



Dave Yost • Auditor of State



**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Statement of Net Position .....	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement of Fund Net Position – Proprietary Fund .....	18
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund .....	19
Statement of Cash Flows – Proprietary Fund.....	20
Statement of Fiduciary Net Position- Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Position – Fiduciary Fund .....	22
Notes to the Basic Financial Statements .....	23
Federal Awards Receipts and Expenditures Schedule.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule .....	52
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Governmental Auditing Standards.....	53
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55
Schedule of Findings .....	57
Prior Audit Schedule of Findings.....	59
Independent Accountants' Report on Applying Agreed Upon Procedure .....	61

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 22 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of; GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items Previously Reported as Assets and Liabilities*". We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Federal Award Receipts and Expenditures Schedules 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. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**David Yost**  
Auditor of State  
Columbus, Ohio

June 30, 2014

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**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2013  
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, 2013. 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 2013 are as follows:

In total, net position increased \$2,041,384.

General revenues accounted for \$8,946,711, or 81 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$2,099,600, or 19 percent of total revenues of \$11,046,311.

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

The General Fund had \$6,466,403 in revenues and \$7,009,703 in expenditures and other financing uses. The General Fund's balance decreased \$543,300 from the prior fiscal year.

The Bond Retirement Fund had \$759,135 in revenues and \$734,022 in expenditures. The Bond Retirement Fund's balance increased \$25,113 from the prior fiscal year.

The Classroom Facilities Fund had \$2,346,821 in revenues and \$11,846,144 in expenditures. The Classroom Facilities Fund's balance decreased \$9,499,323 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 position 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, the Bond Retirement 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 position and Statement of Activities**

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2013. 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, 2013  
Unaudited  
(Continued)**

These statements report the District's net position and changes in those assets. This change in net position 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 position 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 fund. 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, 2013  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012.

**Table 1  
Net position  
Governmental Activities**

	<b>2013</b>	<b>2012</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$12,375,492	\$20,967,835
Capital Assets, Net	17,117,259	5,165,862
Total Assets	<u>29,492,751</u>	<u>26,133,697</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	2,362,193	1,313,760
Long-Term Liabilities	9,092,137	9,083,731
Total Liabilities	<u>11,454,330</u>	<u>10,397,491</u>
<b>Deferred Inflow of Resources</b>	<u>1,822,260</u>	<u>1,561,429</u>
<b><u>Net position:</u></b>		
Invested in Capital Assets, Net of Related Debt	8,374,535	5,126,167
Restricted	5,136,320	6,086,897
Unrestricted	2,705,306	2,961,713
Total	<u>\$16,216,161</u>	<u>\$14,174,777</u>

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012. The increase in net position was attributed to the increase in Construction in Progress reflected in Capital Assets, Net.

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

	<b>2013</b>	<b>2012</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$1,030,166	\$1,010,025
Operating Grants, Contributions and Interest	1,069,434	1,106,242
Total Program Revenues	<u>2,099,600</u>	<u>2,116,267</u>
General Revenues:		
Property Taxes	1,946,070	1,638,638
Grants and Entitlements not Restricted	6,791,668	2,227,084
Gifts and Donations	126,432	85,197
Interest	54,802	75,911
Miscellaneous	26,839	(157)
Proceeds from Sale of Capital Assets	900	2,128
Insurance Recoveries		50,000
Total General Revenues	<u>8,946,711</u>	<u>4,078,801</u>
Total Revenues	<u>11,046,311</u>	<u>6,195,068</u>

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2013  
Unaudited  
(Continued)**

<b><u>Expenses:</u></b>		
Instruction	\$4,699,334	\$4,958,410
Support Services:		
Pupils	255,053	270,046
Instructional Staff	256,185	271,508
Board of Education	11,976	10,318
Administration	828,713	955,843
Fiscal	310,243	326,180
Business	79,457	73,856
Operation and Maintenance of Plant	746,413	735,065
Pupil Transportation	142,010	128,662
Central		10,274
Non-Instructional	398,088	396,614
Extracurricular Activities	311,274	302,996
Capital Outlay	27,491	28,311
Interest and Fiscal Charges	938,690	727,602
Total Expenses	<u>9,004,927</u>	<u>9,195,685</u>
Increase/(Decrease) in Net position	<u>\$2,041,384</u>	<u>(\$3,000,617)</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, 2013  
Unaudited  
(Continued)**

**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>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
Instruction	\$4,699,334	\$3,310,952	\$4,958,410	\$3,630,885
Support Services:				
Pupils	255,053	251,515	270,046	215,046
Instructional Staff	256,185	172,249	271,508	175,596
Board of Education	11,976	11,976	10,318	10,318
Administration	828,713	758,790	955,843	884,612
Fiscal	310,243	289,088	326,180	326,180
Business	79,457	79,457	73,856	73,856
Operation and Maintenance of Plant	746,413	746,413	735,065	735,065
Pupil Transportation	142,010	142,010	128,662	128,662
Central			10,274	10,274
Non-Instructional	398,088	49,063	396,614	10,460
Extracurricular Activities	311,274	127,633	302,996	122,551
Capital Outlay	27,491	27,491	28,311	28,311
Interest and Fiscal Charges	938,690	938,690	727,602	727,602
Total Expenses	<u>\$9,004,927</u>	<u>\$6,905,327</u>	<u>\$9,195,685</u>	<u>\$7,079,418</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 70 percent of instruction activities are supported through taxes and other general revenues.

