internal Service**

ASSETS:

Current Assets:

Cash and Cash Equivalents with Fiscal Agents	\$ 2,299,954
Accrued Interest Receivable	<u>56</u>
Total Current Assets	<u>2,300,010</u>

Total Assets	<u><u>2,300,010</u></u>
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LIABILITIES:

Current Liabilities:

Claims Payable	<u>112,559</u>
Total Current Liabilities	<u>112,559</u>

Total Liabilities	<u><u>112,559</u></u>
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NET ASSETS:

Unrestricted	<u>2,187,451</u>
Total Net Assets	<u><u>\$ 2,187,451</u></u>

See Accompanying Notes to Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities - Internal Service
OPERATING REVENUES:	
Charges for Services	\$ 1,138,251
Total Operating Revenues	<u>1,138,251</u>
OPERATING EXPENSES:	
Purchased Services	63,107
Claims	<u>938,599</u>
Total Operating Expenses	<u>1,001,706</u>
Operating Income (Loss)	<u>136,545</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest	<u>42,391</u>
Total Non-Operating Revenues (Expenses)	<u>42,391</u>
Net Change in Net Assets	178,936
Net Assets (Deficit) at Beginning of Year	<u>2,008,515</u>
Net Assets (Deficit) at End of Year	<u>\$ 2,187,451</u>

See Accompanying Notes to Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities - Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 1,138,251
Cash Payments for Purchased Services	(63,107)
Cash Payments for Claims	(937,893)
Net Cash Used by Operating Activities	<u>137,251</u>
Cash Flows from Investing Activities:	
Interest Received	42,335
Net Cash Provided (Used) by Investing Activities	<u>42,335</u>
Net Increase (Decrease) in Cash and Cash Equivalents	179,586
Cash and Cash Equivalents at Beginning of Year	2,120,368
Cash and Cash Equivalents at End of Year	<u>\$ 2,299,954</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 136,545
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	706
Net Cash Used by Operating Activities	<u>\$ 137,251</u>

See Accompanying Notes to Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 1,152	\$ 29,420
Investments	<u>23,751</u>	<u>29,420</u>
Total Assets	<u>24,903</u>	<u>29,420</u>
Liabilities		
Current Liabilities:		
Undistributed Monies	<u>0</u>	<u>29,420</u>
Total Liabilities	<u>0</u>	<u>\$ 29,420</u>
Net Assets		
Held in Trust for Scholarships	<u>24,903</u>	
Total Net Assets	<u>\$ 24,903</u>	

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest	\$ 168
Gifts and Contributions	75
Total Additions	<u>243</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	375
Total Deductions	<u>375</u>
Change in Net Assets	(132)
Net Assets Beginning of Year	25,035
Net Assets End of Year	<u>\$ 24,903</u>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Toronto City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Toronto City School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's two instructional/support facilities staffed by 39 non-certified and 67 certified full-time teaching personnel who provide services to 837 students and other community members.

The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with four organizations, which are defined as jointly governed organizations and insurance purchasing pools. These organizations include the Ohio Mid-Eastern Regional Education Service Agency, the Jefferson County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds focus 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 General Fund, the Bond Retirement Fund and the Classroom Facilities Fund are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for revenues and expenditures related to the construction of new school buildings.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

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

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for the operation of the District's self-insurance program for employee medical, vision, prescription drug, and dental claims.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from 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: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

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 June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level in all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts 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 final appropriations were passed by the Board.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$1,300 and \$745 to other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Books	6 years
Equipment	10 years

I. Deferred Charges

On the governmental fund statements, bond issuance costs are recorded as expenditures when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.

As permitted by State Statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

J. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are reported in the year the bonds are issued.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements.

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

N. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

O. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. 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.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – 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 fund financial statements are the following:

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

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 Fund	
Budget Basis	(\$925,178)
Net adjustment for revenue accrual	(14,579)
Net adjustment for expenditure accrual	225,899
Net adjustment for other sources/uses	(7,366)
Adjustment for encumbrances	227,439
GAAP Basis	(\$493,785)

4. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active monies must be maintained either as cash in the District 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 Board has identified as not required for use within the current five 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.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2012, the District's internal service fund had a balance of \$2,299,954 with OME-RESA, a claims servicing pool (See Note 8). The balance is held by the claims administrator in a pooled account that is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$9,026,002. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, \$8,743,480 of the District's bank balance of \$9,243,480 was uninsured and uncollateralized. Although these securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**TORONTO CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2012, investments were limited to money market funds, Federal Home Loan Bank securities, Federal Farm Credit securities, Federal National Mortgage Association securities and certificates of deposit.