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 \$10,893,615 and expenditures of \$20,999,295.

**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 2013, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$7,337,249 while actual expenditures were \$6,992,387. The \$344,862 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, 2013  
Unaudited  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2013, the District had \$17,117,259 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, 2013, the District had \$8,732,064 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, 2013, the District's overall legal debt margin was (\$1,866,823), with an un-voted debt margin of \$63,852.

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 under the transition of the new funding formula. 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 \$9,156.

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 crisis 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 Coleen Wickham, Treasurer, Toronto City School District, 1307 Dennis Way., Toronto, Ohio 43964.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Statement of Net Position  
June 30, 2013**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	3,896,351
Cash and Cash Equivalents with Fiscal Agents		2,508,898
Investments		3,310,272
Materials and Supplies Inventory		18,788
Accrued Interest Receivable		1,683
Accounts Receivable		27,850
Intergovernmental Receivable		270,573
Prepaid Items		13,619
Taxes Receivable		2,327,458
Capital Assets:		
Non-Depreciable Capital Assets		15,231,557
Depreciable Capital Assets, net		1,885,702
<b>Total Assets</b>		<b><u>29,492,751</u></b>
<b>LIABILITIES:</b>		
Accounts Payable		7,489
Accrued Wages and Benefits		610,287
Contracts Payable		1,397,353
Intergovernmental Payable		223,393
Matured Compensated Absences Payable		39,213
Claims Payable		84,458
Long-Term Liabilities:		
Due Within One Year		116,051
Due in More Than One Year		8,976,086
<b>Total Liabilities</b>		<b><u>11,454,330</u></b>
<b>Deferred Inflows of Resources:</b>		
Property Taxes Levied for the Next Fiscal Year		<u>1,822,260</u>
<b>Net Position:</b>		
Net Investment in Capital Assets		8,374,535
Restricted for Debt Service		496,490
Restricted for Capital Outlay		4,200,893
Restricted for Other Purposes		438,937
Unrestricted		2,705,306
<b>Total Net Position</b>	<b>\$</b>	<b><u><u>16,216,161</u></u></b>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2013**

	<b>Program Revenues</b>		<b>Net(Expense) Revenue and Changes in Net Position</b>
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental Activities:</b>			
<b>Instruction:</b>			
Regular	\$ 3,001,873	\$ 761,008	\$ 206,218
Special	957,435		392,831
Vocational	102,447		28,325
Student Intervention Services	45,079		(45,079)
Other	592,500		(592,500)
<b>Support Services:</b>			
Pupils	255,053		3,538
Instructional Staff	256,185	12,695	71,241
Board of Education	11,976		(11,976)
Administration	828,713		69,923
Fiscal	310,243		21,155
Business	79,457		(79,457)
Operation and Maintenance of Plant	746,413		(746,413)
Pupil Transportation	142,010		(142,010)
Operation of Non-Instructional Services	398,088	72,822	276,203
Extracurricular Activities	311,274	183,641	(127,633)
Capital Outlay	27,491		(27,491)
Interest and Fiscal Charges	938,690		(938,690)
<b>Totals</b>	<b>\$ 9,004,927</b>	<b>\$ 1,030,166</b>	<b>\$ 1,069,434</b>
<b>General Revenues:</b>			
<b>Taxes:</b>			
Property Taxes, Levied for General Purposes			1,466,150
Property Taxes, Levied for Debt Service			450,287
Property Taxes, Levied for Other			29,633
Grants and Entitlements not Restricted to Specific Programs			6,791,668
Gifts and Donations not Restricted to Specific Programs			126,432
Investment Earnings			54,802
Miscellaneous			26,839
Proceeds from Sale of Capital Assets			900
<b>Total General Revenues</b>			<b>8,946,711</b>
<b>Change in Net Position</b>			<b>2,041,384</b>
<b>Net Position Beginning of Year</b>			<b>14,174,777</b>
<b>Net Position End of Year</b>			<b>\$ 16,216,161</b>

See Accompanying Notes to the Basic Financial Statements



**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 966,827	\$ 387,861	\$ 2,255,165	\$ 286,498	\$ 3,896,351
Investments			3,295,903	14,369	3,310,272
Materials and Supplies Inventory				18,788	18,788
Accrued Interest Receivable			1,683		1,683
Accounts Receivable	27,850				27,850
Intergovernmental Receivable				270,573	270,573
Prepaid Items	13,619				13,619
Taxes Receivable	1,769,862	522,927		34,669	2,327,458
<b>Total Assets</b>	<u>\$ 2,778,158</u>	<u>\$ 910,788</u>	<u>\$ 5,552,751</u>	<u>\$ 624,897</u>	<u>\$ 9,866,594</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	\$ 7,423	\$	\$	\$ 66	\$ 7,489
Accrued Wages and Benefits	535,646			74,641	610,287
Contracts Payable			1,397,353		1,397,353
Intergovernmental Payable	196,864			26,529	223,393
Matured Compensated Absences Payable	27,958			11,255	39,213
<b>Total Liabilities</b>	<u>767,891</u>	<u>0</u>	<u>1,397,353</u>	<u>112,491</u>	<u>2,277,735</u>
<b>Deferred Inflow of Resources</b>					
Property Levied for the Next Fiscal Year	1,598,110	461,225		30,871	2,090,206
Unavailable Revenue				192,732	192,732
<b>Total Deferred Inflows of Resources</b>	<u>1,598,110</u>	<u>461,225</u>	<u>-</u>	<u>223,603</u>	<u>2,282,938</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>2,366,001</u>	<u>461,225</u>	<u>1,397,353</u>	<u>336,094</u>	<u>4,560,673</u>
<b>Fund Balances</b>					
Nonspendable	13,619			18,788	32,407
Restricted		449,563	4,155,398	320,251	4,925,212
Assigned	124,754				124,754
Unassigned	273,784			(50,236)	223,548
<b>Total Fund Balances</b>	<u>412,157</u>	<u>449,563</u>	<u>4,155,398</u>	<u>288,803</u>	<u>5,305,921</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 2,778,158</u>	<u>\$ 910,788</u>	<u>\$ 5,552,751</u>	<u>\$ 624,897</u>	<u>\$ 9,866,594</u>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2013**

Total Governmental Fund Balances	\$	5,305,921
<p>Amounts reported for governmental activities on the statement of Net Position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		17,117,259
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	267,946	
Grants and Intergovernmental Revenues	192,732	460,678
Internal Service Fund		2,424,440
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Capital Leases Payable	(10,660)	
Bonds Payable	(8,063,076)	
Accretion on Bonds	(248,521)	
Premium on Bonds Issued	(420,467)	
Compensated Absences Payable	(349,413)	(9,092,137)
Net Position of Governmental Activities	\$	16,216,161

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, 2013**

	<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>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$ 1,420,565	\$ 430,628		\$ 29,028	\$ 1,880,221
Intergovernmental	4,173,763	328,507	2,312,478	953,006	7,767,754
Interest	1,145		33,843	315	35,303
Tuition and Fees	761,008			12,695	773,703
Rent				400	400
Extracurricular Activities	69,726			113,515	183,241
Gifts and Donations	14,856			111,576	126,432
Customer Sales and Services				72,822	72,822
Miscellaneous	25,340		500	999	26,839
Total Revenues	<u>6,466,403</u>	<u>759,135</u>	<u>2,346,821</u>	<u>1,294,356</u>	<u>10,866,715</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	2,845,811			190,955	3,036,766
Special	712,066			295,720	1,007,786
Vocational	103,825				103,825
Student Intervention Services	45,079				45,079
Other	594,087				594,087
Support Services:					
Pupils	258,018			4,401	262,419
Instructional Staff	180,424			80,458	260,882
Board of Education	11,976				11,976
Administration	778,591			71,889	850,480
Fiscal	305,911	11,237		772	317,920
Business	79,200				79,200
Operation and Maintenance of Plant	739,787				739,787
Pupil Transportation	136,391				136,391
Operation of Non-Instructional Services				399,829	399,829
Extracurricular Activities	181,470			108,637	290,107
Capital Outlay			11,846,144	256,765	12,102,909
Debt Service:					
Principal	10,331	61,040			71,371
Interest	736	661,745			662,481
Total Expenditures	<u>6,983,703</u>	<u>734,022</u>	<u>11,846,144</u>	<u>1,409,426</u>	<u>20,973,295</u>
Excess of Revenues Over (Under) Expenditures	<u>(517,300)</u>	<u>25,113</u>	<u>(9,499,323)</u>	<u>(115,070)</u>	<u>(10,106,580)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers In				26,000	26,000
Proceeds from Sale of Capital Assets				900	900
Transfers Out	(26,000)				(26,000)
Total Other Financing Sources and Uses	<u>(26,000)</u>	<u>0</u>	<u>0</u>	<u>26,900</u>	<u>900</u>
Net Change in Fund Balances	(543,300)	25,113	(9,499,323)	(88,170)	(10,105,680)
Fund Balance (Deficit) at Beginning of Year	955,457	424,450	13,654,721	376,973	15,411,601
Fund Balance (Deficit) at End of Year	<u>\$ 412,157</u>	<u>\$ 449,563</u>	<u>\$ 4,155,398</u>	<u>\$ 288,803</u>	<u>\$ 5,305,921</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, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (10,105,680)