Investment Type	Fair Value	Maturing in Less than One year	Maturing in One to Two Years
Federal Farm Credit Notes	\$424,958	\$149,958	\$275,000
Federal Home Loan Bank Notes	3,373,927	1,224,664	2,149,263
Federal Home Loan Bank Discount Notes	269,988	269,988	
Federal Home Loan Mortgage Credit Notes	564,548	564,548	
Federal Home Loan Mortgage Credit Discount Notes	289,386	289,386	
Federal National Mortgage Association Notes	1,012,584	738,365	274,219
US Treasury Bills	1,418,690	1,418,690	
Money Market	6,320	6,320	
Total Investments	\$7,360,401	\$4,661,919	\$2,698,482

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk - The Federal Home Loan Mortgage Credit Notes, Federal National Mortgage Association Notes, and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. Ohio law requires that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Credit Notes, Federal National Mortgage Association Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Farm Credit Notes, the Federal Home Loan Bank Notes, the Federal Home Loan Bank Discount Notes, the Federal Home Loan Mortgage Credit Notes, the Federal Home Loan Mortgage Credit Discount Notes, and the Federal National Mortgage Association Notes, represent 6 percent, 46 percent, 4 percent, 8 percent, 4 percent, and 14 percent, respectively, of the District's total investments.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2012 were levied after April 1, 2011, on the assessed values as of December 31, 2010, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2012 (other than public utility property) represent the collection of calendar year 2012 taxes. Tangible personal property taxes for 2012 were levied after April 1, 2011, on the value as of December 31, 2010. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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 was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Jefferson County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2012 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2012, was \$138,547 in the General Fund, \$33,458 in the Bond Retirement Fund, and \$2,810 in the Classroom Facilities Maintenance Fund.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$52,214,520	79%	\$52,262,650	79%
Industrial/Commercial	9,626,320	15%	9,611,320	15%
Public Utility	3,896,730	6%	4,159,650	6%
Total Assessed Value	<u>\$65,737,570</u>	<u>100%</u>	<u>\$66,033,620</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.10		\$44.10	

6. RECEIVABLES

Receivables at June 30, 2012, consisted of property, accounts (rent and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Title VI-B	\$35,143
Title I School Improvement	54,292
Title I	84,558
Early Childhood Special Ed	55
Title II-A	3,977
Total Intergovernmental Receivables	<u>\$178,025</u>

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. CAPITAL ASSETS (Continued)

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>
Governmental Activities				
Non-Depreciable Capital Assets				
Land	\$215,638			\$215,638
Construction in Progress	663,546	\$3,101,887		3,765,433
Total Non-Depreciable Capital Assets	<u>879,184</u>	<u>3,101,887</u>		<u>3,981,071</u>
Depreciable Capital Assets				
Land Improvements	886,148		\$95,343	790,805
Buildings and Building Improvements	5,132,305	37,827	534,426	4,635,706
Furniture, Fixtures, and Equipment	457,554	2,600	47,306	412,848
Vehicles	577,987	11,800		589,787
Books	233,584		48,371	185,213
Total Depreciable Capital Assets	<u>7,287,578</u>	<u>52,227</u>	<u>725,446</u>	<u>6,614,359</u>
Less Accumulated Depreciation				
Land Improvements	707,579	19,891	93,195	634,275
Buildings and Building Improvements	4,256,559	50,843	533,382	3,774,020
Furniture, Fixtures, and Equipment	389,332	15,926	46,082	359,176
Vehicles	442,816	34,068		476,884
Books	233,584		48,371	185,213
Total Accumulated Depreciation	<u>6,029,870</u>	<u>120,728</u>	<u>721,030</u>	<u>5,429,568</u>
Depreciable Capital Assets, Net	<u>1,257,708</u>	<u>(68,501)</u>	<u>4,416</u>	<u>1,184,791</u>
Governmental Activities Capital Assets, Net	<u>\$2,136,892</u>	<u>\$3,033,386</u>	<u>\$4,416</u>	<u>\$5,165,862</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$61,145
Special	260
Vocational	2,339
Support Services:	
Administration	3,970
Business	257
Operation and Maintenance of Plant	31,224
Pupil Transportation	8,478
Non-Instructional Services	1,998
Extracurricular	11,057
Total Depreciation Expense	<u>\$120,728</u>