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	12,079,418	
Depreciation	(128,021)	
		11,951,397

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

Intergovernmental	93,348	
Delinquent Property Taxes	65,849	
		159,197

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 71,371

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. (276,209)

Internal service fund is not included in governmental fund financial statements. 236,989

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	4,319	
		4,319

Change in Net Position of Governmental Activities \$ 2,041,384

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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive/(Negative)</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 1,370,329	\$ 1,387,400	\$ 1,387,360	\$ (40)
Intergovernmental	4,155,905	4,299,489	4,173,763	(125,726)
Interest	1,200	600	1,145	545
Tuition and Fees	733,200	708,950	760,738	51,788
Gifts and Donations		14,350	14,356	6
Miscellaneous			2	2
<b>Total Revenues</b>	<u>6,260,634</u>	<u>6,410,789</u>	<u>6,337,364</u>	<u>(73,425)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,920,321	2,920,321	2,789,957	130,364
Special	631,412	631,412	686,062	(54,650)
Vocational	113,615	113,615	105,302	8,313
Student Intervention Services	43,988	43,988	45,079	(1,091)
Other	679,510	679,510	598,216	81,294
Support Services:				
Pupils	300,211	300,211	256,045	44,166
Instructional Staff	188,925	188,925	178,661	10,264
Board of Education	12,121	12,121	11,935	186
Administration	864,749	864,749	817,427	47,322
Fiscal	316,801	316,801	314,433	2,368
Operation and Maintenance of Plant	892,269	892,269	816,549	75,720
Pupil Transportation	156,695	156,695	166,277	(9,582)
Extracurricular Activities	181,632	181,632	180,444	1,188
<b>Total Expenditures</b>	<u>7,302,249</u>	<u>7,302,249</u>	<u>6,966,387</u>	<u>335,862</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,041,615)</u>	<u>(891,460)</u>	<u>(629,023)</u>	<u>262,437</u>
Other Financing Sources and Uses:				
Proceeds from Sale of Capital Assets	2,000			0
Refund of Prior Year Expenditures	50,000	10,500	10,489	(11)
Transfers Out	(10,000)	(10,000)	(26,000)	(16,000)
Refund of Prior Year Receipts	(25,000)	(25,000)		25,000
<b>Total Other Financing Sources and Uses</b>	<u>17,000</u>	<u>(24,500)</u>	<u>(15,511)</u>	<u>8,989</u>
<b>Net Change in Fund Balances</b>	<u>(1,024,615)</u>	<u>(915,960)</u>	<u>(644,534)</u>	<u>271,426</u>
Fund Balance (Deficit) at Beginning of Year	1,285,297	1,285,297	1,285,297	0
Prior Year Encumbrances Appropriated	208,173	208,173	208,173	0
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 468,855</u>	<u>\$ 577,510</u>	<u>\$ 848,936</u>	<u>\$ 271,426</u>

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Statement of Fund Net Position  
Proprietary Fund  
June 30, 2013**

	<b><u>Governmental Activities - Internal Service</u></b>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents with Fiscal Agents	\$ <u>2,508,898</u>
Total Current Assets	<u>2,508,898</u>
Total Assets	<u><u>2,508,898</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	<u>84,458</u>
Total Current Liabilities	<u>84,458</u>
Total Liabilities	<u><u>84,458</u></u>
<b>Net Position:</b>	
Unrestricted	<u>2,424,440</u>
Total Net Position	\$ <u><u>2,424,440</u></u>

See Accompanying Notes to Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2013**

		<b>Governmental Activities -</b>
		<b>Internal Service</b>
		<u>                    </u>
<b>OPERATING REVENUES:</b>		
Charges for Services	\$	1,155,428
Total Operating Revenues		<u>1,155,428</u>
 <b>OPERATING EXPENSES:</b>		
Purchased Services		68,517
Claims		<u>869,421</u>
Total Operating Expenses		<u>937,938</u>
Operating Income (Loss)		<u>217,490</u>
 <b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest		<u>19,499</u>
Total Non-Operating Revenues (Expenses)		<u>19,499</u>
 Net Change in Net Position		 236,989
 Net Position (Deficit) at Beginning of Year		 <u>2,187,451</u>
Net Position (Deficit) at End of Year	\$	<u><u>2,424,440</u></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, 2013**

	<b>Governmental Activities - Internal Service</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Charges for Services	\$ 1,155,428
Cash Payments for Purchased Services	(68,517)
Cash Payments for Claims	(897,522)
<b>Net Cash Used by Operating Activities</b>	<u>189,389</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Received	19,555
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>19,555</u>
Net Increase (Decrease) in Cash and Cash Equivalents	208,944
Cash and Cash Equivalents at Beginning of Year	2,299,954
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,508,898</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</b>	
Operating Income (Loss)	\$ 217,490
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	(28,101)
<b>Net Cash Used by Operating Activities</b>	<u>\$ 189,389</u>

See Accompanying Notes to Basic Financial Statements



**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013**

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 1,152	\$ 35,918
Investments	23,606	
Total Assets	24,758	35,918
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		35,918
Total Liabilities	0	35,918
<b>Net Position</b>		
Held in Trust for Scholarships	24,758	
Total Net Position	\$ 24,758	\$ 0

See Accompanying Notes to the Basic Financial Statements

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2013**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Interest	\$ <u>155</u>
Total Additions	<u>155</u>
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>300</u>
Total Deductions	<u>300</u>
Change in Net Position	(145)
Net Position Beginning of Year	<u>24,903</u>
Net Position End of Year	<u>\$ <u>24,758</u></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, 2013**

**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 seven instructional/support facilities staffed by 39 non-certified and 65 certified full-time teaching personnel who provide services to 885 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 Jefferson Health Plan, (formerly known as OME-RESA Health Benefits Consortium). These organizations are presented in Notes 14 and 15 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the 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, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net position 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 deferred outflows of resources, and liabilities and deferred inflows of resources, 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, 2013  
(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 position and changes in net position. 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 activity.

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, 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, 2013  
(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 Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and on the governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2013 are recorded as deferred inflows of resources in the governmental funds and as revenue on the Statement of Activities.

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, 2013  
(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 2013 amounted to \$1,145 and \$369 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. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. 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.

**I. 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 position 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**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 received in the year the bonds are issued.

**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.



**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 position**

Net position represent the difference between assets, plus deferred outflows of resources and liabilities, plus deferred inflows of resources. Net position 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 position 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 position 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:

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.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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 2013.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**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).
4. Net adjustment for other financing sources/(uses).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<b>Net Change in Fund Balance</b>	
<b>General Fund</b>	
Budget Basis	(\$644,534)
Net adjustment for revenue accrual	129,039
Net adjustment for expenditure accrual	(224,914)
Net adjustment for other financing sources/(uses)	(10,489)
Adjustment for Encumbrances	207,598
GAAP Basis	(\$543,300)

**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.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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.

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, 2013, the District's internal service fund had a balance of \$2,508,898 with Jefferson Health Plan (formerly known as OME-RESA Health Benefits Consortium), 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 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 Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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 \$3,971,396. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2013, \$3,729,783 of the District's bank balance of \$4,229,783 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.

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, 2013, 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.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturing in Less than One year</b>	<b>Maturing in One to Two Years</b>
Federal Farm Credit Notes	\$280,125	\$280,125	
Federal Home Loan Bank Notes	1,575,498	1,575,498	
Federal Home Loan Mortgage Credit Notes	354,387		\$354,387
Federal Home Loan Mortgage Credit Discount Notes	429,715	429,715	
Federal National Mortgage Association Notes	575,612	275,807	299,805
US Treasury Bills	75,050	75,050	
Money Market	3,046	3,046	
<b>Total Investments</b>	<b>\$3,293,433</b>	<b>\$2,639,241</b>	<b>\$654,192</b>

*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.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

*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. 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.

*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 Mortgage Credit Notes, the Federal Home Loan Mortgage Credit Discount Notes, and the Federal National Mortgage Association Notes, represent 8 percent, 48 percent, 11 percent, 13 percent, and 17 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 and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 were levied after April 1, 2012, on the assessed values as of December 31, 2011, 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.

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, 2013, are available to finance fiscal year 2013 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, 2013  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property which were measurable as of June 30, 2013 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 2013 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, 2013, was \$218,122 in the General Fund, \$46,927 in the Bond Retirement Fund, and \$2,897 in the Classroom Facilities Maintenance Fund.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$52,262,650	79%	\$49,501,430	77%
Industrial/Commercial	9,611,320	15%	9,935,250	16%
Public Utility	4,159,650	6%	4,415,430	7%
Total Assessed Value	<u>\$66,033,620</u>	<u>100%</u>	<u>\$63,852,110</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.10		\$46.25	

**6. RECEIVABLES**

Receivables at June 30, 2013, 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:

	<b>Amount</b>
Governmental Activities	
Title VI-B	\$51,473
Race to the Top	7,422
Title I	203,331
Early Childhood Special Ed	694
Title II-A	7,653
Total Intergovernmental Receivables	<u>\$270,573</u>