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District's insurance coverage was as follows:

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

<u>Type of Coverage</u>	<u>Insurance Carrier</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	Ohio Casualty Insurance Company/Netherlands Insurance	\$5,000	\$30,135,096
Boiler and Machinery	Travelers Property Casualty	1,000	5,000,000
Commercial Auto Comprehensive Collision	Ohio Casualty/ Peerless Insurance	100 250	1,000,000
Uninsured Motorists/Underinsured Commercial Inland Marine	Ohio Casualty/Peerless Insurance	250	1,000,000
Musical Instruments	Ohio Casualty/Netherlands Insurance	500	134,946
Other		250	214,878
Commercial Umbrella Liability Per occurrence	Ohio Casualty/Midwestern Indemnity Insurance	0	3,000,000
Aggregate		0	3,000,000
Sexual Misconduct/ Molestation Liability Per occurrence	Ohio Casualty/Netherlands Insurance		1,000,000
Aggregate			1,000,000
School Leaders Errors & Omissions	Ohio Casualty/Netherlands Insurance	2,500	1,000,000
Employee Benefits Liability Per Employee	Ohio Casualty/Netherlands Insurance	1,000	1,000,000
Aggregate			3,000,000
Commercial General Liability Per occurrence	Ohio Casualty/Netherlands Insurance		1,000,000
Aggregate			2,000,000

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

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf.

The claims liability of \$112,559 reported in the Internal Service Fund at June 30, 2012 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2011	\$43,518	\$967,524	\$899,189	\$111,853
2012	\$111,853	\$938,599	\$937,893	\$112,559

9. DEFINED PENSION BENEFIT PLANS

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.70 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$129,017, \$132,295, and \$141,562, respectively; 56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$501,290, \$524,102, and \$480,469, respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

10. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**TORONTO CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,587, \$13,512, and \$42,064 respectively; 56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$7,619, \$7,182 and \$7,584, respectively; 56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$38,561, \$37,436, and \$34,319 respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

11. COMPENSATED ABSENCES

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified personnel and 265 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for certified employees and 57 days classified employees.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. LONG-TERM OBLIGATIONS

During the year ended June 30, 2012, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Classroom Facilities & School Improvement Bonds					
Series 2010 A	\$249,996		\$75,880	\$174,116	\$61,040
Series 2010 B	6,200,000			6,200,000	
Series 2010 C	1,750,000			1,750,000	
Accretion on Bonds	49,702	\$ 101,786		151,488	
Premium on Bonds	446,341		12,937	433,404	12,937
Total	<u>8,696,039</u>	<u>101,786</u>	<u>88,817</u>	<u>8,709,008</u>	
Capital Leases	30,945		9,954	20,991	10,331
Compensated Absences	369,161	39,706	55,135	353,732	98,383
Total	<u>\$9,096,145</u>	<u>\$141,492</u>	<u>\$153,906</u>	<u>\$9,083,731</u>	<u>\$182,691</u>

2010 School Facilities Loan – On December 20, 2010, the District issued \$8,199,996 in voted general obligation bonds for permanent improvements and classroom additions. The bonds were issued for a thirty-five year period, with final maturity in fiscal year 2045. The bonds consisted of \$249,996 of tax exempt bonds, \$6,200,000 in federally taxable Build America Term Bonds, and \$1,750,000 in federally taxable Qualified School Construction Bonds. The bonds are being retired through the Bond Retirement Debt Service Fund. The District had \$8,024,996 in unspent proceeds as of June 30, 2012.