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/13</u>
Governmental Activities				
Non-Depreciable Capital Assets				
Land	\$215,638			\$215,638
Construction in Progress	3,765,433	\$11,885,727	\$635,241	15,015,919
Total Non-Depreciable Capital Assets	<u>3,981,071</u>	<u>11,885,727</u>	<u>635,241</u>	<u>15,231,557</u>
Depreciable Capital Assets				
Land Improvements	790,805	824,932	\$18,032	1,597,705
Buildings and Building Improvements	4,635,706			4,635,706
Furniture, Fixtures, and Equipment	412,848	4,000		416,848
Vehicles	589,787			589,787
Books	185,213			185,213
Total Depreciable Capital Assets	<u>6,614,359</u>	<u>828,932</u>	<u>18,032</u>	<u>7,425,259</u>
Less Accumulated Depreciation				
Land Improvements	634,275	40,360	18,032	656,603
Buildings and Building Improvements	3,774,020	39,834		3,813,854
Furniture, Fixtures, and Equipment	359,176	13,022		372,198
Vehicles	476,884	34,805		511,689
Books	185,213			185,213
Total Accumulated Depreciation	<u>5,429,568</u>	<u>128,021</u>	<u>18,032</u>	<u>5,539,557</u>
Depreciable Capital Assets, Net	<u>1,184,791</u>	<u>700,911</u>		<u>1,885,702</u>
Governmental Activities Capital Assets, Net	<u>\$5,165,862</u>	<u>\$12,586,638</u>	<u>\$635,241</u>	<u>\$17,117,259</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$47,825
Special	520
Vocational	2,339
Support Services:	
Administration	3,259
Business	257
Operation and Maintenance of Plant	31,698
Pupil Transportation	8,478
Non-Instructional Services	1,998
Extracurricular	31,647
Total Depreciation Expense	<u>\$128,021</u>



**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**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 2013, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Insurance Carrier</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	Argonaut Insurance Company	\$5,000	\$32,224,820
Boiler and Machinery	Travelers Property Casualty	1,000	5,000,000
Commercial Auto	Argonaut Insurance Company		1,000,000
Comprehensive		100	
Collision		250	
Uninsured	Argonaut Insurance Company	250	1,000,000
Motorists/Underinsured			
Commercial Inland Marine	Argonaut Insurance Company		
Musical Instruments		500	257,000
Other		500	250,000
Commercial Umbrella Liability	Argonaut Insurance Company		
Per occurrence		0	3,000,000
Aggregate		0	3,000,000
Sexual Misconduct/ Molestation Liability	Argonaut Insurance Company		
Per occurrence			1,000,000
Aggregate			1,000,000
School Leaders Errors & Omissions	Argonaut Insurance Company	2,500	1,000,000
Employee Benefits Liability	Argonaut Insurance Company		
Per Employee		2,500	1,000,000
Aggregate			3,000,000
Commercial General Liability	Argonaut Insurance Company		
Per occurrence			1,000,000
Aggregate			3,000,000

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.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

For fiscal year 2013, 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.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of the Jefferson Health Plan (formerly known as OME-RESA Health Benefits Consortium), 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 \$84,458 reported in the Internal Service Fund at June 30, 2013 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:

	<b>Balance at Beginning of Year</b>	<b>Current Year Claims</b>	<b>Claims Payments</b>	<b>Balance at End of Year</b>
2012	\$111,853	\$938,599	\$937,893	\$112,559
2013	\$112,559	\$869,421	\$897,522	\$84,458

**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](http://www.ohsers.org), under Forms and Publications.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. DEFINED PENSION BENEFIT PLANS (Continued)**

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 2013, 13.10 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining 0.90 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, 2013, 2012 and 2011 were \$116,856, \$129,017, and \$132,295, respectively; 51 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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](http://www.strsoh.org).

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.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. DEFINED PENSION BENEFIT PLANS (Continued)**

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, 2013, 2012, and 2011 were \$500,197, \$501,290, and \$524,102, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. .

**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.

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 2012, 0.16 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 2013, this amount was \$20,525.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS – (Continued)**

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, 2013, 2012, and 2011 were \$1,427, \$5,587, and \$13,512 respectively; 51 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$6,601, \$7,619 and \$7,182, respectively; 51 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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](http://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 2013, 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, 2013, 2012, and 2011 were \$38,477, \$38,561, and \$37,436 respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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, 2013  
(Continued)**

**12. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2013, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/13</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Classroom Facilities & School Improvement Bonds					
Series 2010 A	\$174,116		\$61,040	\$113,076	\$41,176
Series 2010 B	6,200,000			6,200,000	
Series 2010 C	1,750,000			1,750,000	
Accretion on Bonds	151,488	\$97,033		248,521	
Premium on Bonds	433,404		12,937	420,467	12,937
Total	<u>8,709,008</u>	<u>97,033</u>	<u>73,977</u>	<u>8,732,064</u>	
Capital Leases	20,991		10,331	10,660	10,660
Compensated Absences	353,732	94,064	98,383	349,413	51,278
Total	<u>\$9,083,731</u>	<u>\$191,097</u>	<u>\$182,691</u>	<u>\$9,092,137</u>	<u>\$116,051</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 Build America Bonds maturing on December 1, 2034 (the 2034 Build America Bonds Term Bonds), on December 1, 2039 (the Build America Bonds Term Bonds), and the December 1, 2045 (the 2045 Build America Bonds Term Bonds, and together with the 2034 Build America Bonds Term Bonds and the 2039 Build America Bonds Term Bonds, collectively, the Build America 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 through the redemption date according to the following schedule:

<u>2034 Build America Bonds Term Bonds</u>		<u>2039 Build America Bonds Term Bonds</u>		<u>2045 Build America Bonds Term Bonds</u>	
<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, 2013  
(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, for a total maturity of \$785,000.

Principal and interest requirements to retire general long-term obligations at June 30, 2013, were as follows:

<u>Year Ending June 30, 2013</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	9,668	703,117	712,785
2019 – 2023	640,000	2,913,475	3,553,475
2024 – 2028	900,000	2,640,825	3,540,825
2029 – 2033	1,055,000	2,289,238	3,344,238
2034 – 2038	1,495,000	1,837,840	3,332,840
2039 – 2043	2,195,000	1,122,565	3,317,565
2044 - 2046	1,665,000	197,400	1,862,400
Total	<u>\$8,063,076</u>	<u>\$14,462,192</u>	<u>\$22,525,268</u>

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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 (\$2,377,426), with an unvoted debt margin of \$63,852 at June 30, 2013.

**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.

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.

	<b>Capital Acquisition</b>
Set-aside Reserve Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$ 133,634
Current Year Qualifying Disbursements	
Excess Qualified Expenditures from Prior Years	
Current Year Offsets from Bond Levy Proceeds	(400,389)
Totals	(266,755)
Balance Carried Forward to Fiscal Year 2014	0
Set-aside Balance Carried Forward to FY 2014	\$ 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, 2013  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Jefferson County Joint Vocational 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 Career Center, 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. Jefferson Health Plan**

The District participates in the Jefferson Health Plan(formerly known as OME-RESA Health Benefits Consortium), 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, 2013, the District transferred \$26,000 from the General Fund to the Food Service Fund to provide additional resources for current operations.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**17. CAPITAL LEASE COMMITMENTS**

The District is obligated under one lease accounting for as capital leases. 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 under capital lease was \$72,126 at 3.60% interest.

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, 2013:

Fiscal Year Ending June 30,	General Long-Term Obligations
2014	\$11,067
Total Future Minimum Lease Payments	11,067
Less: Amount Representing Interest	(407)
Present Value of Future Minimum Lease Payments	\$10,660

**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, 2013.

**B. Litigation**

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

**19. FUND DEFICITS**

The following funds had deficit fund balances as of June 30, 2013:

<b>Special Revenue Funds:</b>	
Food Service	\$4,387
Public School Preschool	26,314
Special Education Preschool	747

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, 2013  
(Continued)**

**20. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Prepaid Items	\$13,619				\$13,619
Materials and Supplies				\$18,788	18,788
Total Nonspendable	<u>13,619</u>			<u>18,788</u>	<u>32,407</u>
Restricted for:					
Regular Instruction				44,975	44,975
Special Instruction				25,354	25,354
Athletics				54,231	54,231
Facilities Maintenance				150,196	150,196
Debt Retirement		\$449,563			449,563
Building Construction			\$4,155,398	45,495	4,200,893
Total Restricted		<u>449,563</u>	<u>4,155,398</u>	<u>320,251</u>	<u>4,925,212</u>
Assigned for:					
Principal Funds	22,628				22,628
Encumbrances	102,126				102,126
Total Assigned	<u>124,754</u>				<u>124,754</u>
Unassigned	273,784			(50,236)	223,548
Total Fund Balance	<u>\$412,157</u>	<u>\$449,563</u>	<u>\$4,155,398</u>	<u>\$288,803</u>	<u>\$5,305,921</u>

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**21. CONTRACTUAL COMMITMENTS**

As of June 30, 2013, 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	\$1,004,902	\$769,402	\$235,500
Four Seasons Environmental	47,552	25,488	22,064
Great Lakes Hotel Supply Company	286,179	230,216	55,963
Hammond Construction	995,517	711,405	284,112
Horizon Information Systems	172,191	123,187	49,004
Horizon Information Systems	388,100	37,005	351,095
Kahoe Air Balance Co.	39,950	0	39,950
Kalkreuth Roofing Sheet Metal Inc	633,586	633,586	0
Lawhon Associates, Inc.	8,450	2,535	5,915
Lesko Associates	1,010,432	927,797	82,635
Rooftec, Inc.	21,565	8,965	12,600
RNL Fire Systems	136,056	117,432	18,624
Southern Cabinetry	350,700	0	350,700
Tri-State Security	115,224	0	115,224
Vendrick Construction Inc.	6,535,824	5,578,159	957,665
Wood Electric Inc.	1,380,017	1,144,808	235,209
Wood Electric Inc.	159,477	62,037	97,440
York Mahoning Mechanical Contractors	1,964,721	1,820,926	143,795
Totals	<u>\$15,250,443</u>	<u>\$12,192,948</u>	<u>\$3,057,495</u>

**22. CHANGE IN ACCOUNTING PRINCIPLE**

For 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 provides guidance on information presented about the financial reporting entity and its component units. It also amends the criteria for blending in certain circumstances. This statement had no impact on the District's financial statements.