The Build America Bonds maturing on December 1, 2034 (the 2034 Build America Bonds Term Bonds), on December 1, 2039 (the 2039 Build America Bonds Term Bonds), and the December 1, 2045 (the 2045 Build America Bonds Term Bonds), are subject to mandatory redemption, in part, by lot pursuant to the terms of the mandatory redemption requirements of the authorizing legislation. The mandatory redemption of the 2034 Build America Bonds Term Bonds is to occur on December 1 in each of the years 2029 through 2033 (with the balance of \$260,000 to be paid at stated maturity on December 1, 2034). The mandatory redemption of the 2039 Build America Term Bonds is to occur on December 1 in each of the years 2035 through 2038 (with the balance of \$410,000 to be paid at stated maturity on December 1, 2039). The mandatory redemption of the 2045 Build America Term Bonds is to occur on December 1 in each of the years 2040 through 2044 (with the balance of \$525,000 to be paid at stated maturity on December 1, 2045). Bonds are redeemable at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, according to the following schedule:

2034 Build America Bonds Term Bonds		2039 Build America Bonds Term Bonds		2045 Build America Bonds Term Bonds	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2029	\$ 210,000	2035	\$ 300,000	2040	\$ 440,000
2030	\$ 180,000	2036	\$ 320,000	2041	\$ 465,000
2031	\$ 225,000	2037	\$ 370,000	2042	\$ 490,000
2032	\$ 230,000	2038	\$ 390,000	2043	\$ 555,000
2033	\$ 245,000			2044	\$ 585,000

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

The Build America Bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The Qualified School Construction Bonds are subject to mandatory redemption in part by lot pursuant to the terms of the mandatory redemption requirements of the authorizing legislation. The mandatory redemption of the Qualified School Construction Bonds is to occur on December 1 in each of the years 2018 through 2027 (with the balance of \$210,000 to be paid at stated maturity on December 1, 2028), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2018	\$90,000
2019	\$115,000
2020	\$130,000
2021	\$150,000
2022	\$155,000
2023	\$160,000
2024	\$160,000
2025	\$185,000
2026	\$190,000
2027	\$205,000

The Qualified School Construction Bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The Capital Appreciation Serial Bonds will mature in fiscal years 2012 through 2018. The maturity amounts of these bonds each year are \$105,000, \$120,000, \$115,000, \$115,000, \$110,000, \$110,000, and \$110,000, respectively, for a total maturity of \$785,000.

Principal and interest requirements to retire general long-term obligations at June 30, 2012, were as follows:

<u>Year Ending June 30, 2011</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$61,040	\$661,745	\$722,785
2014	41,176	676,609	717,785
2015	28,982	688,803	717,785
2016	19,514	693,271	712,785
2017	13,736	699,049	712,785
2018 – 2022	494,668	3,053,182	3,547,850
2023 – 2027	850,000	2,702,075	3,552,075
2028 – 2032	1,030,000	2,364,403	3,394,403
2033 – 2037	1,355,000	1,944,682	3,299,682
2038 – 2042	2,075,000	1,289,917	3,364,917
2043 - 2046	2,155,000	350,200	2,505,200
Total	<u>\$8,124,116</u>	<u>\$15,123,936</u>	<u>\$23,248,052</u>

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Compensated absences will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the General Fund.

The District's voted legal debt margin was \$2,573,526, with an unvoted debt margin of \$66,034 at June 30, 2012.

13. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	132,318
Current Year Qualifying Disbursements	0
Excess Qualified Expenditures from Prior Years	0
Current Year Offsets from Bond Proceeds	(400,654)
Totals	(\$268,336)
Balance Carried Forward to Fiscal Year 2013	\$0
Set-aside Balance Carried Forward to FY 2013	\$0

14. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid Eastern Regional Educational Service Agency (OME-RESA)

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

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Jefferson County Joint Vocation School

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

15. GROUP PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan

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

16. INTERFUND TRANSFERS

During the year ended June 30, 2012, the District transferred \$10,000 from the General Fund to the Food Service Fund to provide additional resources for current operations.