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**22. CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

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TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. Department of Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
Commodity Supplemental Food Program (Non-Cash)	03-PU-13	10.555	\$17,623	\$17,623
Child Nutrition Cluster:				
School Breakfast Program	05-PU-13	10.553	\$58,754	\$58,754
National School Lunch Program	04-PU-13	10.555	174,079	174,079
Total Child Nutrition Cluster			<u>232,833</u>	<u>232,833</u>
Total U.S. Department of Agriculture			<u>250,456</u>	<u>250,456</u>
<b>U.S. Department of Education</b>				
<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-S1-12	84.010	49,102	51,298
	C1-S1-13		135,311	133,923
			54,291	52,607
Total Title I, Part A Cluster			<u>238,704</u>	<u>237,828</u>
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-12	84.027	32,507	22,367
	6B-SF-13		143,250	152,850
Special Education - Preschool Grants	PG-S1-12	84.173	55	471
	PG-S1-13		4,032	4,030
Total Special Education Cluster			<u>179,844</u>	<u>179,718</u>
Title II-A Improving Teacher Quality State Grant	TR-S1-12	84.367	3,977	6,940
	TR-S1-13		38,494	38,464
Total Title II-A Improving Teacher Quality State Grant			<u>42,471</u>	<u>45,404</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top, Recovery Act	2013	84.395	37,402	35,494
Total Race-To-The Top, Recovery Act			<u>37,402</u>	<u>35,494</u>
Education Jobs Fund	2012	84.410	5,081	5,304
Total Education Jobs Fund			<u>5,081</u>	<u>5,304</u>
Total U.S. Department of Education			<u>503,502</u>	<u>503,748</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$753,958</u></u>	<u><u>\$754,204</u></u>

*The accompanying notes are an integral part of this schedule.*

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**A. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the "Schedule") summarizes activity of the Toronto City School District's federal award programs' receipts and disbursements. 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 entitlement 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.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Toronto City School District, Jefferson County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2014. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**David Yost**  
Auditor of State  
Columbus, Ohio

June 30, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Toronto City School District's (the "District") compliance with the applicable 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 the Toronto City School District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each of the Major Federal Programs***

In our opinion, the Toronto City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

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

*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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**David Yost**  
Auditor of State  
Columbus, Ohio

June 30, 2014

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**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 other 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)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA 10.555, 10.553 Nutrition Cluster CFDA 84.010 Title I
<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?	No

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

**FINDING NUMBER 2013-001**

**Material Weakness**

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The District maintained a capital asset inventory listing that was incomplete. The total amount of capital assets reported in the District's 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 District failed to report \$3,458,212 in Construction in Progress related to the construction of a new school building. In addition, the District undervalued asset additions by \$85,807 in land improvements related to the new stadium construction. These amounts have been adjusted and are reflected in the accompanying financial statements.

In addition, the District's valuation report included some assets that were no longer in use.

We recommend the District review their capital asset listing and reconcile it to amounts reported in their financial statements. They 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. In addition, they should establish internal controls over capital assets to help ensure that all amounts are properly recorded and reflected in their valuation as well as their annual financial report

**Auditee Response**

The amount of 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 the information when that was submitted to the Ohio Dept. of Education as part of our year end reporting. The stadium was completed in the 2012-2013 fiscal year and has been added to our assets. The correct amount for the CIP was not reported by the company who does our financial statement conversion. We are involved in a \$20 million new construction project. We do our own updates to fixed assets as well as our own physical inventory for assets over \$2500. The new building was opened in August 2013 but the construction project has not been closed as of July 2, 2014.

As the new Treasurer for Toronto City Schools I plan to review the asset list when we receive it from Valuation Engineers and I plan to establish internal control over capital assets to properly record our assets.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)**

**FOR FISCAL YEAR ENDED JUNE 30, 2013**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	ORC 117-2-02 (D)(4)(C)1 (B)	No	Re-issued as a material weakness 2013-001
2012-02	34 CFR 80.20 (b) (7) - Cash Management	Partially	Cited in the management letter

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Toronto City School District (the District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 20, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

June 30, 2014

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Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

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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  
JULY 31, 2014**