The District is obligated under one capital lease. The cost of the leased asset (school bus) is accounted for in the Government Activities Capital Assets and the related liability in the Government Activities Long-Term Liabilities. The original cost of the asset of the leased school bus was \$72,126 at 3.60% interest.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

17. CAPITAL LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

Fiscal Year Ending June 30,	General Long-Term Obligations
2013	\$11,066
2014	11,067
Total Future Minimum Lease Payments	22,133
Less: Amount Representing Interest	(1,142)
Present Value of Future Minimum Lease Payments	\$20,991

18. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

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

C. School/Community School Contingency

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

19. FUND DEFICITS

The following funds had deficit fund balances as of June 30, 2012:

Special Revenue Funds:	
Public School Preschool	\$24,348
Education Jobs	\$21,256
Special Education Preschool	\$271
Title II-A	\$404

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

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

20. CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District had contractual purchase commitments for construction services relating to the Ohio School Facilities Project. The contract amount for these services is as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
The Conti Corporation	\$982,900	\$23,393	\$959,507
Four Seasons Environmental	47,552	25,488	22,064
Hammond Construction	995,517	410,112	585,405
Horizon Information Systems	158,100	0	158,100
Kahoe Air Balance Co.	39,950	0	39,950
Kalkreuth Roofing Sheet Metal Inc	622,836	0	622,836
Lawhon Associates, Inc.	8,449	2,535	5,914
Lesko Associates	1,010,432	785,568	224,864
Rooftec, Inc.	21,565	1,260	20,305
Southern Cabinetry	350,700	0	350,700
Tri-State Security	115,224	0	115,224
Vendrick Construction Inc.	6,343,600	0	6,343,600
Wood Electric Inc.	1,345,659	56,866	1,288,793
York Mahoning Mechanical Contractors	1,956,000	0	1,956,000
Cattrell Companies	35,450	26,592	8,858
E&D Specialty Stands	244,210	234,442	9,768
Ercel Mullins Construction	357,118	222,202	134,916
Rod Henry	35,000	24,000	11,000
Team 8E Architecture	35,000	28,834	6,166
York Mahoning	11,880	6,192	5,688
Totals	<u>\$14,717,142</u>	<u>\$1,847,484</u>	<u>\$12,869,658</u>

22. RESTATEMENT

The beginning balance on the statement of activities was adjusted due to an overstatement of the District's debt. The restatement is as follows:

Statement of Activities	
Net Assets, June 30, 2011	\$17,248,814
Restatement of Debt	<u>(73,420)</u>
Restated Net Assets, June 30, 2011	<u>\$17,175,394</u>

TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF Agriculture				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Commodity Supplemental Food Program (Non Cash)	03-PU-12	11	\$18,868	\$18,868
School Breakfast Program	05-PU-12	10.553	\$57,113	\$57,113
National School Lunch Program	04-PU-12	10.555	178,448	178,448
Total Child Nutrition Cluster			<u>254,429</u>	<u>254,429</u>
Total U.S. Department of Agriculture			<u>254,429</u>	<u>254,429</u>
U.S. DEPARTMENT OF Education				
<i>Passed Through Ohio Department of Education</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	C1-S1-11	84.010	70,453	71,627
	C1-S1-12		224,666	222,185
			708	708
Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	17,221	17,221
Total Title I, Part A Cluster			<u>295,827</u>	<u>311,741</u>
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-11	84.027	39,041	40,579
	6B-SF-12		152,210	151,144
Special Education - Grants to States (IDEA Part B), Recovery Act	2011	84.391	4,207	4,207
Special Education - Preschool Grants	PG-S1-11	84.173	93	824
	PG-S1-12		4,580	4,163
Total Special Education Cluster			<u>200,131</u>	<u>200,917</u>
Educational Technology State Grants Cluster:				
Title II Part D Education Technology State Grant	TJ-S1-11	84.318		65
	TJ-S1-12		2,041	2,041
Total Educational Technology State Grants Cluster			<u>2,041</u>	<u>2,106</u>
Title II-A Improving Teacher Quality State Grant				
	TR-S1-11	84.367		7,832
	TR-S1-12		42,951	39,988
Total Title II-A Improving Teacher Quality State Grant			<u>42,951</u>	<u>47,820</u>
Race to the Top Grant, Recovery Act				
	2011	84.395	44,397	50,478
Total Race to the Top Grant, Recovery Act			<u>44,397</u>	<u>50,478</u>
Education Jobs Fund				
	2011	84.410	150,376	150,151
Total Education Jobs Fund			<u>150,376</u>	<u>150,151</u>
Total U.S. Department of Education			<u>735,723</u>	<u>763,213</u>
Total Federal Financial Assistance			<u>\$990,152</u>	<u>\$1,017,642</u>

The accompanying notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2012**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

B. CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U. S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District expends federal monies first.

C. FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities. It is assumed federal monies are expended first. At June 30, 2012, the District had no significant food commodities in inventory.



Dave Yost • Auditor of State

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

Toronto City School District
Jefferson County
1307 Dennis Way
Toronto, Ohio 43964

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Toronto City School District, Jefferson County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2013. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 23, 2013.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, others within the District and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

January 23, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Toronto City School District
Jefferson County
1307 Dennis Way
Toronto, Ohio 43964

To the Board of Education:

Compliance

We have audited the compliance of Toronto City School District, Jefferson County, Ohio, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Toronto City School District's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2012-02 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its Title 1 major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Toronto City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-02 to be a material weakness.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 8, 2013.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's responses and accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others in the District and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 23, 2013

**TORONTO CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I 84.010, 84.389
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2012-01

Noncompliance/Material Weakness

Ohio Administrative Code Section 117-2-02 (D) (4) (C) provides that each local public office should maintain and provide capital asset records including such information as the original cost, acquisition date, purchase voucher number, asset type, asset description, location, and tag number.

The District maintained a capital asset inventory listing that was incomplete and included some assets that were no longer in use. The total amount of capital assets reported in the District's General Purpose Financial Statements and corresponding notes did not agree to the total amount of assets reported in their annual valuation report prepared by Valuation Engineers, Inc. The net variance was \$23,875 and no adjustment was made. In addition, the District failed to report \$3,101,887 as Construction in Progress related to the construction of a new school building and stadium. This amount has been adjusted and is reflected in the accompanying financial statements.

**FINDING NUMBER 2012-01
 (Continued)**

The District Treasurer should review their capital asset listing and reconcile it to amounts reported in their financial statements. The Treasurer should also thoroughly review the detailed asset listing to identify any assets which are no longer in use and take the necessary steps to have these items removed from the listing. The District should establish internal controls over capital assets to ensure that all amounts are properly recorded and reflected in their valuation as well as their annual financial report.

Official's Response:

The amount for Construction in Progress is given to us by the architect on the stadium project and the construction manager on the OSFC project. We relied on their information when that was submitted to the Ohio Dept of Education as part of our year end reporting. However, the company who does our financial statement conversion inadvertently left CIP off the statements this year. The district is involved in a \$20million renovation and new construction project. We do our own updates to fixed assets as well as our own physical inventory for assets over the threshold of \$2500. August 2013 new building will be complete and all the assets from the 100 year old Toronto High School will be removed and the new building will be added.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012-02
CFDA Title and Number	Title 84.010/84.389
Federal Award Number / Year	C1-S1-11,12
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

34 CFR 80.20 (b) (7) states in part: "When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements." Interest should not be earned on these funds. If interest is earned on the funds, the amount earned must be remitted to the U.S. Department of Education via a check sent to the Ohio Department of Education (ODE). ODE will review the calculation and determine if the amount remitted is correct. An amount of \$100 per entity per year may be retained under 34 CFR 80.21 for administrative expenses.

**FINDING NUMBER 2012-02
 (Continued)**

Funds requested for the Title I Schoolwide Program were not always spent in the period they were requested for. The following is a summary of instances in which funds were not expended until after the 30 days for the period for which they were requested for:

Month	Amount Requested	Amount Expended	Amount Not Spent Within 30 Days
December	\$31,172	\$20,790	\$10,382
February	\$20,000	\$15,828	\$4,172
March	\$20,000	\$16,010	\$3,990
April	\$33,000	\$17,550	\$15,450
August	\$27,727	\$18,433	\$9,294

The amount of interest earned for the Title I program drawdowns was less than \$100.

The District should take steps to minimize the time elapsing between the receipt and disbursement of those funds and spend the fund within 30 days of receipt. By taking such precautions, the District will ensure compliance with the cash management requirements for federal grants.

Official's Response/Corrective Action Plan:

Since we became aware of the 30 day rule we have changed the way we are asking for project cash requests to mostly a reimbursement basis instead of an advance basis. Estimated completion date of the corrective action is immediate (March 26, 2013). Cheryl Vukelic, Treasurer is the responsible contact person for the District.

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Dave Yost • Auditor of State

TORONTO CITY SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2013**